

E-contents
Vanijya Mahavidyalaya, Patna
University

Subject: AUDITING

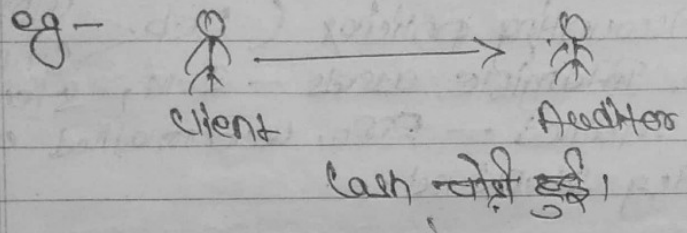
Topic: INTRODUCTION OF AUDITING

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Auditing (rootit garmuam)

- * Primary objective. — to detect error & frauds.
- " " — financial statements check & consistency on it. (how & how) New.



- ① Loss by theft A/c Dr
 To Cash A/c
- ② P/L A/c — Dr
 To Loss by theft A/c

So, Auditor's duty is not to find frauds but to check if that entry is made or not. So P.O. is the check the fin. statement.

* ICAI (Institute of C.A. of India)
(National Professional Accounting body of India)
function - audit standard set, member - 10

Auditing is the independent examination of ^{the} statement of an entity whether profit oriented or not & irrespective of the size or legal form in which an exam is conducted with independent 1/7 or not the employee of the org. (don't follow the direct)

* Profit does not matter.
 Size " " "
 Form of " " "

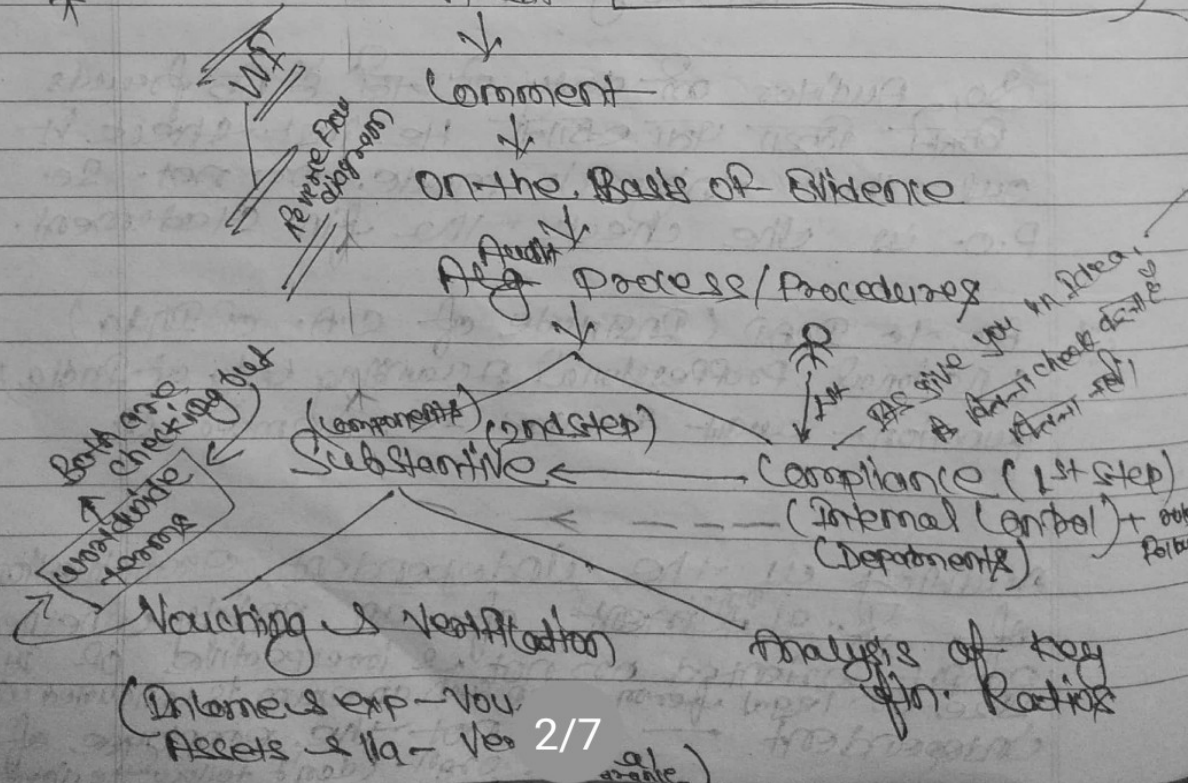
* True & fair view. (condition) Three —

① Proper Accounting policies (Dep ^{W.D.V. so} you choose. Intangible assets — S.L.M., ^{S.L.M.} stock valuation method — FIFO, W.A method etc of IAS & A/c Standard.

② A/c Standard. (32.)

③ Adequate Disclosure in notes & Accounts. (Footnotes) (dep, reserve, contingencies, emp benefit)

* Audit [unrelated also in exp, detail]



