

04/06/13

COMMERCIAL LAW AND PRELIMINARIES OF AUDITING

CLASS- XI

COMMERCIAL LAW (45 MARKS)

1. Introduction (5 Marks / 2 Periods)

a) Definition of Law, b) Meaning of Commercial Law, c) Sources of Indian Commercial Law

2. Law of Contract (25 Marks / 25 Periods)

- a) Definition and meaning of agreement and contract – Essential elements of a contract.
- b) Offer and acceptance – Definition and meaning of offer, offerer, offeree, promise, promisor, promisee; Rules regarding offer – Definition and meaning of acceptance; Rules regarding acceptance – Methods of communication of offer and acceptance – Revocation of an offer and acceptance.
- c) Consideration – Definition and meaning of consideration – Types of consideration – Rules regarding consideration – “No consideration No Contract”; Exceptions to the Rule.
- d) Capacity of parties – Definition and meaning of capacity of parties – Definition and meaning of minority, The Law regarding Minor’s Agreement – Definition and meaning of persons of unsound mind, effects of agreements made by persons of unsound mind – meaning of disqualified persons.
- e) Free consent – Definition and meaning of free consent – coercion, undue Influence, Misrepresentation, Fraud, Mistake; meaning, Rules regarding these.

3. The law relating to Sale of Goods (15 Marks / 20 Periods)

- a) Definition of Buyer, Seller; Meaning and definition of Goods, classification of Goods – Existing, Future, Contingent – Sale and Agreement to sell, difference between these two – The essential elements of a contract for the sale of goods – conditions and warranties, Implied condition and Implied Warranties – The Doctrine of Caveat Emptor
- b) Transfer of ownership – when does property pass from the seller to the Buyer – Transfer of title by Non-owner.

PRELIMINARIES OF AUDITING (45 Marks)

UNIT – I (15 Marks/15 Periods)

Introduction to Auditing :

Definition of Auditing – Evolution of Auditing – Nature of Auditing – objectives of Auditing : Primary and Secondary – Importance of Auditing – Advantages of Auditing – Limitations – Relation and Differences between Accounting and Auditing – An Auditor is not an Accountant – Auditor : Professional and General Qualifications.

UNIT – 2 (5 Marks / 5 Periods)

Errors and Frauds and Auditor :

Errors in Accounting – Detection of Errors by Auditor – Frauds : Misappropriation and Manipulation – Detection of Frauds by Auditor – Duties of Auditor in relation to Errors and Frauds.

UNIT – 3 (15 Marks / 15 Periods)

Different Types of Audit :

On the basis of Law :Statutory Audit – Non-statutory Audit – Government Audit. - On the basis of Time : Continuous Audit – Periodical Audit – Interim Audit. - On the basis of scope of work : Complete Audit – Partial Audit. – Interval Audit – Advantages and Limitations of Each Type of Audit – Distinction between : Continuous Audit and Periodical Audit, Statutory Audit and Non-statutory Audit – Interval Audit and Interim Audit.

UNIT – 4 (10 Marks / 10 Periods)

Internal Control System

Definition, Features, Advantages and Limitations of Internal Control System – Internal Checking System : Definition – Objectives – Advantages – Limitations – Distinctions between Internal Control System and Internal Checking System – Relevance of Internal Control System in Auditing.

PROJECT (10 Marks/15 Periods)

1. Imagine yourself a buyer. Write a report of the steps you should follow in case of breach of contract of Sale of Goods.
2. Visit a big Shopping Mall and prepare a report on its internal control/internal checking system.

COMMERCIAL LAW AND PRELIMINARIES OF AUDITING

CLASS- XII

COMMERCIAL LAW (40 MARKS)

1. The Law of partnership

(15 Marks / 20 Periods)

- a) Introduction – Definition of partnership from, essential elements of a partnership – who can be a partner? – Legal status of partnership firms – classification of partnership and partners – Partnership Deed.
- b) Registration of Partnership firms – The formalities of registration – Consequences of non-registration.
- c) Rights and liabilities of partner – Mutual rights and duties u/s 12, 13 – The authority of a partner, Express and Implied authority, Limitations of implied authority, Alteration of authority, Authority in an emergency – Liability of partners to outsiders – Rights and duties of partners – Position of minor in partnership firm.

2. The Law relating to Negotiable Instruments (15 Marks / 20 Periods)

- a) Introduction – Concept of Negotiable Instruments, Essential features of Negotiable Instruments, Types of Negotiable Instruments – Promissory Note: definition and essential elements – Bills of Exchange; definition and essential elements – Cheque: Definition, Features, Types – Difference between promissory Note and Bill of Exchange, Difference between Bill of Exchange and Cheque – Meaning of Holder and Holder in due course, Rights of a Holder in due course.
- b) Acceptance, Negotiation, Endorsement – Acceptance: Definition, Types, When acceptance is not necessary; Time and place of presentment for acceptance, - Negotiation: Meaning, Negotiation by delivery, Negotiation by endorsement, Who may negotiate? – Endorsement: Definition, Effect, Types, Rules of endorsement.

3. The Law of Insurance

(10 Marks / 10 Periods)

- a) Principles – Objects of insurance – contract of insurance; characteristics – meaning of the terms insurer, insured, insurance policy, premium, risk, cover note.
- b) Life insurance – Definition, difference between life insurance and property insurance, types of life insurance, meaning of surrender value, Nomination, procedures, Effects of suicide.
- c) Marine Insurance – Definition, features, types.
Fire Insurance – Definition, features, types.

PRELIMINARIES OF AUDITING (40 MARKS)

UNIT – I (15 Marks/15 Periods)

New Branches of Auditing

- (i) Cost Audit : Definition – Objectives – Advantages – Limitations
- (ii) Management Audit : Definition – Objectives – Advantages – Limitations
- (iii) Performance Audit : Definition – Objectives – Advantages – Limitations
- (iv) Social Audit : Definition – Objectives – Advantages – Limitations

UNIT – 2 (15 Marks / 15 Periods)

Pre-Audit Procedure

- (i) Preparatory Steps before commencement of new audit
- (ii) Audit Programme : Definition – Objectives – Features – Advantages – Limitations
- (iii) Audit Memorandum : Definition – General Contents.
- (iv) Explanation of the Terms : Audit File – Audit planning – Audit working papers (excluding detailed discussion)
- (v) Routine Checking : Definition – Scope – Objectives – Advantages – Limitations.
- (vi) Test Checking : Definition – Factors to be considered – Advantages - Limitations

UNIT – 3 (10 Marks / 10 Periods)

Vouching of Transactions

- (i) Vouching : Definition – Features – objectives – Importance – Important Factors to be considered in vouching.
- (ii) Voucher : Definition – classification – Features
- (iii) Comparison between Routing checking and vouching.

PROJECT (20 Marks/20 Periods)

1. Visit an Audit Firm, collect data on the pre-audit procedure and prepare a report.
2. Visit two partnership firms, go through their Partnership Deed and write a report.