

# ADVANTAGES or Importance or Merit

classmate

Date \_\_\_\_\_

Page \_\_\_\_\_

①

## ADVANTAGES or IMPORTANCE of AUDIT →

The advantages of audit can be grouped under the following heads

- ① Verification of Books and Statement → The main objects of audit is the Verification of the books and the financial statement of the company concerned.
- ② Discover and Prevention of Errors → While examining the books, auditors detects some errors. These are various kinds of errors. So audit is very useful in preventing and detecting the errors.
- ③ Discovery and Prevention of Fraud → Fraud means false representation made intentionally with a view to defraud somebody. It is the duty of the Auditor that he should detect the fraud. So Audit main advantage is that fraud may be detected and prevented.
- ④ Moral check → When each staff of the company knows that this financial transactions will be examined by the auditor then he fears to do fraud.
- ⑤ Independent Opinion → Auditing is very useful to obtain the independent opinion to the auditor about the business condition.
- ⑥ End of ~~corruption~~ corruption → Audit plays an important role in removing corruption.
- ⑦ Protect the Interest of Shareholders → Audit protect the interest of shareholders in the case of joint stock company through audit shareholders are assured that the accounts of the company are maintained properly and their interest will not suffer.
- ⑧ Check on Directors → Audit ~~acts~~ acts a check upon the directors and precaution against fraud on the part of the management.

Advantages of Auditing

- 9) Proper Supervision → Sometimes owner of the business can not look after the business personally. Audit act as a check on employee and it saves the owner from losses.
- 10) Valuable Advice → Auditor has expert knowledge about the accounts and finance problems. So he may be consulted about these problems.
- 11) Dispute Settlement → In case of Partnership audit is very useful in settling the dispute among the partners. If any partner dies, or retires the audited balance sheet will be very ~~helpful~~ useful in estimating the value of goodwill.
- 12) Loan facility → If accounts are audited, then true pictures will be known to the financial institutions and they will never hesitate to lend the money.
- 12) Insurance claim — In case of the insurance and participation of Fraud claims can be settled on the basis of audited accounts of the previous year.
- 14) Property Value Assessment → If the accounts have been audited, then it is easier to value property when the business is sold. In the ~~eyes~~ eye's of law audited accounts are considered more reliable.
- 15) Correct Information About Business → Due to the fear of audit work accounting always remains upto date and correct information is given to the members in time.
- 16) Advantage for general Public → Audited financial statement present the real position of the company before the general public. Keeping in view the position of a company one can do the investment.

# Disadvantages / Demerit / ~~Limitations~~ Limitations of Auditing

classmate

Date \_\_\_\_\_  
Page \_\_\_\_\_

3

## Disadvantages of Auditing

In spite of many Advantages, Auditing has many disadvantages or Limitations. The Important disadvantages / Limitations are as follows.

- ① **Extra cost** → Testing involves extra cost to the organisation which is considered as a burden. It involves the disruptions of multiple cases. Before Audit begins the auditor must get the attention of all the staff members of organisation.
- ② **Chances of Fraud** — since the information delivered after audit procedure is confidential then there becomes more chances of getting the situations where an individual will be forced to commit crime. It harasses the auditors to commit crime after the audit gets over.
- ③ **Small concern** → Small scale Industries may usually proceed with transactions that are usually completed within the shorter period of time. Thus Auditing is not too important.
- ④ **Based on Internal check and control** — Efficiency and effectiveness of auditing is largely dependent upon an efficient internal check and internal control system. In case these are not efficient, the auditor can not audit the books of account properly.
- ⑤ **Post-mortem Techniques** → Auditing begins where accountancy ends. The Auditor may be nowhere around when the accounts are being finalised. The auditor may not be able to discover systematic manipulation in the books of account at the preparatory stage.
- ⑥ **Faulty Techniques** → Techniques → Where there is use of faulty techniques which are inconsistent with nature of business, types of Business transaction,

method of book keeping and accountancy,

audited accounts do not show real condition and fair view.

⑦ Evidences - Evidences that are identified and more pervasive than conclusive. The strength of submissions of audited accounts makes major changes in the accounts of distribution of Profit.

⑧ Unsuitable changes → The rule and regulations of business may vary from time to time, it remains unstable when the program begins. It is obvious that the company's policies may not change periodically whereas the rules and regulation may.

⑨ Problems in remedial measures → Here the problem is created in remedial measures that are enhanced within the detailed interface of the data of remedial measures. These remedial measures are not included in Auditing.

⑩ Insufficient consideration → The education curve will be contented about the business and insufficient relaxed networks and also offers systemic internal recruitment. These may gravely obstruct the expense of all the employees.

⑪ Not Guaranteed → Auditing can not provide any data that are analyzed and prepared, it has financial accounts on the data that are provided. It is disclosed based on the information and explanations that are agreed by the clients.

Other disadvantages

- ① Lack of independence
- ② Dependence on inside information
- ③ It is only Test check.
- ④ Faulty External Evidence.