

Identify and verify any five-
documentary evidences in connection
with sales, purchases of
goods, machineries, payment of
expenses and liabilities.

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Introduction

In auditing, documentary evidence is the written proof that supports accounting transactions recorded in the books of accounts. The auditor examines these documents to verify the authenticity, accuracy, legality, and completeness of transactions.

Documentary evidence is considered highly reliable because it provides direct support for financial statements and helps the auditor form an audit opinion.

The auditor generally verifies documents relating to:

- Sales of goods
- Purchases of goods
- Purchase of machinery/assets
- Payment of expenses
- Liabilities and outstanding dues



1. Sales Invoice (Evidence for Sales of Goods)

Meaning

A sales invoice is a document issued by the seller to the buyer showing details of goods sold.

Important Contents

- Invoice number
- Date
- Name of customer
- Quantity of goods
- Rate and amount
- GST/VAT details
- Signature/authorization



Auditor's Verification

The auditor should:

- Check whether invoices are serially numbered.
- Verify entries with the Sales Book.
- Compare invoice with delivery challan and customer order.
- Ensure GST and taxes are properly charged.
- Verify authorization by responsible officer.
- Confirm that sales are recorded in the correct accounting period.



Audit Objectives

- *To ensure sales are genuine.*
- *To detect fictitious sales.*
- *To verify proper recording of revenue.*
- *To confirm compliance with tax laws.*



Importance

Sales invoices are primary evidence for revenue recognition and help auditors detect fraud and overstatement of sales.



2. Purchase Invoice (Evidence for Purchase of Goods)

Meaning

A purchase invoice is a bill received from suppliers for goods purchased by the business.

Important Contents

- Supplier name
- Invoice number and date
- Description of goods
- Quantity and rate
- GST details
- Total amount payable



Auditor's Verification

The auditor should:

- Match purchase invoice with purchase order.
- Compare with Goods Received Note (GRN).
- Verify entries in Purchase Book.
- Check calculations and tax treatment.
- Ensure purchases are authorized.
- Verify whether purchases relate to business purposes only.



Audit Objectives

- To confirm purchases are genuine.
- To ensure no bogus purchases are recorded.
- To verify proper valuation of inventory.
- To confirm liabilities are correctly recorded.

Importance

Purchase invoices help establish the accuracy of expenses, inventory valuation, and creditor balances.



3. Machinery Purchase Documents (Evidence for Purchase of Machinery)

Meaning

When machinery or fixed assets are purchased, several supporting documents are generated to prove ownership and valuation.

- Documentary Evidences
- Supplier invoice
- Purchase agreement
- Installation bill
- Transport receipt
- Warranty documents
- Payment receipt
- Registration documents (if applicable)



Auditor's Verification

The auditor should:

- Verify invoice and supporting agreements.
- Check authorization by management/board.
- Confirm capitalization in Fixed Asset Register.
- Verify installation and freight expenses are properly added to cost.
- Physically inspect machinery if necessary.
- Check depreciation calculation.



Audit Objectives

- To verify ownership of machinery.
- To confirm proper capitalization.
- To ensure machinery exists physically.
- To check correct depreciation treatment.

Importance

These documents help prevent overvaluation or fictitious recording of fixed assets.



4. Vouchers and Receipts (Evidence for Payment of Expenses)

Meaning

Vouchers and receipts are documentary proofs of payments made for expenses such as salaries, rent, electricity, repairs, travelling, etc.

Types of Vouchers

- Cash voucher
- Payment voucher
- Journal voucher
- Petty cash voucher



Auditor's Verification

The auditor should:

- Examine supporting bills and receipts.
- Verify approval and signatures.
- Check entries in Cash Book/Bank Book.
- Ensure expenses are related to business.
- Verify revenue and capital expenses are properly classified.
- Check for duplicate or fake vouchers.



Audit Objectives

Audit Objectives

- To confirm expenses are genuine.
- To prevent misappropriation of cash.
- To ensure proper accounting classification.
- To verify authorization of payments.

Importance

Vouchers are important evidence for proving that business expenses were actually incurred and paid.



5. Bills Payable and Creditors Statements (Evidence for Liabilities)

Meaning

Liabilities represent amounts payable by the business to outsiders. Documentary evidence is necessary to confirm the existence and accuracy of liabilities.

Documentary Evidences

- Supplier statements
- Bills payable
- Loan agreements
- Bank confirmations
- Outstanding expense schedules
- Credit notes



Auditor's Verification

The auditor should:

- Verify balances with supplier statements.
- Obtain direct confirmation from creditors if required.
- Examine loan agreements and repayment terms.
- Check whether liabilities are recorded completely.
- Verify classification into current and long-term liabilities.
- Ensure outstanding expenses are properly accrued.



Audit Objectives

Audit Objectives

- To confirm completeness of liabilities.
- To detect understatement of liabilities.
- To ensure proper disclosure in financial statements.

Importance

Verification of liabilities helps auditors ensure that the financial statements show a true and fair view of obligations.



Conclusion

Documentary evidence forms the backbone of auditing. Proper identification and verification of documents relating to sales, purchases, machinery acquisition, expenses, and liabilities help the auditor detect errors and frauds and ensure reliability of financial statements. Reliable documentary evidence increases the credibility of the audit process and strengthens internal control systems.