Types of Negligence

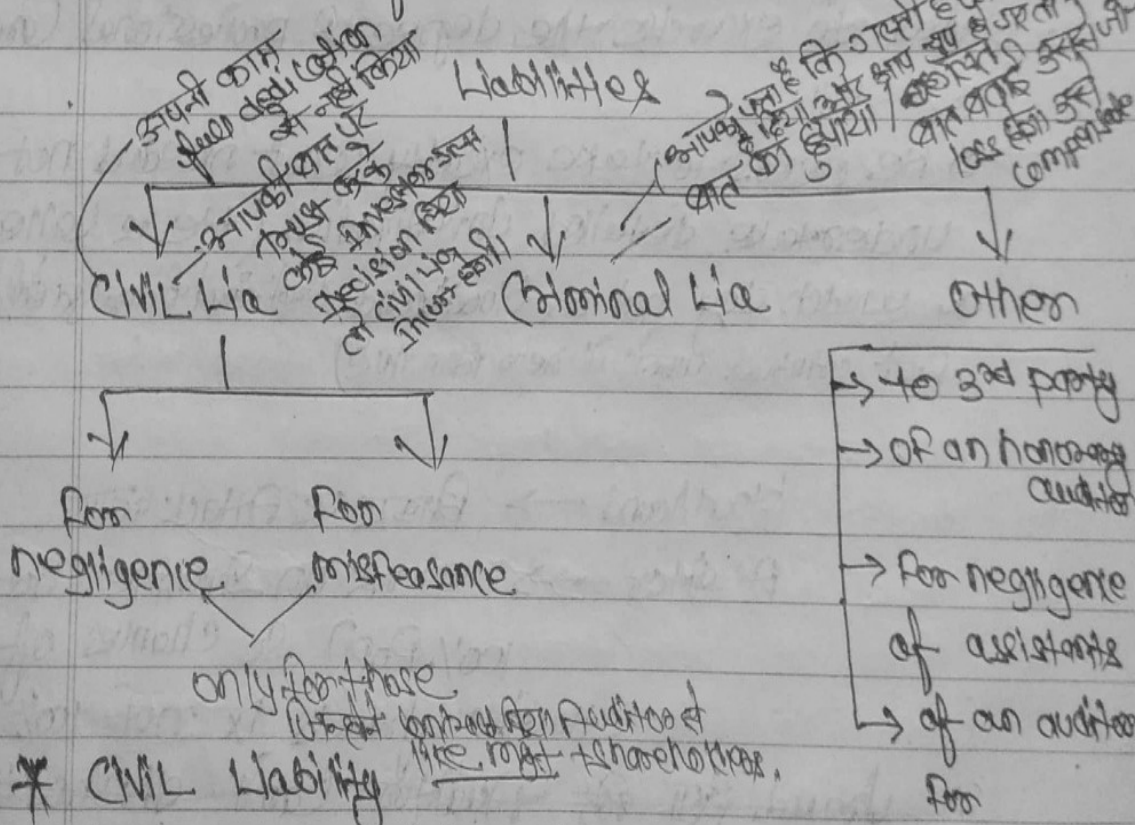
- ① Ignoring Notices & not to oppose paying dividend out of Capital amt to negligence. (Investor should be CAET of Div but not Div itself) ~~~)
- ② Not verifying petty Cash book balance amt to negligence. (Cash balance में अंतर है या Div में Cash...)
- ③ Not to make complete examination of bad debts & not Reserve is negligence.
- ④ Not to work with proper care & skill ~~to~~ amt to negligence ~

II. Liabilities for misfeasance (wrongful exercise of lawful authority)

It is a legal term used for an act that is not illegal but is performed in a way that harms another individual.

* Liability of a Company Auditor

A.C. to Companies Act ~~1956~~ ²⁰¹³ Co's Audit is compulsory. In this Act there is a provision for Qualifications, appointments, rights, duties & liabilities of an auditor.



* CIVIL Liability

It arises due to failure in duty, damages or compensation will be paid by the auditor as per court order.
 eg- I loan for 1000 on the basis of report of Auditor

- Liability for negligence
 - fail to perform his duties with reasonable care.
 - compensate to 3rd party.
 - negligence includes all errors which cause loss to others.

malfeasance - intentionally harms someone through illegal action.

→ It happens when Auditor commits a breach of duty or trust.

→ It arises only in the event of winding up of a company.

→ A case of misfeasance can't be filed against an auditor during the existence of the Co.

→ where Co. is liquidated or under liquidation the liquidator or shareholder or creditors can file a suit against the auditor. (Co. में बंद होने के बाद ही ऐसा हो सकता है इस-लिए किसी पार्टी को तब ही Co. में बंद हो जाने तक वे जो दिक्कतें पैदा करने के लिए नहीं जाते वे होगा misfeasance और Audit report नहीं होती तो इसको Co. के अस्तित्व के बारे में पता होता है और Auditor के ~~व्यक्तिगत~~ कर्मों को ~~सुझा~~ ~~जाने~~ ~~होता~~ है।)

* Types of Cases for misfeasance -

① Not to give correct info to the shareholder regarding BIS is misfeasance. (अवशिष्टांश प्राप्त Securities के PL में कोई प्रॉब नहीं दिया कि PL ↑, Asset ↑ but actual is different)

② Physical Verification of Stock is not the duty of Auditor.

कि A 6/7 में liable नहीं है

② Not to perform the work carefully & efficiently leads to misfeasance — (PL show
जहाँ हुआ And ~~the~~ capital ~~is~~ ~~to~~ ~~DN~~ ~~दिया~~ ~~जा~~ ~~ता~~
Auditor ~~अपने~~ ~~काम~~ ~~में~~ ~~नहीं~~ ~~समझ~~ ~~पार~~ ~~ता~~ —)

③ falsification of A/c leads to misfeasance —
(absence of proper system of granting advances,
हाँवा ~~अपने~~ ~~AC~~ ~~में~~ ~~कुछ~~ ~~doubt~~ ~~है~~ ~~कि~~ ~~Auditor~~ ~~should~~
write down).

④ Not to understand Doubtful Facts is mis-
feasance — (मौ. 2 ~~जबकि~~ ~~की~~ ~~कुछ~~ ~~अवस्थाएँ~~ ~~हैं~~
जहाँ ~~है~~ ~~तब~~ ~~Auditor~~ ~~की~~ ~~understanding~~
है ~~पर~~ ~~बुझ~~ ~~कर~~ ~~के~~ ~~understand~~ ~~नहीं~~ ~~कर~~ ~~पा~~ ~~एगा~~ —)