

KSCAA WOMENS COMMITTEE

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Accounting Aspects in GST

- Section 35(1) read with Rule 56 to 58 of CGST Rules
- Types of registers to be maintained
- Judicial Precedents from earlier laws for record keeping
- Method of Record Keeping and reconciliation with books of accounts
- Case Study on accounting entry in records and its impact in GSTR

Key Assertions

- Whether GST has been rightly paid?
- Whether ITC has been correctly taken?
- Whether Returns have been accurately filed?
- Whether records / documents has been correctly maintained?
- Whether exhaustive reconciliations of supplies (Outward / Inward) are in place?



Relevance of Books of Accounts

- Capital goods which are capitalised in books of Account
- Place of business- a place where taxable person maintains his books of Accounts.
- Time of supply- the date on which payment is entered in his books of Accounts or entry in books of Account.
- Department Audit- will verify the books of Account or entry in books of Accounts. They have been given right to verify the books of Account at any time.
- Penalty for not maintenance 10000/- equivalent to taxes whichever is higher

Records to be maintained

Section 35(1) read with Rule 56 to 58 of CGST Rules

- Every Registered person
- Compliance of Maintenance of books of Accounts
- Electronic/Manual
- Nature of business- like Agent, manufacturer, Works contractor, Service provider and Transporter/ Operator
- Period of Maintenance of Books of Accounts
 - Relief to composition dealer for detailed maintenance of stock
 - Type of documents

Records to be maintained by Registered Persons

- Goods or services imported and exported
- Supplies attracting payment of tax
- Supplies attracting payment of tax on reverse charge
- Stock of goods supplies/Received – opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed by way of gift or free samples including raw materials, finished goods, scrap and wastage thereof
- Monthly production accounts with quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.
- Quantitative details of goods used in the provision of each service, details of input services utilized and the services supplied

Records to be maintained by Registered Persons

- Advances received, paid and adjustments made thereto- Refund vouchers, Receipt vouchers
- Details of tax payable, tax collected and paid, input tax, input tax credit claimed.
- Register of tax invoice, credit note, debit note, delivery challan issued or received during any tax period
- Name and complete addresses of suppliers/customers/recipients
- Complete addresses of the premises where the goods are stored by him, including goods stored in transit along with the particulars of the stock stored therein.
- Relevant documents viz- Invoices, bill of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers and e way bills, etc

Types of Registers/Documents to be maintained

- Customer purchase order/ Sales order Register
- Transport documents like Delivery Challan , E -Way Bill, Lorry Receipt, Insurance
- Packing list documents Register
- Banking Receipt Vouchers Register
- Shipping Bills Register
- Duty & tax paid challan Register
- Stock Requisitions in case of Stock transfer Register
- Returnable Gate Pass (RGP) Register
- Invoice to/from job worker Register
- Document Transferring Input Tax Credit (ISD) Register
- Bill of lading/ Bill of Entry Register

Types of Registers/Documents to be maintained

- Purchase Register, Sales Register,
- Debit Notes Register/Credit Notes Register
- Expenses Register
- Fixed Asset Invoices Register
- GST payment challan Register
- GSTR Filed Status Register
- Financial Statements (Balance Sheet & P & L)
- Letter of Undertaking , if any
- License Certificate, if any
- Bonds, if any
- Reconciliation of Electronic Credit Ledger statement
- Advance Register

Records to be maintained

Issues

- Head office has all records, Branch and Godown do not maintain all records
- Different Software for { Billing, Inventory, Production, Financial Books }
- Online Book keeping vs Offline Book Keeping
- Industry Specific Software vs customised software
- All GSTIN's are maintained in one common ERP
- Partly Electronically/Partly Manually
- Manufacturer- Example ground nut oil- Inhouse/Job work
- Works contractor- Material used/utilised though it is service
- Service provider- Catering Industry- Material and services records

Judicial Precedents from earlier laws for record keeping

- In **Kapilansh Dattu Udyog Pvt Ltd Vs CCE Nagpur (2013) 31 STR 50 (CESTAT Mumbai)** where assessee maintained proper records and books of accounts, it was held that there could be no suppression of facts. The Suppression was not borne out by the records.
- In **CCE Surat -I Vs Shree Khedut Sahakari Khand Udyog Mandli Ltd (2013) 31 STR** where insurance policy showed the amount of service tax paid and documents were serially numbered, it was held that such document showed all necessary details and compiled under rule 4A of Service Tax Rules 1994 and Cenvat credit will be allowed.
- In **Sterling Hoffman Software Consultant (P)Ltd Vs CCE Vadodara (2013)** It was held that computerized accounts are acceptable under service tax law. As such where computerised accounts are kept, verification of admissibility of refund in respect of inputs services used for export should be done from such accounts.

