This study material has been prepared by the faculty of the Board of Studies. The objective of the study material is to provide teaching material to the students to enable them to obtain knowledge and skills in the subject. Students should also supplement their study by reference to the recommended text books. In case students need any clarifications or have any suggestions to make for further improvement of the material contained herein, they may write to the Director of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the students. However, the study material has not been specifically discussed by the Council of the Institute or any of its Committees and the views expressed herein may not be taken to necessarily represent the views of the Council or any of its Committees.

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Auditing is, perhaps, one of the most practical-oriented subjects in the C.A. curriculum. This paper aims to provide working knowledge of generally accepted auditing procedures and of techniques and skills needed to apply them in audit engagements. A good knowledge of the subject would provide a strong foundation to students while pursuing the Chartered Accountancy course. A good understanding of the theoretical concepts, particularly, in the context of auditing standards would make practical training an enriching and enjoyable experience. While studying this paper, students are advised to integrate the knowledge acquired in other subjects, specifically, accounting and corporate laws in a meaningful manner. Such learning would only help a student to become a better professional. In nutshell, Auditing and Assurance, is a subject which involves application of theoretical knowledge of other subjects. The practical aspect of the subject allows the individual students to exhibit their intelligence and ability upon which the scoring of the marks depends.

The study material has been divided into three parts. Volume I of the study material deals with the conceptual aspects. Volume II comprises of Standards on Auditing and Guidance Notes. The Study Material has been designed keeping in mind the needs of home study and distance learning students. The students are expected to cover the entire syllabus and also do practice on their own while going through the practice manual.

Volume I of the study material deals with the conceptual theoretical framework in detail. Its main features are as under:

- The entire syllabus has been divided into nine chapters.
- In each chapter, learning objectives have been stated. The learning objectives would enable you to understand the sequence of various aspects dealt within the chapter before going into the details so that you can assess the direction of your studies.
- In each chapter, the topic has been covered in a step by step approach. The text has been explained, where appropriate, through illustrations and practical problems. You should go through the chapter carefully ensuring that you understand the topic and then can tackle the exercises.
- A question bank has been included after each chapter in Volume I

Volume II comprises of Standards on Auditing and Guidance Notes.

Volume III of the Study Material comprises the Practice Manual. It aims to provide guidance as to the manner of writing an answer in the examination. Main features of Volume III are as under:
• Important Definitions have been given for quick recapitulation. Students are expected to attempt the questions and then compare it with the actual answers.

• Compilation of questions appearing during last twenty examinations.

• Exercises have been given at the end of each topic for independent practice.

• This study material has been revised in view of revised Standards on Auditing, Notification/Circulars issued by MCA inclusive of Revised Schedule VI, etc. by Auditing team of experts.

In case you need any further clarification/guidance, please send your queries at rajeev.sachdeva@icai.in and karuna.bhansali@icai.in.
SYLLABUS

PAPER – 6 : AUDITING AND ASSURANCE
(One Paper- Three hours -100 Marks)
Level of knowledge: Working Knowledge

Objective: To understand objective and concept of auditing and gain working knowledge of generally accepted auditing procedures and of techniques and skills needed to apply them in audit and attestation engagements.

Contents:
2. Standards on Auditing and Guidance Notes — Overview, Standard-setting process, Role of International Auditing and Assurance Standards Board, Standards on Auditing issued by the ICAI; Guidance Note(s) on — Audit of Fixed Assets, Audit of Inventories, Audit of Investments, Audit of Debtors, Loans and Advances, Audit of Cash and Bank Balances, Audit of Miscellaneous Expenditure, Audit of Liabilities, Audit of Revenue, Audit of Expenses and provision for proposed dividends.
3. Auditing engagement — Audit planning, Audit programme, Control of quality of audit work — Delegation and supervision of audit work.
4. Documentation — Audit working papers, Audit files: Permanent and current audit files, Ownership and custody of working papers.
5. Audit evidence — Audit procedures for obtaining evidence, Sources of evidence, Reliability of audit evidence, Methods of obtaining audit evidence — Physical verification, Documentation, Direct confirmation, Re-computation, Analytical review techniques, Representation by management, Obtaining certificate.
6. Internal Control — Elements of internal control, Review and documentation, Evaluation of internal control system, Internal control questionnaire, Internal control check list, Tests of control, Application of concept of materiality and audit risk, Concept of internal audit.
7. Internal Control and Computerized Environment, Approaches to Auditing in Computerised Environment.
8. Auditing Sampling — Types of sampling, Test checking, Techniques of test checks.


10. Audit of payments — General considerations, Wages, Capital expenditure, Other payments and expenses, Petty cash payments, Bank payments, Bank reconciliation.

11. Audit of receipts — General considerations, Cash sales, Receipts from debtors, Other Receipts.

12. Audit of Purchases — Vouching cash and credit purchases, Forward purchases, Purchase returns, Allowance received from suppliers.

13. Audit of Sales — Vouching of cash and credit sales, Goods on consignment, Sale on approval basis, Sale under hire-purchase agreement, Returnable containers, Various types of allowances given to customers, Sale returns.

14. Audit of suppliers' ledger and the debtors' ledger — Self-balancing and the sectional balancing system, Total or control accounts, Confirmatory statements from credit customers and suppliers, Provision for bad and doubtful debts, Writing off of bad debts.

15. Audit of impersonal ledger — Capital expenditure, deferred revenue expenditure and revenue expenditure, Outstanding expenses and income, Repairs and renewals, Distinction between reserves and provisions, Implications of change in the basis of accounting.

16. Audit of assets and liabilities.

17. Company Audit — Audit of Shares, Qualifications and Disqualifications of Auditors, Appointment of auditors, Removal of auditors, Powers and duties of auditors, Branch audit, Joint audit, Special audit, Reporting requirements under the Companies Act, 1956.


19. Special points in audit of different types of undertakings, i.e., Educational institutions, Hotels, Clubs, Hospitals, Hire-purchase and leasing companies (excluding banks, electricity companies, cooperative societies, and insurance companies).

20. Features and basic principles of government audit, Local bodies and not-for-profit organizations, Comptroller and Auditor General and its constitutional role.
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