

SUMMER INTERNSHIP PROJECT

“A Study of Stock Audit with Reference to R S Surana & Associates”

Submitted to:

DMSR

**G. S. College of Commerce & Economics, Nagpur
(An Autonomous Institution)**

Affiliated to:

Rashtrasant Tukdoji Maharaj Nagpur University, Nagpur

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**Department of Management Sciences and Research,
G. S. College of Commerce & Economics, Nagpur
NAAC Accredited “A” Grade Institution**



Academic Year 2022 - 2023

CERTIFICATE

This is to certify that the investigation described in this report titled “**A Study of Stock Audit With Reference To R S Surana & Associates**” has been carried out by **Mr.Sanket Sadanand Puppulwar** during the summer internship project. The study was done in the organization, **CA. R S Surana & Associates** in partial fulfilment of the requirement for the degree of Master of Business Administration of **R. T. M. Nagpur University, Nagpur.**

This work is the own work of the candidate, complete in all respects and is of sufficiently high standard to warrant its submission to the said degree. The assistance and resources used for this work are duly acknowledged.

Prof. Shubhangi Jepulkar
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R S SURANA & ASSOCIATES

CHARTERED ACCOUNTANT

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TO WHOMSOEVER IT MAY CONCERN

This is to certify that Mr. **Sanket Sadanand Puppalwar** student of MBA (Finance) at G.S College of Commerce and Economics (DMSR) Nagpur has successfully completed his 45 days Internship Programme in **M/S R S SURANA & ASSOCIATES** (From 16 Sep 2022 to 31 Oct 2022).

During the period of internship programme with us he was punctual, hardworking and inquisitive. His performance exceeded expectation and was able to complete the task successfully on time.

We wish him all the best in all his future efforts.

Date: 01/11/2022

Place: Nagpur

For, R S Surana & Associates
CHARTERED ACCOUNTANT



R. Surana

Proprietor: CA Rohit Surana
M NO. 196442

ACKNOWLEDGEMENT

It is a matter of pride and privilege for me to have done a summer internship project in “CA R S Surana & Co.” and I am sincerely thankful to them for providing this opportunity to me.

I am thankful to “**CA.Rohit Suresh Surana**” for guiding me through this project and continuously encouraging me. It would not have been possible to complete this project without his support.

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Finally, I am grateful to my family and friends for their unending support.

Sanket Puppalwar

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INTRODUCTION

The title of study is internal audit procedure Auditing is done throughout the year they are there to alert the management for any deviation from the NRB framework likewise loopholes that are there in the policy and procedure are highlighted as Internal Audit Department constantly monitor the work and reports to the higher authorities for changes to be made. Internal Audit Department reviews the Income and recognizes it if not taken and realized. There is a period research conducted by the Internal Audit Department where data are collected and examined for recommendation, the research in general will look at the secondary data's rather than primary ones.

There are various forms of Audit carried out in any commercial banks. The first audit is the self audit, and then secondly there are another department like Credit Risk Department and Risk Management that constantly monitors the work. If any of the risks is overlooked by the Credit and Risk Management Department than the last department to control and alert the organization management is the Internal Audit Department of the Organization.

Since the MBA program is an integrated set of practical and theoretical method of learning, the students of this program are required to have practical exposure in any kind of business organization as last term of this course. The primary goal of internship is to provide an on the-job exposure to the student and an opportunity for translation of their theoretical conceptions in real life situation

Audit

Definition

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users. The various types of auditing services provided by the organization are Statutory Audit, Due Diligence Audit, Internal Audit, External Audit, Financial Audit, Forensic Audit etc.

ESSENTIALS OF GOOD AUDIT REPORT

Title An auditor report must have appropriate title, such as “Auditor’s Report”. It is helpful for the reader to identify the auditor’s report. It is easy to distinguish it from other reports. The management can issue any report about the business performance. The title o the report is essential.

Addressee The addressee may be shareholder or board of director of a company. The auditor can audit financial statements of any business unit as per agreement. The report should be appropriately addressed as required by engagement letter and legal

requirements. The report is usually addresses to the shareholders or the board of directors. **Identification** The audit report should identify the financial statement that have audited. The financial statement may include trading profit and loss accounts, balance sheet and statement of changes in financial position and sources and application of frauds statement. The report should include the name of the entity.

