

Unit -3 VOUCHING

ROUTINE CHECKING

Meaning of Routine Checking

Auditing is basically a process of verification of accuracy and propriety of financial statements. This invariably needs checking the correctness or otherwise of the books of account and transactions, there are certain records and books. which are common to all types of business undertakings irrespective of size, constitution and nature of activities and transactions of a business. The checking of such common records and books is known as 'routine checking'.

Routine checking is the regular monitoring of business accounts, books and ledgers to determine how the business is functioning and to detect any errors that may have occurred, either accidentally or fraudulently.

Routine checking is carried on by the auditor and includes checking of:

- Castings, sub-castings, carry forwards and other calculations in the books of original entry.
- Postings into the ledger accounts.
- Castings and balances of various ledger accounts.
- Transfer of balances from the ledger to the trial balance.

Features of Routine Checking

Features of routine checking are as follows:

1. **Detailed Checking:** Routine checking is detailed checking of each and every transaction as recorded in the books of original entry and the subsidiary books, and all ledger postings besides transfer of balance from ledger to the trial balance.
 2. **Traditional System:** It is a traditional system of audit.
 3. **Checking of Each and Every Item:** In a routine checking all efforts are directed to check transactions without exception.
 4. **Method of Extensive Checking:** By routine checking we traditionally think of extensive checking and vouching of all entries having a Largs content.
- Expensive:** The process of routine checking is expensive in terms of time as well as cost. It takes more time and consumes higher cost.

5. Detects Clerical Errors and Frauds of a Very Ordinary Nature: Routine checking can reveal the clerical errors and ordinary frauds. It does not necessarily discover errors and frauds of material importance.

Objectives of Routine Checking

Objectives of routine checking can be described as follows:

1. **Arithmetical Accuracy:** The purpose of routine checking is to check the arithmetical accuracy of books of accounts. When books are free from errors these are helpful to determine the true and fair view of business matters.
2. **Correct Posting:** The purpose of routine checking is to examine the accuracy of posting. The responsibility lies on the head of management for correct recording and posting of entries.
3. **No Alteration:** The purpose of routine checking is to see that there is no alteration of figures by the client staff. It is moral duty of accounting staff not to change figures. Routine checking makes impossible to change figures.

Advantages/Importance of Routine Checking

The importance of routine checking are as follows:

1. **Accuracy:** The benefit of routine checking is that there is accuracy of accounting books and records. The sub-total, casts and carry forward posting, balancing and transfer are stated as correct.
2. **Frauds:** Routine checking is useful to checking fraud in the books of accounts. The responsibility lies on the head of management for location of fraud. The management can use this tool to meet its duty.
3. **Positive Verification:** Routine checking helps to verify positive made in the ledger. The correct posting can provide true and fair view of financial statements. The management can verify posting through it.
4. **No Change in Figures:** Routine checking is useful to eliminate the alternation of figures. The management can meet its obligation with the help of routine checking. The employees cannot alter figures.
5. **Final Checking:** The benefit of routine checking is that final checking work is reduced. The final checking become early as major work has already been completed through routine checking.

Limitations of Routine Checking

Following are the limitations of routine checking:

1. **Mechanical Process:** Practically routine checking is a mechanical process and often leads to monitoring of accounting procedures on part of those who are entrusted with this task.
2. **Complex Errors and Frauds Remain Unearthed:** It can discover simple clerical errors and ordinary frauds and incompetent to uncover complex errors

such as errors of principle or compensating errors or cleverly committed frauds.

3. **Expensive:** Routine checking is not economical as it takes more time and consumes higher cost.

4. **Redundant in Certain Cases:** Routine checking is considered redundant in certain cases, e.g., a business where in self-balancing accounting system exists, routine checking is almost of no use.

5. **Monotony.** The work is routine checking is boring and time consuming. The clerks go on checking the totals and sub-totals and balances. It does not improve the performance of employee rather it brings monotony.

