

Q) Define Auditing. Differentiate between Accountancy & Auditing. or Auditing begins where Accountancy ends. Discuss the statement. How does Accountancy differ from Auditing-  
Ans:

Auditing → Auditing is an examination of the accounting books and the relatives documentary evidence so that an Auditor may be able to find out the accuracy of figures and may be able to make report on the balance sheet and other financial statements which have been prepared from these.

According to Ronal. A. Irisk —

"Auditing in its modern concept is a scientific and systemic examination of books, vouchers, and other financial and legal records in order to verify and report up on the facts regarding the financial condition disclosed by the balance sheet and net income ~~related~~ revealed by the statement of Profit & Loss."

An auditor examines the accounting records on the basis of information supplied to him. He states in his Audit report the true & Fair View of the statement of affairs of the business. He certifies that the books of accounts are free from errors and frauds. Thus his prescription in the form of AUDIT REPORT, proves helpful not only to the company above but also to the whole society. Examining and submitting the report comes within the scope of an Auditor and his work is called AUDITING.

## Difference between Accountancy & Auditing

### Definition of ACCOUNTING & ACCOUNTANCY

Accounting means systematically keeping the records of the accounts of an organisation and preparation of financial statements at the end of the financial year.

Accounting is a specialised language of business, which helps to understand the economic activities of the entity. The main function of accounting is to provide material information, especially of a financial nature for decision making. The person who performs the work of accountancy is called accountant.

According to Francis W. Peixley →

Accountancy may be described as the science which deals with the recording of monetary transactions of every description and which interprets the result of the different transactions.

The following activities are included in Accountancy.

- (i) To Examine the work of Bookkeeper
- (ii) Preparation of Trial Balance, Trading & Statement of Profit & Loss.
- (iii) Preparation of Balance sheet.
- (iv) ~~Rectifying~~ Rectifying the errors
- (v) Developing suitable accounting system to protect the assets. (assets)
- (vi) Providing necessary information about solvency and liquidity position to the interested parties.

# Auditing

When the work of an Accountant is Finished, the duty of Auditor starts.

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Auditing means Inspection of the Books of Account and

Financial Statement of an Organisation.

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Auditing is a critical, unbiased investigation of each and every aspect of the transaction i.e. Vouchers, ~~and~~ receipts, account book, and related documents are verified, in order to spot the validity and reliability of the financial statements. Moreover errors and Frauds or deliberate manipulation in account or misappropriation etc. can be also be detected through detailed scrutiny.

An Auditor is required to submit his report to the effect whether or not the Balance sheet and statement of Profit and Loss are a true and fair representation of the existing state of affairs of a business concern respectively. The audit can be conducted internally & externally. Internal Auditor is appointed by the management of the organisation to improve its internal control system and accounting system. External Auditor is appointed by the Shareholders of the company.

Thus an Auditor must be well-versed in accounting. He should be a chartered Accountant. He has to express his impartial opinion in his report after satisfying himself, with the proper recording of transactions. On the other hand it is not necessary for an accountant to be an expert in the Audit work.

Thus on the basis of above discussion, it can be said that "Auditing begins where Accountancy ends."

## Difference between Accountancy and Auditing.

Basic for Comparison	Accounting/Accountancy	Auditing
① Meaning	Accountancy means systematically keeping the record of the account of organisation and preparation of financial statement at the end of the financial year.	Auditing means inspection of the books of account and financial statement of an organisation.

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Difference ~~between~~ between Accountancy & Auditing CLASSMATE  
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Basis for Comparison	Accountancy	AUDITING
① Origin	Accountancy originated in 1494 when Lucas Pacioli invented double entry system of book-keeping.	Auditing originated in 1913 with the formation of Indian Comp Act 1913.
② Nature of work	③ — Accountancy includes Preparation of Trial Balance, Trading and P. & L Account, Balance sheet and entries for adjustment and rectification of errors.	Auditing examines and verifies the financial records & statements prepared by Accountant.
④ Governed by	Accounting standards.	Standards on Auditing.
⑤ Work performed by	Accountant	Auditor.
⑥ Purpose	To show the performance Profitability and financial position of an organisation.	To reveal the fact, that to which extent financial statement of an organisation gives true and fair view.
⑦ Starts	Accountancy starts where bookkeeping Ends.	Auditing starts where Accountancy Ends.
⑧ Period	Accountancy is a continuous <del>period</del> process i.e day to day recording of transaction are done.	Auditing is a Periodic process.
⑨ Appointment	An accountant is appointed by the management.	<del>An</del> Auditor is generally appointed by the shareholders of a company with certain exceptions in some other cases.
⑩ Employer & Employee relationship.	An Accountant may or may not be employee of the company.	Auditor must be an independent person. He cannot be an employee of the company.
⑪ Report	An Accountant is not required to prepare a report of work done by him and submit his report to the management.	An Auditor has to prepare a report for work of Audit done by him and its submission to the management is a must.