Moreover the data and period covered by the financial statement are also stated in it.

Reference to Auditing Standards The audit report should indicate the auditing standard or practice followed in conducting the audit. The international auditing guidelines need assurance that the audit has been conducted as per set standards

Opinion The auditor's report should clearly state the auditor's opinion on the presentation in the financial statement of the entity's financial position and the result of its operations. The statement give a true and fair view is an auditor's opinion. This opinion is usually based on national standard or international accounting standards.

Signature The audit report should be signed in the name of the audit firm, the personal name of the auditor or both as appropriate.

Auditor's Address The address of auditor is stated in the audit report. The name of city is stated in the report for information of the readers.

Date of Report The report should be dated. It informs the reader that the auditor considered the effect on the financial statements and in his report of events or transactions about which he become aware the occurred up to that date.

Products and Services: The major products and services provided by the firm are auditing, due diligence, account outsourcing, project management and consulting services.

COMPANY PROFILE

CA R S Surana & Associates is one of the top trending and leading businesses in the field of accounting category in Nagpur. It is also known as Accountants, Accounting Facilities, Accounting services, outsourcing services etc.

These firm provides all sort of chartered accountant services related to accounting, auditing, income tax, financial services, company law matters, foreign collaborations, import-export consultancy, GST Registration, GST Returns etc.

It is a professionally managed firm. The team consist of distinguished chartered accountants and tax consultants. The firm represents a combination of specialized skills, which are geared to offers sound financial advice and personalized proactive services.

This company has people who are dedicated to their respective roles and work hard to achieve the shared vision and broader goals of the company. In the near future, this business aims to expand its range of products and services and serve a larger customer base. In Yavatmal, this company has a high status in Nagpur. you can reach this destination easily as R S Surana & Associates can be found in various navigation tools like: Google map. It is known to offer superior services in the following categories: accountant, accounting services, accounting services outsourcing services.

CORPORATE SERVICES

- Incorporation of company
- Consultancy on company law matters
- Filing of Annual Returns and various forms, document
- GST registration and GST return
- Auditing

SERVICES OFFERING

- **Company Registration**

The most famous business composition is to register a Pvt. Ltd. Company. Company registration will enable to limit the personal liability of promoters to the extent of paid-up capital.

- **One Person Company**

GST Registration of business to sell goods beyond turnover limit. Limit may differ from state to state. Necessary to get GST credit.

- **LLP Registration**

Limited liability partnership firm has benefit of company registration and easiness of partnership. It is apt for small businesses. Experienced CA firms can ease out the process within reasonable fees.

- **GST Registration**

Register one person company for quick start of business within reasonable fees by experienced CA firms.

- **ROC Filing**

Periodic returns / firms need to be submitted to registrar of companies (ROC) for companies act compliance. Experienced CA firms can file timely & correct ROC filing in reasonable overall cost.

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- **Internal Audit**

Internal Audit & Internal Financial Control Testing is needed as per Companies Act. Internal Audit is NOT as compulsory as Statutory Audit. Internal auditor can add value to your business to arrest leakage & improve control & efficiency.

- **Tally Accounting**

Tally is most used accounting software. Small & medium sized business can take services from CA firms who can allocate accountants to handle accounting of your business.

- **GST Return**

GST returns need to be filed on periodic basis by business to provide information about value of turnover & total GST liability & mode of payment. Frequency may differ from state to state. Delays will attract penalty. Experienced CA firms can ensure compliance within reasonable fees.