VOUCHING

Introduction

Objective Evidence Concept is one of the important concepts of accounting. As per this concept all the transactions entered in the books of accounts must be supported by documentary evidence. These documentary evidences are to be verified for their authenticity, so that the accounts prepared are free from errors and frauds.

The duty of the Auditor is to ascertain that the books actually correct in accordance with best of his information and he obtains this information from the documents from which the book have been written up and any other evidence or explanations he can obtain. His examination of the evidence as such is termed as vouching.

Meaning of Vouching

The act of examining documentary evidence in order to ascertain the accuracy of entries in the books of accounts is called vouching. Vouching is an important tool of the auditors to carefully inspect the documentary evidence, such as invoices, counterfoils, statements, minutes, contract, debit and credit notes, correspondence etc, supporting and substantiating a transaction.

Definitions of Vouching

According to Arthur. W. Holmes, "Vouching is the examination of the underlying evidence which is in support of the accuracy of the transaction. The process of vouching is intended to substantiate an entry by providing authority, ownership, existence and accuracy".

According to F. R. M. De Paula, "Vouching does not mean merely the inspection of receipts with the cash book, but includes the examination of the transactions of a business together with documentary and other evidence of sufficient validity to satisfy an auditor that such transactions are in order, have been properly authorised and are correctly recorded in the books".

Objectives of Vouching

The main objectives of Vouching are listed below.

1. Each and every transaction is verified and ratified on the basis of documentary evidences, so that the accuracy of the transactions can be known.
2. Vouching is done to find out the errors and frauds committed in the books of accounts.
3. To have accuracy in presenting the financial reports as true and fair. Through Vouching we can know that the transactions in the books of accounts are authorised by the competent authority.
4. The other objective is to find out the accuracy of entries appearing in the books of accounts. Vouching helps to detect that no entry has been omitted from the books of accounts.
5. The purpose of vouching to check that the dates of vouchers are related to a particular accounting period.
6. To ensure that the distinction has been made between the capital and revenue items while recording the transactions.

Importance of vouching

1. Vouching is a vital part of an auditor's duty. An Auditor must take utmost care to verify the accounting records. The success of an audit will depend upon intelligent and thorough vouching of the documentary evidence. No amount of internal check can reveal serious discrepancies, errors and frauds.
2. Vouching is indispensable in order to ascertain genuineness of the entries though their sources as to whether they have been duly authorised by the authority and properly recorded in the books of accounts.
3. Vouching with diligent care and intelligence ensures the success of an audit work.
4. Vouching is a vital technique of an auditor to check the regularities and irregularities of the transactions.
5. Vouching helps the auditors to know whether the documentary evidences are authorised by the responsible authority.
6. Vouching ensures that casting, carry forwards posting of ledgers, balancing of ledgers accounts are properly carried out while recording the transactions.
7. It is only through vouching the true and fair view of the books of Accounts, financial statements and reports can be certified by the auditor.
8. Vouching helps the auditor to know that the transactions which are recorded are related to the business.

Difference between Routine Checking and Vouching

Routine Checking	Vouching
Comprises of checking of arithmetical accuracy and clerical errors.	Checking of transactions and its validity and authenticity.
Its objective is to verify that the accounts have been correctly balanced.	The object is to vouch transaction on documentary evidence
Routine checking is included in vouching i.e., it is a part of vouching.	Vouching is a broader term, as it includes routine checking.
Routine checking is very simple and mechanical.	Vouching is an intelligent and systematic process.
Routine checking scope is limited.	Vouching has a wider scope.
It reveals minor frauds and errors.	It reveals clerical errors, errors of principle and pre planned frauds.

Voucher

Meaning of Voucher

Voucher refers to a document Containing the details of the transaction. It is any written document in support of financial transactions, It is a proof that a particular transaction has taken place for the Value stated there in a particular date. It is the primary & important document for any company or organization.

Definitions of Vouchers

According to Arthur W. Halmes, Voucher as "any documentary evidence in support of a transaction".

According to Ronald A. Irish, "A voucher may be a receipt, invoice, an agreement, a written requisition slip or in short any suitable written evidence which confirms a written transaction".

