

Yogoda Satsanga Mahavidyalaya

**B. Com Semester – VI (C-13) CBCS**

**Subject: Auditing & Corporate Governance**

Topic: **Vouching & Verification**

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### **Vouching And Verification**

The key difference between vouching and verification is, vouching is used to check the accuracy of entry which is done in books of accounts. We compare the book of accounts to vouchers either the entry is correct or not. Whereas verification is a process to check the validity of assets and liabilities appearing in the balance sheets. It means verification checks either the assets and liabilities which entry in balance is present at the date of entry or not.

Now let's discuss vouching in detail to understand it in a much easier way.

### **What is vouching?**

Entries that are done in the book of accounts must be supported by the documentary of evidence or any inspection of that evidence then we consider it as vouching. It means vouching is done on the basis of proof that is inspected. This inspection is done by the auditor. The auditor checks the authenticity of accounting entries using vouching. The auditor checks that is this entry correct or not in case if the auditor finds any unavailability of any documents then the auditor has a reason to doubt that particular accounting entries be any fraud or errors. It means vouching is a process of inspection of any documents on the basis of documentary evidence. It plays a very important role in auditing. Auditing can't be possible without vouching.

### **Objectives of vouching**

- Vouching checks the entries of business transaction done in books of account is properly done or not.
- To check either the entries recorded on books of account are on the basis of a proper document of evidence or not.
- To verify that all the documentary evidence done is related to a business transaction or not.
- To check either the accounting entries are free from any fraud or not.

- To verify whether the voucher is processed through all the internal checks properly or not
- To verify either the entries recorded in the books of account are on the basis of capital and revenue of the business or not.
- To check the accuracy of entries in the books of accounts about transactions.

### **Importance of vouching**

- Vouching is important to pass all the entries in the books of account. If any of the stages are found to be incorrect then it will affect the whole process of accounting entry and its impact will be on the whole process. It means vouching for the main root of auditing.
- Overall process of vouching will decide the accuracy of auditing.
- If any fraud or error in accounting entry then it will be very easy to detect that error by using the process vouching.
- An intelligent and accurate vouching establish a better financial statement of the company or organization. It decides the profit and loss of any organization.
- If any fraud or error detects in the books of account then the auditor can check it to verify.

### **Types of vouchers**

**There are two types of vouchers: -**

1. Primary voucher
2. Collateral voucher

Now let's discuss these two types of vouchers in detail.

#### **1. Primary voucher**

It is an original copy of any supporting written document known as a primary voucher. Like a bill, cash memo, etc. It means it is an original copy of any document which is given to the customer for any goods purchase.

#### **2. Collateral voucher**

It is a duplicate copy of any supporting written document known as a collateral voucher. Like carbon copy of any bill, duplicate, etc. It means it is a duplicate copy of any document which has been given to the customer. In the collateral voucher, one of the original copies has to be kept at the owner while another one which is a duplicate of it, has been given to the buyer.

### **Important points about vouching.**

- It needs to check the authenticity and accuracy of accounting entries. Either the entries in the books of account are correct or not.
- To check the classification of accounts. Either the account for which it is made the entries put in that account or not.
- To check the numbering of. It means the voucher present in the books of account is properly arranged or not.
- Every voucher which is checked by the auditor to be mentioned with a checked sign.
- Amount which is mentioned in the receipt should same in the word and number.
- Period of payment at which it is done should be mentioned in the receipt.
- If any advance payment is done then it should be clearly written "advance payment" in receipt
- If there is the name of any employee, manager, director written in the books of account then it should be clearly checked.
- Voucher should be certified by any responsible officer of that company to clarify that the voucher which is represented by the auditor is accurate or not.
- If any voucher missing then there will have an investigation about that voucher.
- If any alteration is done on the voucher then it is the responsibility of the officer of that company to clarify that the authentication is correct or not.
- All the expenses should be complete at once in one sitting of time.
- Expenses should be examined by the auditor.

Now let's discuss verification in detail to understand it in a much easier way.

### **What is verification?**

Verification means a process to check the assets and liabilities present in the balance sheet. It means verification inspects the assets and liabilities that appear in the balance sheet.

Verification of assets and liabilities is done to confirm the following things:-

- It checks whether the existence of those assets and liabilities is present in the balance sheet or not.
- To check that it has business ownership or not. This means the assets or liabilities entered in the balance sheet are registered for business or not.
- To check the proper evaluation of assets and liabilities. It means to evaluate the assets and liabilities present in entered in the balance sheet.
- It checks whether the business has possession or not.
- Also it uses to check whether it has freedom from encumbrances or not.
- It inspects the proper recording of assets and liabilities.

### **There are four methods of verification:**

1. Inspection
2. Demonstration
3. Test
4. Analysis

Verification is done by using these four methods in which at first auditor inspects the given entries in balance sheet then after inspecting it demonstrates that given entries after that it tests whether the assets and liabilities entered in the balance sheet is accurate or there is an error in that particular assets. And after the process of inspection, demonstration, and test, at last, they analyze the entries and report the condition of that entry.

## Objective of verification

- To know whether the balance sheet shows a true and fair value of assets or not.
- To show the value of assets and liabilities are correct or not.
- To know that whether the company has ownership of the assets and liabilities which is shown by the company.
- To know whether the assets and liabilities exist in the business or not.
- To check fraud and errors in the balance sheet.
- To check how the company acquiring the assets and how it disposing of them.
- To verify the accuracy of the balance sheet.
- It ensures that whether the assets and liabilities are properly recorded or not.

## Comparison between vouching and verification

- Verification and vouching seem to be similar but there is a lot more difference between vouching and verification.
- Vouching is a process to check the entries in books of account whereas verification means checking the assets and liabilities present in the balance sheet.
- Verification confirms the existence, ownership, and valuation of assets and liabilities present in the balance sheet whereas vouching ensures that the accounting in books of account is accurate or not.
- As vouching only check the accuracy of accounting entries in books of account so auditor duty is not only to vouching because it only gives the information about the accuracy of assets and liabilities it won't show the existence, ownership, and valuation of entries.

These are the main differences between vouching and verification which seem to be similar but there is a lot more difference between each of them.

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