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B.Com Honours

Semester VI

Calicut University

AUDITING AND ASSURANCE

Course Code: COM6CJ304 • Module 3 Notes

Module III: Vouching, Verification, Valuation, & Specific Audits

Covers vouching of transactions, verification & valuation of assets and liabilities, audit of cash/bank, debtors, creditors, fixed assets, sales, purchases, and employee expenses.

Unit 11: Vouching Meaning, Importance, & Voucher Requirements

Vouching: Examining documentary evidence (vouchers, invoices, receipts) supporting recorded transactions. "Vouching is the essence of auditing." Essential Voucher Rules: Correct date, party name, authorized signature, Revenue stamp (if >₹5,000), & proper account head.

Unit 12: Verification & Valuation of Assets and Liabilities

Verification: Substantiating existence, ownership, possession, freedom from encumbrance, & proper disclosure.
Valuation: Determining correct monetary value of assets/liabilities based on accounting standards (AS 10 / Ind AS 16).

Unit 13: Audit of Opening Balances, Debtors, Creditors, & Cash/Bank

Audit Procedures: Debtors confirmation (SA 505 External Confirmations), Aging analysis, Provision for doubtful debts (bad debts), Bank Reconciliation Statement (BRS) verification, & physical cash count.

Unit 14: Audit of Fixed Assets (Land, Buildings, Plant, & Machinery)

Verification Procedures: Inspecting Title Deeds for Land & Buildings, Fixed Assets Register (FAR) reconciliation, physical verification, Depreciation calculation review, & checking impairment (AS 28).

Unit 15: Audit of Sales, Purchases, Interest, & Employee Expenses

Operating Audits: Cut-off testing on sales & purchases, matching Goods Receipt Notes (GRN) with purchase invoices, interest income accrual verification, & payroll register sample audit.

Practical Case Framework 1 (Vouching vs Verification vs Valuation Matrix): Compare audit stage, primary focus, evidence document, and auditor responsibility.

Vouching, Verification, & Valuation Comparison Table:

Audit Concept	Primary Substantive Focus	Primary Evidence Examined
Vouching	Genuineness & authority of income/expense transactions	Invoices, receipts, vouchers, contracts
Verification	Existence, ownership, & possession of assets/debts	Title deeds, physical count, bank certificates
Valuation	Accuracy of carrying financial balance sheet values	Valuer reports, depreciation schedules, market prices

Practical Case Framework 2 (Bank Reconciliation Audit Audit Procedure Checklist): Detail audit verification step, common audit anomaly, and substantive audit test.

Cash & Bank Audit Verification Table:

Bank Audit Step	Common Audit Anomaly / Risk	Substantive Audit Test
Cheques Issued but Not Cleared	Kiting or stale cheques > 3 months old	Obtain bank confirmation & subsequent month bank statement
Cheques Deposited but Not Credited	Window dressing of cash balances	Verify prompt credit in post-balance sheet bank statement