The following are the few examples of vouchers for certain transactions:

- **Cash received-** counterfoils of receipts issued, contracts, minutes, correspondence, confirmation of balances by debtors etc
- **Cash paid** - Original receipts from payees, invoice bills, demand notes, wages books, salary books, contracts, minutes, correspondence, confirmation of balances by creditors etc.,
- **Purchases** - Invoices, books, copies of orders, correspondences etc.,

➤ **Sales** - Copies of Invoices, orders records, goods outward books, correspondence etc,

TYPES OF VOUCHERS

There are two types of vouchers.

Primary Voucher-Original written evidence constitutes primary voucher.

For example, Counterfoils of cash receipts, Purchases invoice, etc

Secondary or collateral voucher - Original written evidence may not be available for certain transactions. Copies of such evidences are made available for the purpose of audit. Such copies of evidences are called secondary or collateral vouchers.

For example, photo copies of demand drafts, copies of resolutions passed at meeting, carbon copies of sales invoice etc.,

Voucher Types:

- **Contra Voucher:** Contra Voucher is used to maintain the transaction details between the cash account and bank account. It includes deposits, transfer and withdrawal of amount
- **Payment Voucher:** Any transaction which involves outflow of cash is recorded by using payment voucher. The payment voucher is for all payments made through cash or Bank expect for purchase of goods
- **Receipt Voucher:** Any transaction which involves inflow of cash is recorded by using Receipt voucher.
- **Journal Voucher:** Any transaction which does not involve actual cash outflow or cash inflow is recorded by using Journal Voucher. Journal Voucher is an Adjustment Voucher, used for non-cash transactions like adjustment between the two ledger accounts, Provision for Liabilities, Income Receivables, Depreciation and all other provisions are common examples of Journal Voucher.
- **Sales Voucher:** Any sales of goods and services made are recorded by using Sales Voucher.
 - ✓ **Cash sales:** This voucher contains all the transactions, where the goods are sold with the payment made by cash.
 - ✓ **Credit sales:** This voucher contains all the transactions, where goods are sold on credit basis.
- **Purchase Voucher:** Any purchase of goods and services made are recorded by using Purchase Voucher.
 - ✓ **Cash purchases:** This voucher contains all the transactions, where the goods are purchased with the payment made by cash.
 - ✓ **Credit purchases:** This voucher contains all the transactions, where goods are purchased on credit basis.

- **Credit Note Voucher:** Any goods sold is returned by customer (Sundry debtor) is recorded by using credit note voucher. In business due to some reasons like delay in delivery or goods damaged after sales or overcharging on the sales or less quality of goods etc in which the customer may return the goods, is entered in Credit Note Voucher.
- **Debit Note Voucher:** Any goods purchased, which is returned to supplier (Sundry Creditor) is recorded by using Debit Note Voucher.

Important points to be considered by auditors in vouching

An Auditor should consider the following features in vouching while verifying vouchers. 14 important points are listed below.

1. Check whether the vouchers are printed, numbered and arranged in the order of the date of occurrence of transactions.
2. The entries in the books of accounts should also be numbered and the number and date should correlate with the concerned voucher.
3. The name of the person with whom the transaction is carried out, the details of the transaction and the amount involved should be clearly stated in the voucher.
4. All payments of Rs.500/- and above should be supported by a stamped voucher.
5. The transactions should be clearly classified into revenue or capital transactions and accordingly entered in the books of accounts.
6. The vouchers should bear the signature of the authorizing officer.
7. The transaction should relate only to the business aspects of the organization and transactions of personal nature should not be recorded.
8. Some transactions may be entered twice or some voucher may be used as evidence for two different transactions entered in the books of accounts. So, the auditor should stamp the vouchers already verified by him to avoid such frauds.
9. Wherever necessary, the supporting documents are to be attached with the vouchers, so that the transaction can be verified in depth. If the supporting evidences are not available, the auditors may ask for more information and explanation concerning such transactions.
10. The auditor should verify that the prepaid and outstanding amounts are duly accounted for the period to which such transactions relate.
11. After completing the vouching, the auditor may make a separate note of explanation sought in support of the transactions. He shall also make out a list of missing vouchers.
12. An auditor should ensure that the alterations made in the vouchers are duly authorized.

