

SUBJECT- AUDITING

ADVANTAGES OF AUDITING - II

II. Benefits to the Owner

1. Benefits to the Sole Proprietor:- Audited accounts provide assurance to the proprietor about the accuracy of accounts maintained by his employees and also enables to know the financial performance of the business. It further enables the proprietor to obtain loan and in computation of income tax liability.
2. Benefit to the Partners: In case of partnership business, audited accounts help the partners in settlement of accounts among the partners at the time of admission, retirement or in the case of death of a partner.
3. Benefit to the Shareholders:- Shareholders are the owners of the company. With the help of audited accounts, they get a real picture of the financial position of the company and that directors and managing directors have not taken any undue advantage of their position.
4. Benefit to Trust, Co-operative Societies:- Audit of accounts of co-operative societies and trusts provide evidence that the interest of the beneficiaries and members are properly protected.

III. Benefits to the Third Parties :-

1. Bank and Financial Institutions: Banks and other financial institutions grant loan to the business concern on the basis of audited financial statements.
2. Creditors: Creditors who supply goods to the business may assess the solvency and liquidity position of the business on the basis of audited accounts.
3. Insurance Companies: For settlement of Insurance claims, insurance companies can rely on audited accounts.
4. Statutory Authorities:- Statutory authorities like income-tax, sales tax, wealth tax etc. accept audited statements for determining the liability which arises due to income, sales and wealth.
5. Prospective Investors:- Prospective investors who wish to invest money in shares and debentures of a company rely on audited accounts.