## INSPECTION OF ACCOUNTS

Refers to an inspection, correction, and verification of business accounts, conducted by an independent qualified accountant

**VERIFICATION OF SPECIFIC ASSETS/ LIABILITIES FOR INCORPORATED BODIES**

1. **VERIFICATION OF EQUITY**

Equity consists of share capital and reserves. This part of the balance sheet represents interest of the owners in net assets of the entity. To verify the owners’ equity the auditor verifies following aspects:

􀂃 Share capital is properly classified and described in the accounts

􀂃 Movement in share capital is properly authorized and correctly presented

􀂃 Reserves are properly classified and presented

􀂃 Movements in reserves are properly authorized

**VERIFICATION METHODS**

1. Agree authorized capital with memorandum of association.
2. Agree issued capital with the certificate obtained from registrar.
3. Obtain list/ register of shareholders.
4. **VERIFICATION OF BANK BALANCES**

Following points should be considered during verification of Bank Balances:

1. Agree the balances with the bankbook, and/or general ledger and bank statement.
2. In case of difference between bank book and bank statement obtain reconciliation for the bank accounts.
3. Check that outstanding cheques have been cleared with the bank statement subsequent to the year-end. If cheques have not been cleared subsequently ask for any special reason why they have not been cleared.
4. Check that uncollected cheques have been realized, with the statement for subsequent period.
5. Scrutinize the subsequent bank statement for dishonored cheques in order to detect worthless cheques deposited to conceal shortages.
6. Investigate any significant reconciling items of an unusual nature.
7. Investigate about outstanding stale cheques.
8. Obtain direct bank confirmation.

**VERIFICATION OF CERTAIN EXPENSES ITEMS:**

**A. DIRECTOR’S FEE**

a. Examine the Articles of Association of the company to ascertain mode of determining rates of fee.

b. Examine the minutes of meeting to ensure that only the fee rates agreed are paid to the directors.

c. Where fee is payable according to attendance at meetings, examine attendance to ensure that only attendance is paid.

d. Ensure that proper receipt is obtained from the payees.

e. Check that proper disclosure is made in the accounts as required by the Companies act.

**B. INTEREST ON LONG TERM LOAN (FOREIGN CURRENCY)**

i) Obtain loan agreement and read its terms and conditions.

ii) Check interest rate mentioned in the agreement.

iii) Check calculation of interest according to specified rate.

iv) Check accrual of interest in case of non-payment.

v) Check payment voucher with bank advice.

vi) Ensure that any gain or loss resulting from the translation has been properly accounted for.

vii) Ensure the following are properly disclosed:

* + Amount of interest;
  + Interest rate;
  + Penal interest, if any; and
  + Interest capitalized.

viii) See that whether any interest has been capitalized. If so examine that requirements of IAS-23 have been fully met and disclosure has been made accordingly.