13. While vouching, the auditors should use different types of “rick marks” which may be helpful for them for their future reference. Each mark made by them conveys different meanings which could be useful to them for future reference.

14. Vouching should be continuous and vouching for a specified period and for a specified nature of transactions should be done at a stretch and completed at one go which may reduce the chances of errors and frauds.

Vouching of Receipts or Debit Side of Cash Book

❖ Vouching of Opening Balance of Cash

The current year's opening balances of cash account and Bank account is nothing but the closing balances of cash account and bank account of the previous year. Therefore, the opening cash and bank balance is to be checked with the audited closing balances of cash and bank of the previous year. The audit working papers are to be referred to see that the opening balances of cash account and Bank account are the same as in the previous year.

❖ Vouching of Cash Sales

In case of cash sales, the chances of fraud are comparatively greater, for example the salesman may sell goods but may not record the same in the cash book thus misappropriating the money. Therefore, the auditor should examine the effectiveness of the internal control system in operation in regard to cash sales.

The auditor can vouch the cash sales in the following ways:

- **Internal check:** Auditor should evaluate the internal check and he has to rely on it only if it is a proper system.
- **Checking of cash sales Memos:** Auditor should check the cash sales memos and compare it with the daily summaries of cashier and salesman. Entries in the cash book: Auditor should verify the figures of the salesman and cashier summaries entry in the cash book.
- **Guidance to Client:** If the internal check system is found to be ineffective, the auditor should immediately report the dangers of frauds to his clients and should suggest remedial measures.
- **Comparison of cash book:** Auditor should compare the cash book with the general ledger and match the entries. Checking of cash register: If cash register is used, auditor should check the total daily rolls with the entries in the cash book.
- **Verification of date:** The date of cash memo and the date of cash receipts which are recorded in the cash book must be the same. If there is a difference in date, it has to be enquired.

➤ **Checking of price lists:** with regards to cash sales the auditor should obtain and verify the price lists and other instructions by the authorised persons.

❖ **Vouching of Receipt from Debtors**

The cash received from customers to whom good have been sold on credit can be vouched with the help of the counterfoils of the receipts issued to them. But these counterfoils or carbon copies are not reliable because they are subject to many frauds.

The auditor should examine the following while auditing Collection from debtors.

1. Copies of sales invoice.
2. Statement of accounts received from debtors.
3. The counterfoils of receipts.
4. Correspondence with the debtor.

Role of Auditor in vouching collection from debtors

The auditor should consider the following steps in vouching receipts from debtors:

- Auditor should examine the internal check system with regard to the sales as a whole.
- The auditor should ensure that the unused counterfoil receipts are kept in safe custody of the authorized person.
- An auditor should check that all spoiled receipts are attached to the counterfoils and he has cancelled them.
- Verify the dates on the counterfoils with those in the cash book.
- The practice being followed with regard to receipts through cheques should be noted and if no official receipts are being issued, he should verify the daily lists of such receipts with the entries in the cash book.
- Auditor should examine all the sales invoices generated by the company and ensure that no transactions are left unrecorded.
- Auditor should ensure that sale of capital items should not be recorded in the sales book because the profits would be inflated.
- In respect of discount allowed to debtors, the auditor should ascertain the terms on which discount is allowed and test check a certain number of entries to ascertain whether the discount allowed is in order.
- Special attention should also be paid to the amount shown as bad debts written off as cash can be misappropriated by writing off the whole or a part of the debit balance as bad. He has to ascertain as to who is responsible for writing off debts as bad.

