



Ref. No.:

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CORE CONCEPT OF PRINCIPLE OF AUDITING

3. Audit Helps To Get Compensation

If there is any loss in the property of business, insurance company provides compensation on the basis of audited statement of valuation made by the auditor. So, it helps to get compensation.

4. Audit Helps To Obtain Loan

Specially financial institutions provide loan on the basis of audited statements. A business organization may obtain loan considering the audited statement of last five years. So, an organization should make audit compulsory to obtain loan.

5. Audit Facilitates The Sale Of Business

Valuation of assets is made by the auditor. On the basis of valuation of assets and liabilities, businessman can sell his business. It helps to determine the price of business.

6. Audit Helps To Assess Tax

Tax authorities assess taxes on the basis of profit calculated by the auditor. In the same way sales tax authority calculates sales tax on the basis of sales shown in the audited statement.

7. Audit Facilitates To Compare

An auditor instructs an accountant in the same way which helps to compare books of accounts of current year with the accounting of the previous year. So, comparing the accounts of current with previous years helps to detect errors and frauds.

8. Audit Helps To Adjust Account Of Deceased Partner



Valuation of all the assets and liabilities of the business is made by the auditor while auditing books of account. Such valuation helps to clear the amount of deceased partner.

9. Audit Helps To Present A Proof

If any case is filed against the auditor regarding negligence, auditor can present audited report as a proof to settle such case. So, it helps to present proof to settle such cases.

10. Audit Provides Information About Profit Or Loss

A businessman wants to know profit or loss of his business after a certain period of time. So, the owner of the business can get information about profit or loss after auditing the books of accounts.

11. Audit Helps To Prepare Future Plan

All the audited statements remain true and correct. Such true and correct account helps to prepare for the future plans.

12. Audit Helps To Increase Goodwill

Auditing shows the profitability and financial position of an organization which creates faith of public over the business. Thus, auditing helps to increase goodwill of an organization.

Objectives of Auditing

Basic objective of auditing is to prove true and fairness of results presented by profit and loss account and financial position presented by balance sheet. Its objectives are classified into two groups which are given below:

A. Primary Objectives Of Audit

The main objectives of audit are known as primary objectives of audit. They are as follows:

- i. Examining the system of internal check.