TERMINOLOGIES

- **CLEAN AUDIT OUTCOME:** The financial statements are free from material misstatements (in other words, a financially unqualified audit opinion) and there are no material findings on reporting on performance objectives or non-compliance with legislation.
- **FINANCIALLY UNQUALIFIED AUDIT OPINION:** An unqualified opinion is an independent auditor's judgment that a company's financial statements are fairly and appropriately presented, without any identified exceptions, and in compliance with generally accepted accounting principles (GAAP)
- **QUALIFIED AUDIT OPINION:** A qualified opinion indicates that there was either a scope limitation, an issue discovered in the audit of the financials that were not pervasive, or an inadequate footnote disclosure. A qualified opinion is an auditor's opinion that the financials are fairly presented, with the exception of a specified area.
- **ADVERSE AUDIT OPINION:** An adverse opinion is a professional opinion made by an auditor indicating that a company's financial statements are misrepresented, misstated, and do not accurately reflect its financial performance and health.
- **DISCLAIMER OF AUDIT OPINION:** A disclaimer of opinion is a statement made by an auditor that no opinion is being given regarding the financial statements of a client. This disclaimer may be given for several reasons. For example, the auditor may not have been allowed or been able to complete all planned audit procedures.

Auditing

These steps were followed by us in auditing:

- Any queries related to this work communicated to our external mentor.
- Build an audit strategy.
- Verify that all outgoing checks were properly signed, accounted for and posted to the correct accounts.
- Ensure that all deposits were properly posted
- Review all financial statements.
- Ensure compliance with all state and federal requirements,
- Review all treasurers' reports.
- Complete the financial review worksheet.
- Suggest improvements to internal controls.
- Determine your audit opinion.

Types of Audits

External Audits

Audits performed by outside parties can be extremely helpful in removing any bias in reviewing the state of a company's financials. Financial audits seek to identify if there are any material misstatements in the financial statements. An unqualified, or clean, auditor's opinion provides financial statement users with confidence that the financials are both accurate and complete. External audits, therefore, allow stakeholders to make better, more informed decisions related to the company being audited.

External auditors follow a set of standards different from that of the company or organization hiring them to do the work. The biggest difference between an internal and external audit is the concept of independence of the external auditor. When audits are performed by third parties, the resulting auditor's opinion expressed on items being audited (a company's financials, internal controls, or a system) can be candid and honest without it affecting daily work relationships within the company.

Internal Audits

Internal auditors are employed by the company or organization for whom they are performing an audit, and the resulting audit report is given directly to management and the board of directors. Consultant auditors, while not employed internally, use the standards of the company they are auditing as opposed to a separate set of standards. These types of auditors are used when an organization doesn't have the parts of their own operations.

The results of the internal audit are used to make managerial changes and improvements to internal controls. The purpose of an internal audit is to ensure compliance with laws and regulations and to help maintain accurate and timely financial reporting and data collection. It also

provides a benefit to management by identifying flaws in internal control or financial reporting prior to its review by external auditors.

Internal Revenue Service (IRS) Audits

The Internal Revenue Service (IRS) also routinely performs audits to verify the accuracy of a taxpayer's return and specific transactions. When the IRS audits a person or company, it usually carries a negative connotation and is seen as evidence of some type of wrongdoing by the taxpayer. However, being selected for an audit is not necessarily indicative of any wrongdoing.

IRS audit selection is usually made by random statistical formulas that analyze a taxpayer's return and compare it to similar returns. A taxpayer may also be selected for an audit if they have any dealings with another person or company who was found to have tax errors on their audit.

There are three possible IRS audit outcomes available: no change to the tax return, a change that is accepted by the taxpayer, or a change that the taxpayer disagrees with. If the change is accepted, the taxpayer may owe additional taxes or penalties.

OVERVIEW ON AUDITING

An auditor is someone who prepares and examines financial records. They ensure that financial records are accurate and that taxes are paid properly and on time. They assess financial operations and work to help ensure that an organization runs efficiently.

In this area, we were done different type of work such as matches the balances of transactions from software information with our tally voucher entries information. We check different financial records of companies any analyze that and identify the mistakes then give some suggestions to them.

An audit is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern. It also attempts to ensure that the books of accounts are properly maintained by the concern as required by law. Auditing has become such a ubiquitous phenomenon in the corporate and the public sector that academics started identifying an Audit Society. The auditor perceives and recognizes the prepositions before them for examination, obtains evidence, evaluates the same and formulates an opinion on the basis of his judgement which is communicated through their audit report.

