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Perspective

Vouching and its objectives

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INTRODUCTION

The verification of the authority and authenticity of transactions as recorded in the books of accounts with the help of documentary evidence is called vouching. In vouching, the truth of items appearing in the books of original entry is tested. According to Ronald A. Irish, vouching is a technical term which refers to the inspection by the auditor of documentary evidence supporting and substantiating a transaction.

According to De Paula, “vouching does not mean merely the inspection of receipts with the cash book, but includes the examination of receipts with the transactions of a business, together with documentary and of other evidence of sufficient validity to satisfy an auditor that such transaction are in order, have been properly authorised and are correctly recorded in the books of account”.

The definition of vouching discloses that it is a sort of preliminary work which forms an important part of audit work. Since accounts of a business begin with the passing entries, hence it becomes a basis for further scrutiny to be made at a large stage. Its importance therefore can hardly be over-emphasized. The purpose of checking entries by references to appropriate documentary evidence is to ensure that the transactions relating to a particular period have been recorded and there is no voucher left unrecorded in the financial books. The auditor after satisfying himself with regard to the authority and authenticity of transactions, can only then say categorically that the books of accounts are correct and the balance sheet and profit and loss account exhibit the true and correct state of the financial affairs of a business.

It is certainly true that if vouching is done with care and caution by the auditor, he can proceed well further in his work. Thus, vouching becomes an indispensable preliminary to carry on further scrutiny with ease and to satisfy him that the financial books reveal the true position of the business. That is why vouching is said to be the backbone of auditing. Actually, it is the essence of auditing.

Objectives

The following are the main objects of vouching;

1. All transactions connected with the business have been properly recorded in the books of account.
2. The entries in the books of account pertain to transactions which are genuinely connected with the business.
3. The vouchers in support of the entries are legally valid in the sense that they are authentic, properly dated, addressed to the business of the client and are not fraudulent in any respect.
4. The vouchers have been carefully processed through each stage of an effective system of internal check.
5. The vouchers have been properly authorised.

Method of vouching of the different items appearing on the debit side of cash book. Cash sales, since there are greater chances of fraud in regard to cash sales, the effectiveness of the system of internal check should be examined. Goods may be sold but no entries may be made in the cash book and thereby money misappropriated. Therefore, instead of allowing the transaction to be done by a single person, it must pass through three persons the salesman making sales, the cashier receiving cash and the gate keeper delivering the goods. In this arrangement, the chances of fraud can be minimised.

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