Judicial Precedents from earlier laws for record keeping

- In **Suncity Art Exporters Vs CCE & ST Jaipur-II (2016) 53 GST 85(2015)**, it was held that computerised invoices downloaded through internet are eligible documents for claiming refund of service tax paid on services used for exports if they contain all relevant details establishing availment of service used in export of goods.
- In **Svizera labs pvt ltd Vs Commissioner of Central Excise Belapur 2018 (363) E.L.T. 1186 (Tri. - Mumbai)** not making of entries in RG-23A Part-II will not disentitle the appellant from the cenvat credit. The entries made in their financial record are more than sufficient compliance of taking credit.
- In case of **Vickers Systems International Limited Vs Commissioner of Central Excise Pune-1 2017 (346) E.L.T. 476 (Tri. - Mumbai)** wherein Inputs being old and obsolete written off in books of accounts - Duty demand not sustainable if such inputs availed in factory.

Accounting aspects in GST

Sale on approval basis

- Sec 31(7) of the CGST Act, 2017
- Where the goods are sent , invoice shall be issued before or at the time of supply or 6 months from the date of removal, Which ever is earlier
- Customer a/c Dr
 To goods sent on approval (On the date of dispatch of goods)
- Goods sent on approval a/c Dr
 To Sales a/c (Upon customer's approval)

Consignment Agent

- The transfers made are credited to trading account and debited to consignment account
- The relevant provisions are provided in Entry 3 of Schedule I
- Supply of goods by principal to agent or by an agent to principal

Accounting aspects in GST

Stock transfers

- Inter-state as well as Intra-state
- No tax impact on transfers made intra-state
- Only the stock account gets reduced with no impact on supply
- Entry 1 of Schedule I addresses the same
- Accounting entry: Related party a/c Dr

To Sales a/c

Discounts given (sec 15(3))

- Types of discounts – Cash discount, Trade discount,
- Cash discount is not linked to supply and only linked to payment
- The impact of trade discount can be given in books accordingly
- Supporting documents are invoice, purchase orders and agreements
- Pre-supply and post-supply discounts
- Input tax credit attributable to discount is reversed by the recipient

Subsidies – Sec 15(2)(e)

- Value includes subsidies directly linked to the price excluding CG & SG subsidies
- Taxes will be paid on accrual basis
- Consideration received at a different period
- Government grants received are excluded from the scope of subsidies
- Nature of subsidy can be revenue or capital in nature

Goods sent on Job work – Sec 19 & Sec 143

- Such goods still form part of the closing stock of the taxpayer
- Redesignating such goods as “Goods sent on job work”
- Goods sold from the place of job-worker: Impact of tax to the supplier
- Stock reconciliation with ITC-04
- Inputs received within 1 years with stock account and capital goods received within 3 years needs to be reconciled with fixed assets register
- Responsibility for proper accounting lies with the principal
- Waste and scrap may be accounted by principal or job-worker, if registered

Sale of assets

- Dealt with in Schedule I and Schedule II of the CGST Act, 2017
- Referred to u/s Sec 18(6) of the CGST Act, 2017
- Realizable value or ITC availed, as reduced by %, WIH
- Reduction from the value of fixed assets
- Life of assets - Pre GST & Post GST
- Profit or loss arising on sale of assets
- Depreciation Vs Input tax credit
- Sale to a related party
- Plant & Machinery Vs Capital goods for Input tax credit – Sec 17(5)

Accounting for expenses

- Eligible expenses and Ineligible expenses
- Direct and Indirect expenses
- Common expenses
- 5% expenses for non-business purposes – Sec 17 r/w Rule 42
- Reimbursement of expenses – pure agent Rule 33
- Net off of expenses and income
- Payment within 180 days

Accounting for Income

- Reimbursement of expenses – pure agent Rule 33
- Bank Interest, Dividend, Discounts received
- Profit on sale of assets
- Miscellaneous income
- Duty drawback received
- Sale of scrap
- Bill to Ship to – generation of documentation & recognizing the tax liability
- Inter-branch transaction
- Sale of food to employees – Schedule I & Valuation Rules