Any subject matter may be audited. Auditing is a safeguard measure since ancient times. Audits provide third party assurance to various stakeholders that the subject is free from material that the subject matter is free from material misstatement. The term is most frequently applied to a legal person. Other areas which are commonly audited include: secretarial and compliance audit, internal controls, quality

Stock Audit

Definition

The process of inspecting records related to store transactions, products sold, and related customer information for detecting any discrepancies (if any) is known as stock auditing. It involves verifying stock based on the company's billing documents. The term also implies that there has been an internal or external investigation into the financial transactions carried out by the company.

stock audit or inventory audit is a term that refers to physical verification of a company or institution's inventory assets. There are types of stock audits depending on the purpose and every stock audit will require a different approach.

Every business institution at least needs to perform a stock audit once a year to update and ensure that the physical stock and the computed stock match. A stock audit helps correct discrepancies between the physical stock and book stock can be corrected.

Process Of Stock Audit



Whenever the new stock arrives in the premises it is registered, barcoded (labelled/marked), and entered in the system for its acquisition or use. These barcodes are now scanned every time the item is removed from the stock for any purpose. Also, the purpose is required to be entered in the provided field, so that to know afterwards and verify it.

After the stock ends and new stock is demanded its variable use is analyzed for its requisition, and this process continues.

When stock audit is performed you can verify your stock with these entries and its consumption.

The process is very easy when you perform all the activities in regular. Just follow all the mandatory steps from barcoding the item to scan and upload, whenever it is shifted or consumed. It helps you in verifying the data and details when the audit is performed.

Importance Of Stock Audit



- Identification of the slow-moving stock, deadstock, obsolete stock, and scrap.
- Find discrepancies between recorded stocks and physical stock.
- Update the physical stock that matches the recorded stock.
- Proper preservation and handling of stocks.
- Reduced cost and bottom-line improvement.
- Prevention of pilferage and fraud.
- Accurate information on inventory value.
- Reduced gaps in the inventory management processes.
- Special arrangements for third party opinion.
- The great control mechanism in running the business.

Advantages Of Stock Audit

- Direct impact on costs and bottom line
- Prevent pilferage and fraud
- Identifies slow moving stock, obsolete stock, dead stock and scrap
- Third party independent opinion, especially for agent warehouses
- Identifies gap in current inventory management process
- Enable accurate valuation of inventory

Documents Required for Stock Audit

1. Stock Statement as on date of verification
2. Provisional balance Sheet, Trial balance as on date of verification.
3. Latest audited financials.
4. Stock Insurance policy if any
5. Invoices of Purchases, Sales
6. Stock Register
7. Method of valuation of closing stock
8. Stock list of non-moving, obsolete, dead stock.
9. Documents Relating to Constitution of The Business
10. Debtors and Creditors List for Latest 6 Months.

ACCOUNTING

Accounting is the process of recording financial transactions pertaining to a business. The accounting process includes summarizing, analyzing, and reporting these transactions to oversight agencies, regulators, and tax collection entities. The financial statements used in accounting are a concise summary of financial transactions over an accounting period, summarizing a company's operations, financial position, and cash flows.

Accounting is one of the key functions of almost any business. It may be handled by a bookkeeper or an accountant at a small firm, or by sizable finance departments with dozens of employees at larger companies. The reports generated by various streams of accounting, such as cost accounting and managerial accounting, are invaluable in helping management make informed business decisions.

The financial statements that summarize a large company's operations, financial position, and cash flows over a particular period are concise and consolidated reports based on thousands of individual financial transactions. As a result, all accounting designations are the culmination of years of study and rigorous examinations combined with a minimum number of years of practical accounting experience.

Financial Accounting

Financial accounting refers to the processes used to generate interim and annual financial statements. The results of all financial transactions that occur during an accounting period are summarized into the balance sheet, income statement, and cash flow statement. The financial statements of most companies are audited annually by an external CPA firm. For some, such as publicly-traded companies, audits are a legal requirement

OBJECTIVE OF STUDY

Verifying Physical Existence

As previously stated, the primary goal of a stock audit is to cross-reference financial data with physical counts. While conducting a stock audit, auditors keep an eye on the inventory counting process to verify if it is being done efficiently. They choose a sample of commodities to see whether physical counts correspond to financial records and vice versa.