- He should with the permission of the client, establish direct contracts with the debtors by sending them the statements or verification slips from time to time and asking them to send their confirmation directly to him.
- The auditor should verify whether all the receipts are deposited into the bank in the immediately following day.
- He should ensure that the discounts given are at uniform rate to all debtors and that due authorization is obtained in case of higher discounts.
- If the debtors have not sent their statement of accounts, the auditor can contact the customers directly and ask for their confirmation of balance.
- Auditor have to examine about the sales made during the year and ensure that entries related to the sales made are recorded only of the current year.

Types of frauds in collection from debtors

Two types of frauds may be committed while making collection from debtors. They are:

1. **Teeming and lading:** Where the amount collected from one customer is misappropriated by the cashier and the customer account is adjusted with the amount collected from some other customer. Such adjustments can be made for a longer period if the internal control systems are ineffective.
2. **Amount collected from the customer:** The amount collected from the customer may be misappropriated and the amount standing to the debit of the customer account is written off as bad debts. The auditor should be very careful while auditing the receipts from the customers to ensure that no fraud of the above nature is committed.

❖ Proceeds From Sale of Investments

The auditor should consider the following steps:

- The auditor has to ensure that the sale of investment is made on the proper authorisation of the Board or competent authority.
- The investments are usually sold through brokers. Therefore, the auditor should examine brokers sold note to verify the date of sale, the amount received and the commission charged.
- He should note as to whether the sale has been cum-dividend and if so, the dividend has subsequently been received and the sale proceeds have been proportioned between capital and revenue.
- If investments are sold ex-dividend, he has to see that the dividend has been received if declared.
- If the sale of investment has been made through the bank, the bank advice should be verified.
- The auditor should ensure that the proper disclosures are made as per AS 13 as follows:

- Interest, dividends and rentals on investment are to be shown in the P/L a/c at the gross value and TDS as advance tax paid.
- Showing separately profit and loss on disposal and changes in carrying the amount of current and long-term investment.

❖ Vouching Of Rent Received

Rent received is the income recorded in the debit side of the Cash Book. The Auditors have to do the following to vouch the Rent received.

- **Checking of Agreement:** Auditor should check the lease deed and agreement to know the due date, amount of rent payable, the rental period. He should also check the other conditions like repair and maintenance etc. Ensure that these are in agreement with the organisation's objects.
- **Checking of Received Rent:** Auditor should verify the amount of rent received. He should compare with the rent rolls or list of various properties.
- **Checking Of Counter Foils:** If receipts are issued to the tenant then auditor should check the counter foils of the receipts.
- **Checking of Agents Account:** the auditors should check the accounts of the agents if the rents are collected by the agents.
- **Checking of outstanding Rent:** Auditor should check the outstanding rent and property.
- Check the recording of this item in the profit and loss account.
- The auditor has to check that the amount of rent received that is recorded is related to the period of accounting.

❖ VOUCHING OF CASH BOOK FOR COLLECTION OF BILLS RECEIVABLE

The auditor has to follow the following steps to vouch the cash book for collection of bills receivable:

- **Cash Book:** The auditor can vouch the cashbook for collection of bills receivable. The cash book entries can be compared with the amount of bills. The receivable journal can be examined for checking collectible amount.
- **Bills Due:** The auditor can make detail note of the Bills due but not yet collected. The auditor has to ask the management to give clarification for the total amount to be collected from the bills receivable due.
- **Bills Discounted:** The bills discounted can be vouched with cashbook entries. The auditor should tally the amount entered in the cash book and in the bank statement. For this purpose, a bank statement can be obtained from the concerned banker. A letter of confirmation may be received.
- **Discounted Rate:** If the bills receivable is discounted, then the auditor should check the cash book for the entries. He should check the rate of discount and the amount of discount. He must make sure that the discount is related to

the relevant financial year. He has to check the profit and loss for the entries of discount on the discounting of the bill's receivable.

➤ **Bills for collection:** The bills may be paid into bank for collection. The outstanding bills may be sent to customers. At the year end the recovery of such bills may be pending. The auditor can vouch pay-in-slip with bills receivable journal.

