

RATIO ANALYSIS AS A TOOL IN
AUDITING

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To: the beloved UMMAH...

1.0 INTRODUCTION

The traditional audit approach places heavy reliance on standard audit programmes. These audit programmes were designed to test the internal control system of the client. The extent of testing depends on the assessment of the strength of the internal control. These exercises carried out by audit technician often fails to response to the differing environment and the varying risks the business was operating. Sometimes, the same audit programmes used for different business was unable to detect the unusual trends in areas of audit significant leading to overlook of likelihood of material errors.

Today's auditors had recognized analytical review as a useful technique in overcoming these problems in the course of their audit performance. Ratio analysis was found to be most important tool in analytical review for auditors to facilitate themselves in the effort to provide an audit which is cost effective, efficient and an intelligent one. Auditors in the past do not take full advantage of this tool in their audit.

It is the aim of this paper to forward ratio analysis as a useful tool in auditing and illustrate its applications in the auditing process.