**AUDITING PRINCIPLES & PRACTICES**

Program in which it is offered: B. Com

Course Category: Elective Schedule of Offering: Semester IV

Course Credit Structure: 3 Course Code: CK231

Lecture: 3 Tutorial: 0 Practical: 0

Contact Hours per week: 3 Instructor: Dr. Manjula R Iyer

**Introduction**

Auditing subject provides a body of knowledge to understand the nature and diversity of audit and assurance engagements. The subject provides an insight on audit and assurance processes, the methodologies and procedures. The environment within which the auditor operates, the respective roles of the company auditors and internal audit, are also discussed. Learning auditing subject help the students to detect accounting irregularities, monitor proper cash flow to business and also determine whether there is any financial mismanagement, fraud or waste occurring within departments. This coursework gives students a strong foundation in the financial and accounting principles involved in auditing.

**Course Objectives**

* To familiarize the students with the essentials of auditing practices and principles
* To enable the students to understand the duties and responsibilities of auditors and to undertake the work of auditing.

**Pre-requisites**

There is no pre-requisites required.

**Readings**

1. Tandon, B.N., Sudharsanam, S., & Sundharabahu, S., A Handbook of Practical Auditing, S.Chand & Compaly Ltd, New Delhi.
2. Arun Jha, Auditing – University Edition, Taxman Publications
3. Saxena, R. G., Principles and Practice of Auditing, Himalaya Publishing House, Mumbai
4. Sharma, T. R., Auditing Sahitya Bhawan Publication Agra.
5. Saxena, R. G., Principles and Practice of Auditing, Himalaya Publishing House, New Delhi.

**Module-wise topics**

**Module I Essentials of Auditing (8 hours)**

*Objectives:*

* To make the students aware about the principles and conduct of audit
* To familiar the students to understand the role of Auditing and Assurance Standards Board of India

Topic:

* Audit: Concept, Basic principles and Objectives
* Auditor: Qualities and Qualifications
* Types and Conduct of Audit
* Classification of Audits
* Auditing and Assurance standards, Indian Auditing and Assurance Standards Board
* A critical appraisal of auditing

**Module 2: Auditing Planning Procedures (8 hours)**

*Objectives:*

* To enrich the students with the knowledge about the auditing planning procedures

Topic:

* Preliminary preparations by the Auditor
* Audit Programme
* Audit Files, Audit Notebook, Audit working papers
* Audit evidence – Reliability and Verification
* Commencement of new audit
* Test checking, routine checking

**Module 3: Internal Control (8 hours)**

*Objectives:*

* To make the students to understand the need of internal control and internal audit in a business organization.

Topic:

* Internal control: Environment of Internal control
* Internal control and management
* Internal control and auditor and Review of internal control by the auditor
* Testing of internal control
* Relationship between the assessments of Inherent and Control Risks
* Communication of weakness in internal control
* Internal check and auditors’ duties
* Internal Audit – Standard on Internal Audit.

**Module 4: Audit Process for Final account items (12 hours)**

*Objectives:*

* To make the students aware about the process of vouching, verification and valuation of assets and liabilities
* To familiar the students to understand the audit process of final accounts items

Topic:

* Vouching: Vouching of Cash Transactions, Vouching of Receipts and Payments.
* Verification and Valuation of Assets and Liabilities
* Audit process for Profit and Loss account items: Audit of cash payments, Audit of purchases, Audit of Expenditure, Audit of cash receipts, Audit of Sales, Audit of Other Income, Audit of depreciation, Audit of ledgers, Audit of outstanding liabilities and outstanding assets,
* Quantitative Reconciliation in trading and manufacturing companies.
* Audit process for Balance sheet items: Audit of fixed assets, Audit of Investments, Audit of Current Assets, Audit of Miscellaneous expenditure
* Audit of liabilities, Audit for General consideration – Loans and Borrowings – Provisions – Contingent Liabilities – Events occurring after the Balance Sheet date – Prior period and extraordinary items and changes in accounting policies.

**Module 5: Audit Procedure and process (9 hours)**

Objectives:

* To enrich the students with the knowledge of company audit and audit in other forms of business.

Topic:

* Company Audit: Qualification and disqualification
* Appointment and removal of Auditor
* Power and duties of an auditor
* Liabilities of an auditor
* Audit of sole Proprietorship
* Partnership Firms and other forms of business
* Audit Report: Contents and types

**Pedagogy**

This course will be delivered through lecture and discussion-oriented method. The suitable case studies in relation to auditing will be discussed in the class and field exposure will be given to the students. Throughout the semester, students will make various small presentations of different current topics in Auditing.

**Evaluation Pattern**

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| Components | Weightage |
| Mid semester exam | 25 |
| Assignment | 20 |
| Individual student presentation | 15 |
| End semester exam | 40 |
| Total | 100 |