➤ **Bills Dishonoured:** The auditor can examine the bills receivable dishonoured. The customers might have dishonoured the bill on due date. The action taken by the management for renewal or partial payment can be checked. The Cash book entries may be check to know the partial payment made on bills receivable.

➤ **Contingent liability:** The bills discounted at the end of the year are stated as footnote in the balance sheet. The auditor should vouch that the management has completed disclosure requirements about the bill's receivable discounted.

Vouching of payments/Vouching of Credit side of the cash book

Vouching of payments means vouching of the payments side or credit side of the cash book or vouching of cash payments.

✓ Common errors and Frauds as Regards Cash payments:

➤ False purchase invoices may be prepared, and the amount may be misappropriated.

➤ The difference of amount after the payment is overstated, it may be misappropriated.

➤ The old vouchers on which the payment is already made, may be shown as the supporting document and the amount may be misappropriated

➤ Unreal payments may be recorded in the books, and the amount may be misappropriated.

➤ Dummy workers may be included in the wages sheets and the amounts may be misappropriated.

➤ In the name of the fictitious person cheques may be issued and the amount may be misappropriated.

➤ Cheques may be forged.

➤ The amount entered on the cheque may be altered after it is signed by the authority and the amount may be misappropriated.

✓ **While vouching the cash payments the following must be borne in the mind by the auditor:**

- Whether the payment is made to the right person The payment in cash book and in the rough book has to be compared.
- The payments that are credited in the cash book has been made to the right person.
- The amount of payment recorded in the cash book tallies with the amount shown in the voucher.
- Whether the payment is made for the business purpose only. Whether the payment related to the period under audit.
- The authorised person has duly sanctioned the payment
- Whether the payment is supported by the documentary evidence called voucher.
- Whether all the related provisions of the companies' act are complied with.
- Where the amount paid is in excess of Rs. 500/-, the voucher should be duly stamped. The vouchers should be properly checked as regards the arithmetical accuracy of the amount and the propriety of the payment by the Chief Accountant or other responsible office.
- All vouchers should be cancelled by the Auditor as soon as he checks them and passes the entries in his audit in order to prevent their production once again in support of subsequent fraudulent or fictitious payment.
- The auditor should check the due date of the payment. If the payment is made before the due date the auditor must check the reasons for such early payments.
- The auditor has to check that the payment must not be improper from the legal point of view.

The following are the important items appear on the credit side of cash book:

- Cash purchases
- Payment of Wages
- Payment of Salaries
- Revenue expenses
- Payments to creditors
- Cash paid on bills payable

Vouching of Cash Purchases

The following steps are to be adopted by the Auditor to vouch the Cash purchases:

- The auditor should check the entries in the cashbook with the cash memo or receipted invoices supplied by the suppliers.
- The auditor must ensure that the net amount of purchase (i.e., purchases minus trade discount) is entered in the cash book
- The auditor has to make sure that the goods are received for the payment that is made and it is entered in the purchase book or stores ledger etc.
- He should see that the purchases are duly authorised.
- He should see that the amount of payment made is recorded to the appropriate account.
- The auditor must make sure that the goods are purchased and the payment made is for the business purpose only. It should not be for the personal use or for the other business.
- Auditor have to take a note on any missing vouchers for the entries recorded in the books of accounts.
- Auditor should ensure that any purchase of asset is recorded in the trading account, as it is a capital expenditure should be recorded in the balance sheet.

Vouching of Payment of Creditors:

The following vouching procedures should be adopted for the payment of creditors:

- The auditor must check the payments made to creditors against credit purchases with reference to the receipts issued by the creditors and the entries that are made in the purchase day book.
- He has to check for the evidence for the goods received in the purchase book or stores ledger.
- The auditor must ensure that the purchase of goods from the supplier is for the purpose of business only.
- The auditor has to Vouch the cash payment to creditors for the purchases.
- The auditor must ask for the duplicate copy of the missing voucher for the payments made to the creditors.
- The auditor can ask the sellers to provide statement of sales.
- The amount paid and payable can be examined. The vouching of entries with the account sales statement is essential.
- The auditor should see that the purchases are duly authorised.

