

Yogoda Satsanga Mahavidyalaya

B. Com Semester – VI (C-13) CBCS

Subject: Auditing & Corporate Governance

Topic: **Audit of Limited Company**

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Audit Of Limited Company:

A corporate audit or **audit of limited company** involves examining its books of account to confirm their accuracy. The organization must select an auditor to conduct the audit. The purpose of an audit of a company's financial statements is to enable the auditor to convey their opinion.

The Companies Act 2013 ('Act') stipulates several requirements that a private limited company must meet upon registration. Regardless of the company's size or nature, auditing is one of the obligatory requirements it must adhere to.

The auditor must examine numerous ledgers, vouchers, and invoices to determine if they are accurate and properly managed. The Act and the Company Law Regulations require an annual audit of a limited liability corporation.

Need for an audit of a limited company:

A private limited **company** must comply with several requirements after being registered under the Companies Act of 2013 (the "Act"). No of the size or type of the business, conducting an audit is one such obligation that must be met.

A corporate audit is an examination of its financial records to determine whether they are accurate. An auditor must carry out the audit that the firm appoints. The goal of an audit of a company's financial statements is to provide the auditor with a chance to voice their conclusions.

The auditor must examine several books of accounts, vouchers, and bills to see whether they are correct and kept up to date. According to the Act and Company Law Regulations, a private limited company must conduct an annual audit to comply.

The 3 main types of audits:

A private limited business may undergo several audits for various reasons. Private company audits can take the following forms:

1. Statutory Audit

Regardless of its profit or turnover, every private limited business is required to undergo a statutory audit. A statutory audit is also required of a corporation that suffers a loss. According to

the Act and Companies (Accounts) Regulations of 2014, every private limited company must fully have its annual accounts audited each financial year.

After reviewing the data in the books of accounts, bank balance, and financial statements, the statutory audit's goal is to ascertain if a firm is accurately portraying its financial status.

2. Internal Audit

The private limited company's internal audit is carried out on the advice of its internal management. According to the Act and the Companies (Accounts) Regulations of 2014, the specified firms must employ an internal auditor to audit their operations. **The limited private corporations listed below are required to undertake internal audits:**

1. Private businesses with a prior fiscal year revenue of at least Rs. 200 crore
2. Private businesses with outstanding debt from banks or public financial institutions of at least Rs. 100 crore
3. Internal audits are performed to assess the organization's operational effectiveness and the health of its finances. They assist internal management in conducting financial analysis and implementing the necessary adjustments to improve the effectiveness of its operations.

3. Cost Audit

The following private limited firms are required to conduct cost audits under the Companies (Cost Records and Audit) Regulations, 2014:

1. Private limited firms producing the commodities or rendering the services indicated in Table 3(A) of the Companies (Cost Records and Audit) Regulations and possessing the following characteristics:
 - Total yearly revenue from all its services and products is at least Rs. 50 crore for the most recent fiscal year
 - a service or product's total annual revenue of at least Rs. 25 crore.
 2. Private limited firms producing the commodities or rendering the services indicated in Table 3(B) of the Companies (Cost Records and Audit) Regulations and possessing the following characteristics:
 - Annual revenue from all of its services or products of at least Rs. 100 crore in the prior fiscal year.
 - Total revenue of at least Rs. 35 crore for the specific service or product.
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