

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.