Vouching For Deferred Revenue Expenditure:

Meaning: A deferred revenue expenditure is of revenue in nature. Its benefits are not only available for the year in which such expenditure is incurred but also available for the subsequent years. Therefore, the entire amount of such deferred revenue expenditure cannot be charged to the P/L a/c in the year when such expenses are incurred. It is called the deferred revenue expenditure because its writing off is deferred or spread over the years in which such benefits are available.

Definition:

According to Prof. Arnold Thomson, defines deferred revenue expenditures as "non-recurring expenditures which are expected to be of financial benefit to several accounting periods of indeterminate total length"

Examples of Deferred Revenue expenditures:

- Preliminary expenses or formation expenses
- Experimental expenditures
- Research expenditures on business
- Cost of shifting the business to a more convenient place.
- Huge advertisement expenses
- Exceptionally heavy repairs
- Underwriting commission on issue shares and debentures.
- Brokerage on the issue of shares and debentures
- Discount on issue of shares and debentures
- Costs incurred for dismantling, removing and re-erecting plant and machinery.

The duties of an auditor with reference to deferred revenue expenditure:

Some of the important duties of an auditor with in connection with deferred revenue expenditure are:

- The auditor should see that only genuine deferred expenditure is written off over a period of time.
- The auditor should check whether illegitimate expenses are written off over a number of years to show more profit in the profit and loss account.
- The auditor should check all the entries and vouchers to know the correctness of the amount amortised.
- It is the duty of the auditor to see that the deferred revenue expenditure is correctly spread over a number of years and the amount is correctly calculated and debited to profit and loss account.
- The auditor should ensure that the amount of the expenditure which is not written off is shown in the asset side of the balance sheet.

Preliminary Expenses:

Preliminary expenses are the expenses incurred at the time of promotion, floatation or incorporation of a company.

The following items are usually included in this head:

- Cost of printing memorandum of association, articles of association, prospectus, share applications, allotment letters, share certificates etc,
- Legal expenses towards drafting the memorandum of association and articles of association.
- Accountant's fees and valuer for report, certificate etc
- Registration fees and stamp duty etc.
- Expenses with regards to contract and agreement along with stamp duty
- Cost of prospectus and advertisement expenses
- Cost of company' seal.
- Cost of statutory books
- Cost of preparing, printing and stamping debentures and debenture trust deed.

Assignment Questions**Two Marks**

1. Define Vouching.
2. What is a Voucher?
3. Mention the types of vouchers.
4. What is a cash memo?
5. What do you mean by routine checking?
6. What are debit notes and credit notes?
7. What is teeming and lading?
8. Give the meaning of deferred revenue expenditure.
9. What are the features of voucher?
10. Give two examples of voucher.
11. What is primary voucher?
12. Define collateral voucher.
13. What is duty of auditor in respect of vouching?

Five Marks

1. Explain the importance of vouching.
 2. Bring out the objectives of vouching.
 3. What are the differences between routine checking and vouching?
 4. How do you vouch payment to creditors?
 5. What are the steps to be conducted while vouching sale of investments?
- What are features of routine checking?

6. Write a note on vouching
7. Write short notes on:
 - i) Cash Purchase
 - ii) Payment to Creditors
8. What point need to consider for vouching of cash payment?

Fifteen Marks Questions

1. What are the steps to be followed by an auditor with regard to vouching?
2. What the duties of an auditor are with regards vouching of the credit side of the cash book?
3. What are the duties of an auditor in connection with vouching of the debit side of the cash book?
4. What are the objectives of routine checking? Discuss the auditor's duty regarding routine checking.
5. Explain the importance and limitations of routine checking.
6. Explain the following under vouching of cash receipt:
 - I.Cash sales
 - II.Receipts from debtors
 - III.Proceeds of sale of investment
7. Explain the following under vouching of cash payment:
 - I.Cash Purchases
 - II.Payment to creditors
 - III.Deferred Revenue Expenditure