

Good answers

56  
20

2) There are four types of errors :-

a) Error of Omission

b) Error of Commission

c) Error of Principle

d) Compensation errors

a) Error of Omission

(i) Error of complete omission -

In this

?

(ii) Error of Partial Omission -

In this error may be done as a transaction has been debited but the credit entry is missing.

## b) Errors of Commission

Incorrect Recording

(i) ~~Wrong~~ Posting of transactions :-

Here errors may be like purchase of goods ~~for~~ for ₹ 2,000 and the entry passed in the purchase A/c is for 200.

(ii) Incorrect Posting of transactions :-

Here may be as goods sold to Yopal for ₹ 500 has been wrongly posted as ₹ 5,000 in Yopal's A/c.

(iii) Incorrect Balancing of Trial Balance Journal and Ledgers :-

If the journal and ledger A/c does not tally the trial balance will also not tally.

## c) Errors of Principle

In this errors are caused due to lack of accounting principles.

## d) Compensation Errors

Here, one error caused does not affect ~~not~~ neutralised ~~the~~

Here, one error caused is neutralised by another error, which does not affect the Trial balance.

The Difference between errors and frauds are:-

### (i) Nature -

An error is done unknowingly where as ~~and~~ fraud is done knowingly.

### (ii) Intention -

An error is done unintentionally where as fraud is done intentionally.

### (iii) Process -

An error is it may be done naturally without any wrong intention where as fraud is not done naturally it is done with wrong intention.

#### (iv) Knowledge -

An error may ~~be~~ done without any knowledge that an error is being done over a particular place but a fraud is

#### (iv) Knowledge (-

(12)

An error is caused due to lack of knowledge where as fraud is done where there is immense knowledge.

#### (v) Motive

An error is done without any ~~to~~ motive where as fraud is done with a motive of earning  $\text{\$}$  profit by a wrong way.

#### (vi) Convincence of Owners

##### @(vi) Convincence of Owners -

Convincence of owners is not there ~~is~~ in an error where as  $\text{\$}$  convincence of owners may be there during a fraud.

3.) "In spite of so many advantages, auditing has many limitations".  
Limitations of auditing are:-

#### \* Test check

An auditor does a test check of the transactions. so he only randomly goes through the transactions but he cannot check each and every transaction as it is a very time taking process.

#### \* Based on internal and external ~~check~~ information

An auditor <sup>does</sup> ~~operates~~ his ~~work~~ work with the help of the vouchers, bills and all the informations submitted to him. <sup>10</sup> ~~or~~ externally, if the auditor send his staff to confirm to whether the information submitted to him is correct or not and if the person refuses or confirms the thing the auditor has to believe it.

### \* Lack of independence

An auditor is appointed by the share holders or board of directors therefore there is lack of independence of the auditor.

### \* Conceptual Restriction

There is also conceptual restriction upon the process of auditing.

### 4.) General advantages of auditing are :-

#### \* To know the economic position of the business - 2

Auditing helps to know the economic position of the business whether the business is running in profit or loss.

#### \* Helpful in Maintaining Discipline

Auditing helps in maintaining discipline as the employees know that the auditor is

going to check the transaction therefore regular maintenance of accounts is done.

\* To know about fraud and forgery

Auditing helps in knowing the frauds and forgery and therefore ~~for~~ ~~over~~ the ~~or~~ reduces the chances of frauds.

The qualities of an auditor are:-

- (i) Born Qualities
- (ii) Acquired Qualities

(i) Born Qualities

\* Honest

An auditor should be an honest man so that he could perform his duties honestly.

\* Tactful

An auditor should perform his duty tactfully.

## \* Efficient

An auditor should perform his duty efficiently.

## \* Reasoning

An auditor should have <sup>enough</sup> knowledge so that the questions asked to him can be answered by him with full explanation.

## \* Patient

An auditor should have enough patience.

## \* Common Sense

An auditor should have enough common sense so that he ~~can~~ could easily differentiate between a fraud and error.



## (ii) Required Qualities

\* Knowledge of accounting, book keeping and auditing

An auditor should have knowledge about accounting, book keeping and auditing.

\* Qualification

An auditor should be a C.A along with a membership in ICAI.

\* Knowledge of ~~two~~ different languages

An auditor should have knowledge of different ~~knowledge of~~ language such as hindi, english, bengali, marathi etc.

14

5.) "Auditing is not necessity in case of a small business but where there is divorce between ownership and management audit become essential".  
~~This~~

Accountancy is necessity while auditing is luxury this statement is only accepted by small scale business men.

"Accountancy is Necessity"

\* Limited <sup>memory power</sup> knowledge of Human Brain

The memory of human brain is very limited it is not a computer that it will remember all the transactions. ~~Therefore~~ Therefore ~~also~~ recording of transactions is necessary.

\* Knowledge of Profit and Loss

A business man is always eager to know whether his business is running in profit or loss.

\* Helpful in retirement of a partner

Accountancy helps in settling the account of the retiring partner.

\* Helpful ~~in~~ during the death of a partner

Accountancy also helps to settle in settling the account of a ~~dead~~ partner who is dead.

~~Conclusion~~  
Conclusion :-

Accounting is necessity for small scale business men.

Auditing is luxury

(i) Opinion of small scale business men

\* Matter of Prestige

Auditing only is a matter of prestige for small scale business men.

## \* Wastage of Time

For small scale business men it is only wastage of time because auditing requires a lot of information and the time gets wasted in gathering the information for a small scale business men.

## \* ~~Loss~~ Inefficiency of employees

Auditing An auditor calls the employees many times for many explanations and this effects in the working of the employees.

## (ii) Opinion of Large scale businessmen

### \* Increases the efficiency of employees

Auditing helps in increasing the efficiency of employees.

\* Increases the efficiency of management

Auditing also helps in increasing the efficiency of management as it warns the management people about the efficiency and inefficiency of

\* Avoids frauds

\* Less chances of frauds

Auditing helps in reducing the chances of frauds and forgery.

1.7) "An auditor is a watch dog and not a blood hound".

An auditor is said to be a watch dog because a dog is a faithful animal and he is always interested in the safeguard of his master. He sees this that his master's interest. He saves his master from all types of obstacles.

and danger. A watch dog only barks when there is any danger. Where as a blood hound ~~it~~ bites the people he does not bark and gives warning. Therefore an auditor is a watch dog because he warns the management of the frauds and warns them but he does not say that to remove the employees.

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