

ASSIGNMENT - II

1. What is Audit Program? Advantage and disadvantage?

Meaning of the Audit Program:

"A detailed plan of the audit work to be performed, specifying the procedures to be followed in verification of each item in the financial statements, and giving the estimated time period."

It can also be called the Outline or time table of how the audit work is to be conducted by the audit staff.

Audit Program Advantage:

* Office work is not unnecessarily distributed because auditor visits only once a year.

* Minimization of chances of alteration of audited work

* Auditor's staff has a grip over the audit as the work is completed continuously.

* It is a less expensive system and suitable for small business house.

* Periodical audit can be finished quickly within reasonable time.

Audit Programme Disadvantages:

- * The audited accounts may not be available immediately.
- * Auditor may not be able to check and verify all transactions.
- * In big concerns physical auditing is not very helpful.
- * The auditor's report may get delayed.
- * There is more dependence on the co-operation of management which is not a desirable thing.

2. Contents of an audit program:

1. Client Name and Accounting year
2. Audit procedures
 - * Evaluation of internal control
 - * ascertaining arithmetical accuracy
 - * Vouching
 - * Verification & valuation of A/L
 - * Scrutiny of ledgers
 - * Analytical review and overall check
 - * Checking and grouping, disclosure and presentation
 - * Preparation & submission of report
3. Distribution of Audit work
4. Time Table.

3. What is Audit Note Book:

* An audit note book is one of the most important document maintained by the auditor.

* It is defined as a record used mainly in recording audit, containing data on work done and comments made.

* Audit Note Book contains information regarding the day to day work performed by the audit staff. Notes about errors, explanations required etc.

* The Auditor can use it as an authentic evidence in the court if there is any case against him.

Contents of Audit Note Book

1. Nature of business and important documents such as MOA, AOA, Partnership deed etc.
2. List of books of accounts.
3. List of officials, their duties and responsibilities.
4. Copy of the audit programme.
5. Information on mission receipts, Vouchers etc.
6. Details of errors discovered.
7. Explanations sought from the Officials.

8. Points to be included in the audit report.

4. What is Audit Workpapers:

* Audit Working papers should document the following aspects of the audit process.

* Planning

* The Examination and evaluation of the adequacy and effectiveness of the system of internal controls.

* The auditing procedures performed, the information obtained, and the conclusions reached.

* Review

* Reporting

* Follow up

* Standardized audit working papers such as questionnaires, audit programs, and other forms improve the efficiency of audits and facilitate delegation of audit work.

* The director of internal auditing is responsible for establishing and enforcing policies for the types of working papers files maintained, stationery used, indexing, and other related matters and for setting working papers retention policies.

5. What is Internal audit

* The role of internal audit is to provide independent assurance that an Organization's Risk Management, consistency of product and internal control processes are operating effectively.

* Internal audit alludes to the auditing program adopted by the firm to review its financial and operating activities by a professional

* Each and every component of the work is verified.

* Checking is done after the work is verified performed.

* To detect fraud and error.

* Internal audit is preventive in nature.

6. What is Internal check:

* Checks on the day-to-day transactions which operate continuously as a part of the routine systems.

* The main objective of internal check is prevention of errors and frauds and/or detection of errors and frauds at the earliest.

* It also ensures efficiency of the accounting system followed by the Organization and enables easy

preparation of financial statements
* Internal check discourages fraud
and collusion among employees by
instilling a fear of detection in
their minds

3. What is Mean by Audit Report and Explain their contents?

An audit report can be defined as opinion about the financial statements of the company. The audit report is supposed to be published with the Annual Report of the company. The Main parties interested in audit reports and the overall opinion presented are investors, Analysts, Company's Management and lenders.

Contents of Audit Report:

1. Title

2. Addressee
3. The Responsibility of the Auditor and the Management of the Company.
4. The scope of the Audit
5. The Opinion of the Auditor
6. Basis of opinion
7. Signature of Auditor
8. Place of signature
9. Date of the Audit report
10. Date of signature

2 - MARKS.

1. What you mean by cost Price?

The Price refers to the price at which an asset is acquired plus Expenses incurred in connection with the acquisition of an asset.

2. Replacement of Value?

The Value points to the value which will be realised in the Market and received from the sale of an Asset.

3. What is Market Value?

This Value represents the value at which a given assets can be replaced.

4. What is Book Value?

This value reflects the value at which an asset appears in the books after writing off depreciation till date.

5. What is Break up Value (or) Scrap Value?

This value shows the value realised from sale of an asset as scrap.

6. What is Mean by Historical Value?

This is equivalent to the cost less a reasonable amount of depreciation written off.

7. What you Mean by Fixed Asset?

These are assets bought for the permanent use of business enterprise. They are used for production of goods/ services. [E.g] Land, Asset Machinery, furniture, loose tools etc.

8. What you Mean by Current Assets?

They cannot be put to constant use. These assets are convertible liquid asset. [E.g] Bills receivables, debtors, stock, bank balance, cash, prepaid expenses and Marketable Securities.

9. What you Mean by intangible Assets?

Intangible assets are such

assets which do not have physical form or physical existence. But they do have their utility value [eg]. Good Will, Patent, copyright and Trade Marks.

10. State Meaning of Trade Mark?

The term trademark refers to a recognizable insignia, phrase, word, or symbol that denotes a specific product and legally differentiates it from all other products of its kind. A trademark exclusively identifies a product as belonging to a specific company and recognizes the company's ownership of the brand.

PRACTICAL ACCOUNTING.

1/20/20

ASSIGNMENT - III

1. What you mean by internal check?
Discuss the merit and demerit?

Internal check:

* Check on the day to day transactions which operate continuously as a part of the routine system.

* The main objective of internal check is prevention of errors and frauds or deduction of errors and frauds of the actiest

* It also ensures efficiency of the accounting system followed by the Organisation and enables easy preparation of financial statements.

* Internal check discourages fraud and collusion as fear is deduction in their minds.

Internal check Merits:

* Proper distribution work.

* Detection and prevention of errors and frauds.

* Increase the Efficiency

* Determination of Employees liability

* Proper maintenance of Books of Accounts.

* Easy and quick presentation of Final Accounts

* Facilitates the Audit

* Increases profitability.

Demerits :

- * Costly for small business
- * Quality is sacrificed for promptness
- * Carelessness among high Officials
- * Disorder in the Working of a business
- * Risky for an auditor

2 Define Internal control ? State three Objective ?

Internal control :

A process, affected by an entity's board of directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of Objectives in the following categories.

- * Effectiveness and efficiency of Operations
- * Reliability of financial reporting
- * Compliance With applicable laws and regulations.

Objective of Internal control :

* Following all the main Objective of internal control :

- * To prevent errors and frauds.
- * To prevent miss use of goods and services cash
- * To keep in accurate records of all the business transactions

* Protect Organisation assets against their improper expenditure

* Assure the accuracy and dependability of all the financial and operating information.

3. What is Internal Audit? Explain three Objective?

Internal Audit:

* A Role of internal audit is to provide independent assurance that an Organisation's risk Management, consistency of product and internal control processes are Operating effectively.

* Internal Audit alludes to the auditing program adopted by the firm to review its financial and Operating activities by a professional.

* Each and every component of the Work is Verified.

* To detect fraud and error

* Internal Audit is preventive in nature.

Internal Audit Objective:

* Verifying the accuracy of Accounts

* Detection of Errors and Frauds.

* Reviewing the system of internal check and control.

- * Verifying the company Assets.
- * Verifying the liabilities
- * Adherence to accounting standards
- * Reviewing the Managerial Functions.