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SYLLABUS:

VOUCHING-VOUCHING OF CASH TRANSACTION-TRADING TRANSACTION-IMPERSONAL LEDGER

Meaning

Vouching is a process. While the documentary evidence used for the purpose of vouching is a 'Voucher'. Thus, 'vouchers are the documentary or other evidences in support of transactions entered in the books of accounts.

Definition

“Vouching is a technical term, which refers to the inspection of documentary evidence supporting and substantiating a transaction.”

- Ronald A. Irish

Points to be considered while vouching

1. Serial No.
2. Date
3. Name
4. Address
5. Amount
6. Particulars
7. Approval and signature

8. Revenue stamp
9. Continuous vouching
10. Cancelling the voucher
11. Period
12. Entry in the books of a/c
13. List of missing vouchers

Objects of vouching

- ❖ To see that all transactions are correctly recorded
- ❖ To see that all transactions recorded are supported by the documentary evidence
- ❖ To ascertain with the help of evidence that all transactions are properly authenticated.
- ❖ To see that necessary vouchers relating to entries recorded in books are with the client.

CHARACTERISTICS

- ❖ 1. Examination of entries
 - ❖ - by documentary
 - ❖ - by other evidence eg. Vouchers, receipts, counterfoils of check book and pay-in-slips, minute books, correspondence
- ❖ 2. Such documentary supports and substantiate a transaction.
- ❖ 3. Ensures correctness and
- ❖ 4. Important aspect of Auditing
- ❖ 5. Preliminary work of auditing

Points to be noted in Vouching

- 1) Auditor should check date , name of the party to whom the voucher is addressed , the name of the party issuing the voucher & the amounts
- 2) All vouchers are properly filed , serially numbered & arranged in order of the entries in the various books .
- 3) The voucher is inspected should be canceled by a stamp or mark so that it cannot be produced again.
- 4) Auditor should see that any alteration in the voucher has been duly signed & approved by the senior officer of the organization.
- 5) Nature of expenditure must be related to the business concern.
- 6) Amount paid should be shown in words & figures it will reduce the chances of alterations.
- 7) The auditor should be careful about the period for which the payment is made

Vouching of cash transactions

- ❖ Cash transactions take place almost every day in business. An auditor should give care and attention to the vouching of cash transactions.
- ❖ The main objectives of vouching of cash transactions are
- ❖ 1) To ensure that all receipts of cash are duly accounted for to ensure that no improper payments are made.
- ❖ 2) To see that all receipts and payments of cash are actually and properly recorded.
- ❖ 3) To see that all payments have been made to proper persons and the payments are true payments.
- ❖ 4) To see that cash and bank balance correct and really exist.
- ❖ 5) Vouching of cashbook or cash transaction covers the vouching of receipt side and vouching of payment side.

Points To be Considered While Vouching of Cash Transactions

- All the receipt of cash should be recorded in the cash book.
- Amount of cash received should be deposited into bank daily.
- check should present it to responsible officer to sign.
- All unused receipt books and checkbooks must be kept under lock.
- All the payments except petty cash expenses must be made by check.
- The auditor is concerned with the checking of the Purchases Book and Sales Book in order to prevent misappropriation of goods.

VOUCHING OF TRADING TRANSACTIONS

1.Vouching of Purchase Book

The major purpose behind the vouching of purchase book is to confirm that every purchase bill is entered in purchase book, the invoices entered in purchase book are against the actually received goods, and payment is made for those actual purchases. We will further discuss the main duties of an Auditor concerning the vouching of credit purchases.

2.Vouching of Purchase Return Book

There are times when due to the quality of purchase goods or due to excess supply of ordered goods or any other reasons, goods are returned back to supplier.

- The Auditor needs to verify the following points –
- A debit note or purchase return invoice should be prepared mentioning the original purchase invoice number, quantity, price, applicable taxes, etc. These should be according to the original purchase invoice against which material was purchased.
- A corresponding credit note should be received from the supplier.
- Separate goods return book should be maintained.
- Adjustment of the amount of goods return invoice should be done while making payments to the supplier.
- payments to the supplier.

Vouching of Credit Sale

- Most of the sales are made on credit basis and the internal control system for the same is given below –
- Internal Control for Credit Sale
- A separate sale order register should be maintained showing the detail of goods ordered, name of the customer, order number, quantity ordered, schedule time for dispatch, price, mode of delivery, payment terms, particulars of taxes and insurance.

Vouching of Journal Book

- In addition to cash book, purchase book, sale book, purchase return and sales return book, the following entries are recorded in the journal book –
- Opening and closing entries, various provision for Taxes and doubtful debts

VOUCHING OF IMPERSONAL LEDGER

- Out Standing Assets
- Out Standing Liabilities
- Contingent Assets
- Contingent Liabilities

Books referred:

1. Practical Auditing by B.N.Tandon
2. Principles and practice of auditing by Saxena