

Guidance Note on Audit of Cash and Bank Balances

The Guidance Note deals with the audit procedures that might be adopted while auditing cash and bank balances. The following is a gist of the relevant areas covered by the Guidance Note:

- *Internal Control Evaluation*: segregation of incompatible functions, authorisation, recording of transactions, safe custody of cash, chequebooks etc., reconciliation statements, etc.
- *Verification of Cash Balances*: timing of carrying out verifications, procedure for verification, situations of unduly large cash balances, IOUs, procedures in case of discrepancies, frequency of verification.
- *Verification of Bank Balances*: procedures for verification, examination of bank reconciliation statements and unusually old outstandings therein, post dated cheques, obtaining confirmations from banks, inoperative bank accounts, fixed deposits, remittance in transit, treatment of stale cheques, valuation of foreign exchange transactions.
- *Examination of Valuation and Disclosure*: compliance with recognised accounting policies, practices, statutory requirements

The Guidance Note also gives an illustrative letter of confirmation for bank balances.

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