Exports – Zero rated supplies – Sec 16

- Zero Rated Supply with payment of tax
- Zero Rated Supply without payment of Taxes
- The reconciliation should be made with the Turnover (including Exports) as per Audited Financial Statement.
- In case of export of goods the tax Invoices are issued prior to issue of shipping bill for entering the goods into the customs area in inland container depot. **Direct and Indirect expenses**
- The recognition of revenue in the financial statement will depend upon the terms of agreements with the buyer.
- The terms of contract can be FOB or CIF basis

In case of Reconciliation statement the turnover includes the Export turnover which can be bifurcated into the following categories for reconciliation statement as

- In case of FOB (Free on Board) contract the revenue is recognized on the date of actual shipment or filing bill of lading as the risk of title and ownership is transferred to the foreign buyer.
- In case of CIF(Cost Insurance and Freight) contract the revenue is recognized on the date of receipt of delivery by the foreign buyer. In such instances the insurance and freight is borne by the supplier and the risk of title and ownership is transferred to the buyer on delivery to the foreign buyer.
- The revenue cannot be recognized based on Invoice date and hence such revenue may be classified as unearned revenue till the actual shipment when bill of lading is filed and goods are handed over to the person in charge of the conveyance therefore in case of FOB contract such unearned revenue shall be recognized as revenue from export sale of goods on the date of actual shipment/filing bill of lading.

- Therefore in such instance the foreign buyer Account will be debited with unearned revenue on the date of issue of Tax Invoice and in case of recognition of Revenue the sales entry will be passed by reducing the unearned revenue.

Example:

I) Foreign buyer A/c – Dr

To Unearned revenue A/c

(On the date of issue of Tax Invoice)

I) Unearned Revenue A/c- Dr

To Sales A/c

(On the date of recognition of revenue)

Refunds – Sec 54

- GST refund receivable a/c Dr

 - To Input tax credit ledger a/c (At the time of applying for refund)

- Bank a/c Dr

 - To GST refund receivable a/c (Upon receipt of refund amount)

*check if the refund received is from electronic credit ledger or electronic cash ledger

- GST refund receivable a/c Dr

 - To Cash ledger a/c (At the time of applying for refund)

- Bank a/c Dr

 - To GST refund receivable a/c (Upon receipt of refund amount)

Method of accounting

- Inclusive and exclusive method of disclosure of taxes
- Cash accounting or mercantile accounting
- Input tax credit receivable will form part of assets
- Outstanding tax due will form part of “current liabilities”
- Comparison to be made with Sec 145 of the Income Tax Act, 1961

Continuous supply of services – Sec 31(5)

- Date of payment is ascertainable, Invoice to be issued or on before due date of payment
- If date is not ascertainable, invoice to be issued before or at the time, supplier receives payment
- If linked to completion of payment, or on before the date of completion of that event
- Sec 13 (1) deals with Time of supply

Continuous supply of services – Sec 31(5)

- Revenue recognition based on % of completion method
- 25% of the cost should have been incurred & 25% of the land should have been sold
 - 10% of the consideration have been received
- Bank a/c Dr
 - To Debtor advances a/c (For receipt of advance money)
- Debtor advance a/c Dr
 - Unbilled revenue a/c Dr
 - Debtor a/c Dr
 - To Sales a/c (For revenue recognition)

Continuous supply of services – Sec 31(5)

- Unbilled revenue receivable a/c Dr
 To Unbilled revenue a/c
- Unbilled revenue receivable shown under assets in the balance sheet and Unbilled revenue shown in my P&L account
- Annual Maintenance Contracts are an example for continuous supply

Maintenance of stock – Rule 56(2)

- Maintain records with respect to receipt and supply
- Shall include details relating to opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample
- Shall disclose the balance of stock including raw materials, finished goods, scrap and wastage etc
- Sec 17(5) restriction of credit
- Ageing analysis for slow moving, fast moving goods etc

Reverse Charge mechanism

- The time of supply as per Sec 13(3)
 - On the date of entry of in the books of accounts or date of debit in bank account
 - (Or) 60 days from the date of invoice (or) date of entry in books of accounts
 - Expenses RCM a/c Dr
 - To Expenses Payable a/c (For recognizing he expenses)
 - To Taxes on RCM payable a/c
 - Expenses Payable a/c Dr
 - To Bank a/c (For vendor payment recognition)
 - Taxes on RCM Payable a/c Dr
 - To Bank a/c (For depositing the taxes due)
 - Electronic credit ledger a/c Dr
 - To Input tax credit receivable a/c (For availing ITC on taxes paid on RCM)
- (If vendor raises invoice without taxes)

