

**Class: B.Com (Hons) Semester III**

**Subject : BCH 3.1 AUDITING AND CORPORATE GOVERNANCE**

**Topic: Vouching – Meaning, Objectives, Importance and Types, Vouching and routine checking:**

**Vouching** is a technical term, which refers to the inspection of documentary evidence supporting and substantiating a transaction by an auditor. It is the essence of Auditing.

It is the practice followed in an audit, with the objective of establishing the authenticity of the transactions recorded in the primary books of account. It essentially consists of verifying a transaction recorded in the books of account with the relevant documentary evidence and the authority on the basis of which the entry has been made; also confirming that the amount mentioned in the voucher has been posted to an appropriate account which would disclose the nature of the transaction on its inclusion in the final statements of account. Vouching does not include valuation.

Vouching can be described as the essence or backbone of auditing. The success of an audit depends on the thoroughness with which vouching is done. After entering in all vouchers, only then can auditing start. Vouching is defined as the "verification of entries in the books of account by examination of documentary evidence or vouchers, such as [invoices](#), debit and credit notes, statements, receipts, etc. The object of vouching is to establish that the transactions recorded in the books of accounts are (1) in order and have been properly authorized and (2) are correctly recorded. "Simple routine checking cannot establish the same accuracy that vouching can. In routine checking, entries recorded in the books only show what information the bookkeeper

chooses to disclose, however these entries can be fictitious without any vouching or vouchers. By using a vouching or a voucher system a company will have concrete and solid documentation and evidence of expenses , capital and written proof in audits.

Vouching is the essence or backbone of auditing because when performing an audit.

Accounting entries made in the books must be supported by documentary evidence and inspection of that evidence is called vouching. The Auditor judges the authenticity, of the accounting entries using the technique of vouching. In case of unavailability of proper supporting documents, the Auditor may have all reasons to doubt about errors or fraud or manipulation.

Thus, auditing is incomplete without vouching.

In auditing process, based on evidence, there are two main functions

- collection of evidences – through observation, confirmation, inspection, inquiry.
- evaluation of evidences – with relevance, adequacy and validity.

#### **4.2: Objective of Vouching**

Following are the main objectives of vouching –

- To check whether all the business transactions are properly recorded in the books of accounts or not.
- To see whether recorded transactions are duly supported by documentary evidence or not.

- To verify that all the documentary evidence is authenticated and related to business transactions only.
- To verify that transactions are free from errors or frauds.
- To verify whether voucher is processed through all the stages of Internal Check system properly.
- To verify and confirm that the entries are recorded according to the capital and the revenue nature or not.
- To check the accuracy of accounting transactions.

#### **4.3: Importance of Vouching**

Vouching forms the base for auditing and has an important part of Auditor's duty. In case of negligence in vouching, the Auditor will be held responsible; he cannot escape from his duty, if he has done vouching carelessly. Following points show the importance of vouching –

- Vouching is equally important as passing of original entry in the books of accounts. If, original entry is wrong, it will affect every process of accounting entry and its impact will be till the end result. Similarly, vouching is base of all auditing process.
- Efficiency of vouching will decide the success of audit.
- Any errors and frauds are easily detectable if vouching is conducting in searching and intelligent manner.
- Intelligent and faithful vouching will establish reliability on financial statements, i.e., Profit and Loss account and Balance Sheet of any organization.

- If adequate internal control system exists, the Auditor may choose to do test checking instead of complete vouching.

#### 4.4: Vouching and Routine Checking

Routine checking covers the checking of every carry forward, posting to ledger account and balancing of account. Vouching includes routine checking which is a mechanical checking, whereas vouching is made on the basis of documentary evidence.

A voucher may be a sales bill, purchase bill, payment receipt, pay-in slip, etc. All such types of documentary evidence are known as vouchers.

#### 4.5: Types of Voucher

There are two types of vouchers –

- **Primary Voucher** – Original copy of written supporting document is called primary voucher. Like purchase Bill, cash memo, pay-in-slip, etc.
- **Collateral Voucher** – Copies of supporting documents which are not available in original are collateral voucher like duplicate or carbon copy of sale invoice.

#### 4.6: Example of Vouchers

Transactions	Vouchers
Sales	Sales order, sales invoice, goods outward register, cash receipt,

	bank pay-in-slip, etc.
Purchase	Quotations, purchase orders, purchase bills, goods inward register, etc.
Cash Payments	Demand note, cash receipt, cash memo, etc.
Cash Received	Duplicate or carbon copy of cash receipt, contracts and correspondence with payee, etc.
Bank Payments	Cheques, counterfoils, bank statements, etc.
Payment received through Banking Channels	Bank deposit slip, bank statements, etc.

#### **4.7: Important Points Regarding Vouching**

Following points need to be considered regarding vouching –

- Accuracy of transactions.
- Authenticity of transactions.
- Proper classification of accounts.
- Voucher should be properly numbered serially and arrangement of vouchers accordingly.

- Every checked voucher should be tick marked with sign.
- Amount of receipt should be same in words and in figure.
- Period of payment should be there on receipt.
- Receipt should clearly mention “advance payment” if it is do.
- To check and investigate the books of accounts if they are in the name of Director, Manager, Partner or any other employee of the company.
- To verify that proper certification of voucher should be there by any responsible officer of the company.
- Investigation about missing vouchers in file if any.
- Every alteration in voucher must be authenticated by concerned officer.
- Vouching should be complete at once in one sitting for a particular period of time.
- All the expenses should be examined by the Auditor.
- Without existence of adequate internal control system in organisation, an Auditor should not opt for test checking.
- Checking the classification of account must be done.
- Cash purchase should not be recorded twice, once in cash purchase and second one in credit purchase.
- An Auditor should refer the resolution as passed at the meeting for certain transactions.
- An Auditor should verify that accounting entries are done on the basis of capital and revenue items. \*\*\*\*\*