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DEPARTMENT OF COMMERCE

JANTA KOSHI COLLEGE BIRAUL, DARBHANGA

FOR-LNMU -B.com part -3rd Paper-viii - Principles of Auditing

Unit I

Introduction of Auditing

Types of audit

Based on ownership: On the basis of ownership audit can be:-

- 1. Audit of Proprietorship:** In case of proprietary concerns, the owner himself takes the Decision to get the accounts audited. Sole trader will decide about the scope of audit and Appointment of auditor. The auditing work will depend upon the agreement of audit and the Specific instructions given by the proprietor.

2. Audit of Partnership: To avoid any misunderstanding and doubt, partnership audits Their accounts. Partnership deed on mutual agreement between the partners may provide For audit of financial statements. Auditor is appointed by the mutual consent of all the Partners. Rights, duties and liabilities of auditor are defined in the mutual agreement and Can be modified by the partners.

3. Audit of Companies: Under companies Act, audit of accounts of companies in India Is compulsory. Chartered accountant who is professionally qualified is required for the audit Of accounts of companies. Companies Act 1913 for the first time made it compulsory for Joint stock companies to get their accounts audited from a qualified accountant. A numberOf amendments have been made in companies Act, 1956 and 2013 regarding appointment, Duties, qualification, power and liabilities of a qualified auditor.

4. Audit of Trusts: The beneficiaries of the trusts may not have access and Knowledge of accounts of the trust. The trustees are appointed to manage and look after The property and business of the trust. Accounts of the trust are maintained as per the Conditions and terms of the trust deed. The income of the trust is distributed to the Beneficiaries. There are more chances of frauds and mis-appropriation of incomes. In the Trust deed as well as in the Public Trust Act which provide for compulsory audit of the Accounts of the trust by a qualified auditor. The audited accounts of the trust ensure true And fair view of accounts of the trust.

5. Audit of Accounts of Co-operative Societies: Co-Operative societies are Established under the Co-Operative Societies Act, 1912. It contains various

Provisions for the regulations and the working of these societies. Some of the states

Have adopted it without any change, while others have brought certain changes to

It. The auditor of the Co-operative Society should have an expert knowledge of the

Particular act under which Co-operative society under audit is functioning. He should also

Study by-laws of the society and make sure that the amendments made from time to time in

The by-laws have been duly registered in the Registrar's Office. Companies Act is not

Applicable to the co-operative Societies. The Registrar of co-operative societies shall audit or

Cause to be audited by some person authorized by him, the accounts of the society once in every financial .

- 6. Government Audit:** Audit of government offices and departments is covered under This heading. A separate department is maintained by government of India known as Accounts and Audit Department. This department is headed by the Comptroller and Auditor General of India. This department works only for the government offices and departments. This department cannot undertake audit of non-government concerns. Its working is strictly According to government rules and regulations.