



TRINITY COLLEGE FOR WOMEN NAMAKKAL

Department of Commerce

AUDITING

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VOUCHING OF CASH TRANSACTIONS

Vouching of cash transactions can be discussed under the following heads:

1. Vouching of receipts side of cash book.
2. Vouching of payments side of cash book.

VOUCHING OF RECEIPT / DEBIT SIDE OF CASH BOOK

OPENING BALANCE - This should be compared with the balance shown in the duly audited balance sheet of the previous year. this is done to see that the actual balance has been brought down.

2.CASH SALES - There are many chances of fraud under this head & so much care should be taken. to avoid the chances of fraud the auditor must check all the available evidence exhaustively.

while vouching the cash sales, the following points should be considered.

- To check all the available evidences.
- To check cash memo & daily sales summary.
- To check the daily totals of receiving cashier's cash book with general cashbook.
- To check the no. of cash memo.
- If the cash register is maintained, daily totals recorded in the cashbook with the till rolls should be checked.

3. RECEIPTS FROM DEBTORS-

Cash received from debtors is to be verified with counterfoils of receipts issued to them.

The counterfoil forms the documentary evidence.

- There are possibilities to show less cash than actual receipts,
- concealment of receipts & issue of receipts from unused counterfoils.

4. INTEREST & DIVIDENDS

- He should check the cash book, interest account & personal account.
- Investment ledger must be checked.
- Check that all the interest & dividend were received at due dates are duly accounted.
- In case of rates of interest & dividends are fixed, he should calculate & check them.
- Pass book must be checked, while interest & dividend collected is thoroughly checked.
- Examine the advance & accrued interest very carefully.

5. BILLS RECEIVABLES-

The amount received against the bills receivables should be vouched, with reference to the bills receivable book. For the bills, which are due for the receipt of money but against which the amount has not been received, inquiries must be made against the same. He must make a particular note of bills dishonored.

When bills are collected through a banker, the auditor should compare the entries in the bank column of the cash book with that of the pass book.

6. COMMISSION RECEIVED-

Commission is a sort of allowance or remuneration for rendering service or labour in discharge of duties.

- He should check the commission account with the account of the parties from whom commission received.
- He should examine the agreement between the parties for rate of commission.
- Examine the counterfoil with amount in cash book.
- Check the accuracy of the amount.

7.SUBSCRIPTION RECEIVED

A subscription is simply a contribution towards a fund maintained by a society ,club etc.

- Auditor should check the subscription received with the counterfoils & carbon copies of the receipt issued to the members.
- Compare a reasonable no. of entries with the register of subscription
- Care should be taken to see subscription due but outstanding.

8.INSURANCE CLAIMS

- ✓ Amount received in respect of a claim from insurance company should be vouched.
- ✓ Auditor should examine the insurance policies & terms & conditions.
- ✓ Check the claim register.
- ✓ Examine the insurance money received from an insurance company against the claim of the firm.

9.RECEIPT FROM HIRE PURCHASE

The auditor should check that the whole amount of installment is not credited to sales account & it has been bifurcated between sales & interest.

10.BAD DEBTS RECOVERED

Receipts from debtors who have become bankrupt should be vouched.

- Auditor should examine the counterfoils of dividend warrants or other related documents.
- Ascertain the amount of debts & the rates of dividend from it.
- Ensure that accurate amount has been received & entered in the book.

11.SALE OF INVESTMENTS

- The auditor should examine the broker's sold notes to vouch the proceeds from sale of investment.
- Examine bank invoices, if it is sold through it.
- If investment have been sold out cum dividend, the auditor should see the proceeds are properly apportioned between revenue & capital receipts.

12.PROCEEDS FROM SALE OF FIXED ASSETS

Whenever fixed assets, such as land, building, machinery, furniture etc. are sold, correspondence is made with the parties who are willing to purchase them.

- Fixed assets are sold through broker or auctioneer.
- Auditor should vouch fixed assets sales correspondance, accounts, sale contract, minutes
- Of boarding meetings or other evidence available.
- If sold through auction, the auctioneer's account should be examined by the auditor.

13.LOAN RECEIVED : The auditor should check the following:

- Agreement with the lender.
- Powers to raise loans.
- Security offered.

14.SHARE CAPITAL

For vouching share capital, the auditor should consider the following points.

- Audit of share issued for cash.
- Audit of shares issued for consideration other than cash.
- Auditor should note sec 78(i) of the act, where a company issues premium.
- The auditor should verify the forfeiture of shares.
- The auditor should verify the reissue of shares.
- The auditor should examine the share warrant.
- He should ascertain total call amount.
- He should see that the proper note has been given in the balance sheet under the head share capital with regard to various terms of redemption of preference shares.

15.MISCELLANEOUS RECEIPTS

Receipts other than specially dealt, should be vouched with the help of related documents, agreements or correspondence

THANK YOU

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