B. Com III

Auditing
Lecture - Ist

Origin of Auditing

The word 'audit' is derived out the Latin word, audire, which means to 'hear'. Thus in past times, the term 'auditor' means literly 'hearer', i.e., 'one person who hears' and its used ever since the days when public accounts were accepted and approved on the basis of hearing the accounts read.

Auditing in India:-

from 1914 to 1932:→ The Government of Bombay was first to arrange for conducting the courses of study in this direction. The qualification of being an auditor was obtained by passing the examination of the govt. Diploma in Accountancy (G.D.A.) conducted by the Bombay Government.

from 1932 to 1949:→ The Central Government established an Indian Accountancy Board under the Auditors' Certificate Rules 1932. under these Rules, Registered Accountant (R.A) were authorised to work as qualified auditors.

from 1949 to 1956:→ The Charted Accountants Act was passed in 1949 and it came into force on July I, 1949. Now a person has to pass

The examination conducted by it, only then he can obtain his Certificate of Charted Accountant.

Meaning of Auditing

In earlier times the meaning and utility of auditing was confined to mere cash audit, that is the auditor's duty to ascertain whether the person(s) responsible for maintenance of accounts had properly accounted for the cash receipts and payments behalf of the owners of the business. But now-a-days the term 'audit' is used in a wider sense and involve a through scrutiny of books of accounts and its ultimate aim is to verify the financial position as disclosed by the Balance Sheet and profit and loss account of a business.

Definition of Auditing

1. A.W. Hanson:- An Audit is an examination of such records to establish their reliability and responsibility of statements drawn from them.

2. Spicer and Peglar:- "An audit may be said to be such an examination of the books of accounts and vouchers of a business which will enable the auditor to satisfy himself that the Balance Sheet is properly drawn up, so as to give a true and fair view of the ~~profit~~ statement of affairs of business ----

and whether the profit and loss Account ~~to the best~~ gives a true and fair view of the profit or loss for the financial period according to the best of his knowledge information and explanation given to him and as shown by the books; and if not, in what respects he is not satisfied.

In Summary Audit may be defined as:

(i) an intelligent and a critical examination of the books of accounts of a business. which

(2) is done by an independent person or body of persons qualified for the job,

(3) with the help of vouchers, documents, Information and explanations received from the authorities, so that

(4) the auditor may satisfy himself with the authenticity of financial accounts prepared for a fixed term and ultimately report that:

(i) The Balance Sheet exhibits a true and fair view of the State of affairs of the Concern:

(ii) The profit or loss Account reveals the true and fair view of the profit or loss for the financial period: and

(iii) The accounts have been prepared in conformity with the law.

In short, an audit implies an investigation and a report. The process of checking and vouching continues until the investigation is completed and the auditor enables himself to report in accordance with the terms of his appointment.

=