

VIVEKANAND COLLEGE, KOLHAPUR
(EMPOWERED AUTONOMOUS)
DEPARTMENT OF COMMERCE

Subject : **ADVANCED ACCOUNTANCY-II**
(AUDITING)

DEFINITION, GENERAL PRINCIPALS &
OBJECTIVES OF AUDITING

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-Definitions of Audit-

- Audit is systematic, independent examination of financial records, irrespective of legal form, whether profit oriented with objective to give opinion, whether financial statements true & fair view.

..... Institute of Chartered Accountants of India (ICAI)

- An audit is an independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon.

..... International Federation of Accountants (IFAC)

- Auditing is a systematic examination of financial statements, records and related operations to determine adherence to generally accepted accounting principles, management policies or stated requirements.....

..... Robert E-schlosser

Important elements of Auditing-

- **To express opinion-** on true and fair presentation of the financial information
- **Independent agency-** called auditor....should be free from any interest in financial affairs of company
- **Systematic examination-** of books of accounts
- **Right to ask-** auditor has right to ask for information and explanations from the concerned persons, employees etc.
- **Audit report-** after audit the auditor gives his audit report consisting his opinion on financial statements.

General Principles of Auditing: (SA 200)

1. Integrity, objectivity and independence
2. Confidentiality
3. Skills and competence
4. Work performed by others
5. Documentation
6. Planning
7. Audit evidence
8. Accounting system and Internal control
9. Audit conclusions Reporting

Objectives of Auditing:-

❖ Primary objective

❖ Secondary or incidental objective

❖ Primary objective-

• As per section 143 of Companies Act 2013-

to report the owners that the financial statements give a true and fair view of the state of affairs of the entity.

❖ Secondary objective-

- Detection and prevention of errors
- Detection and prevention of frauds

Detection and prevention of errors-

- Errors of Omission
- Errors of Commission
- Errors of Principles
- Compensating Errors

Detection and prevention of frauds-

- Misappropriation of cash
- Misappropriation of goods
- Fraudulent manipulation of accounts