Examining the Operations Accuracy

An auditor checks to see if the inventory counting system is accurate, and they do it using a statistical sample approach.

Ownership Rights

Another goal of the inventory audit is to evaluate whether the firm genuinely owns the inventory it has documented.

Evaluation of Realizable Value

One of the audit's goals is to see if the inventories are reported in the general ledger at the proper value. In addition, the auditor examines whether or not damaged and low-quality products are documented at a realizable value.

SCOPE OF STUDY

- I have been assigned in R S SURANA & ASSOCIATES that gave me tremendous scope to familiarize with the audit procedure of the organization. Major parts of scope are point out below:
- Audit procedure, which is followed by the organization for performing any audit.
- Audit administration of firm, which is followed by the organization for performing any audit.
- Audit methodology of firm, which is followed by the organization for performing any audit

Need of study

- Internal auditors gain an in-depth, up-close understanding of the processes, policies and procedures of an organization.
- Risk and compliance concerns are driving hiring at many companies, particularly in highly regulated industries like banking, insurance, healthcare and financial services.
- Potential internal auditing jobs on this career path include entry-level internal auditors, such as auditing specialists, risk assessment specialists, lead internal auditors, financial analysts, internal controls auditors and information systems auditors.
- The more complex regulatory environment means businesses must balance revenue generating activities with the need to meet regulatory directives, implement new capital structures and manage institutional risk.

Contribution During SIP

Weekly report

1st week:

Initially get Knowledge about the basic system of work in the firm. Get information about the software's which used in the firm. Get knowledge about the direct and indirect taxes in India.

2nd Week:

Read all the reports of The Company, Made Analysis of Balance sheet of the company. Journal entries and vouchers. Tally entries made.

3rd week:

I learned how to check the balances of ledger, vouchers and cashbook, debit and credit notes etc. Made Observation of the procedures for the stock audit. Get information from the other colleague about the place of audit.

4th week

This a summary of the balance of all accounts in the chart of accounts to, firstly, make sure the books are balanced. Then, these account balances are used to prepare financial statements such as Profit and Loss Account, Balance Sheet and Cash Flows Statement

5th week

I completed the summary which consist of all ledgers account, profit and loss account and balance sheet to be prepared on roughly basis under the guidance of seniors

6th week

Entered All the Data regarding GST filing in excel sheet which made is to make audit of the respective Company.

LIMITATIONS

- The study is limited to firm only.
- Information is collected in the short period of time.
- Most of the contents collected were difficult to understand because it was new for me to work in the field.
- There are many institutes present in the market. Thus it creates competitive pressure.
- It was time consuming process to do accounting and taxation of any firm.

They have small staff with limited skills sets .Less

number of staff member

RESEARCH MATHOODOLOGY

Data Collection :

Data collection is the systematic approach to gathering and measuring information from variety of sources to get a complete and accurate picture of an area of interest.

It mainly includes two types of data :

Primary Data Secondary

Data

Primary Data

Data used in research originally obtained through the direct efforts of theresearchers through clients.

Secondary Data

Secondary data refers to the data collected from references, tally, books etc

Findings

- The internship at R S Surana & Associates Was my first experience where I get to learn about the services provided by CA firms.
- Initially I know about the working environment and procedures to be followed.
- Then here I get to find about the financing strategy and the hard work to be done and adopting new strategy to get work done .
- The work is done by in-depth analysis of the study about the work and take the decisions according to it.
- From these I find out that the firm operated to get work done follows the process and government guidelines and to approach the clients and collect the data.

Conclusion

- At last working on this project, I can say that it has been most beneficial knowledge about the finance sector about accountancy and services provided by the CA Firms.
- The summer internship program with the CA R S Surana & Associates Is my first best experience in the corporate world.
- In these I get to learn about management of accounting analysis of business entities and direct and indirect taxation.
- It helps to examine the difference between theoretical and practical knowledge of the accounting and how to implement in the working.

SUGGESTIONS

- Make a network that allows its clients to get the data about the company.
- Audit and assurance is the tough job it can be improved.
- The company can enhance their business to other cities.
- They need to offer the audit services at most economical cost with the assured quality services.
- The local economy continues to be strong and we believe our typical clients will continue to flourish.

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