Credit Notes & debit notes – Sec 34

- Financial credit notes/debit notes Vs GST credit note/debit note
- Supplier perspective Vs Recipient perspective
- Reference to the original invoice to be given – Sec 16(4)
- Time limit to issue the credit note and to avail the ITC
- In case of single credit note against multiple invoices, reconciliation to be done
- Sales returns a/c Dr

Taxes a/c Dr

To Customer a/c

Provisional Credit – Rule 34

Illustration: Books - Rs. 100 + 18% GST = 18

As per 2A, Rs. 50+18% = 9

Provisional credit is 5% i.e. 0.45

Eligible credit is Rs. 9.45

Unclaimed credit is Rs. 8.55

■ Unclaimed credits – Credits not reflecting in GSTR 2A

■ Accounting entry: Expense a/c Dr 100

Input tax credit a/c Dr 9

Provisional credit a/c Dr 0.45

Unclaimed taxes a/c Dr 8.55

To Expenses payable a/c 118 (For recognizing the expense)

Provisional Credit – Rule 34

Illustration: Books - Rs. 100 + 18% GST = 18

As per 2A, Rs. 50+18% = 9

Provisional credit is 5% i.e. 0.45

Eligible credit is Rs. 9.45

Unclaimed credit is Rs. 8.55

- Upon the credit being reflected in GSTR 2A

Input tax credit a/c Dr 8.55

To Unclaimed taxes a/c 8.55 (For transfer of credit)

- Transfer of provisional credit

Input tax credit a/c Dr 0.45

To Provisional credit a/c 0.45 (For transfer of provisional credit)

Monthly basis of transfer to credits is generally followed here

Method of Record Keeping and reconciliation with books of accounts

Outward Supply and GST:

- Classification of Turnover
- Taxability as goods- Composite/Mixed supply- different Advance Ruling
- Determination of interstate and intra state supply
- Zero rated supply with and without payment of IGST
- Debit Note/Credit Note with GST and Credit Note without GST
- GST on Receipt of goods- 01.7.2017 to 15.11.2017
- GST on Receipt of Services- 01.7.2017 till date

Method of Record Keeping and reconciliation with books of accounts

Outward Supply and GST:

- Transfer of Goods and services between two different distinct entities with or without consideration.
- Disposal of Business Assets with/Without consideration
- Sale/Transfer of Capital goods (used)
- Sale/Transfer of Motor vehicle (Used)
- Exempt/Nil/No Taxable GST Supplies
- Supply as sample/Free gifts
- Discounts

Method of Record Keeping and reconciliation with books of accounts

Outward Supply and GST:

- Recoveries and reimbursement from employees, Vendors, Service providers, etc and
- Recovery / reimbursement netted of against the expense – not reflected as revenue
- All transactions in the books of Account on credit side?
- Supply to EOU/EPCG holder/ Advance Authorization Holder
- Exclusive method of Accounting
- Not reporting like excise duty
- Reverse charge liability

Method of Record Keeping and reconciliation with books of accounts

Outward supply and GST:

- Revenue Recognition/ Construction contract/Time of supply
- Value of supply different from financial transaction value
- Taxes included in value under GST
- Agent Vs Principal
- Commission for Revenue
- Supply without consideration
- Sale of repossessed assets
- Sale of food to employees

Method of Record Keeping and reconciliation with books of accounts

Outward supply and GST:

- Advances (Advances for both goods and services- segregation)
- Barter transactions liable to GST but not all transactions are accounted in books of Account
- Branch transfer within state and outside state
- Support services to branch/subsidiary without consideration
- Operational Lease/Financial lease
- Sale of goods along with warranty (In books of Account – warranty income over the period)
- Subsidy Linked to Price- GST on full Value

Method of Record Keeping and reconciliation with books of accounts

Miscellaneous Income and GST

- Interest Income
- Profit and loss on sale of Asset, (Sale/ Leasing of Motor vehicle- subject to conditions)
- Foreign exchange loss/Gain
- Expenses written back
- Transitional Credit and Refund Claim

Method of Record Keeping and reconciliation with books of accounts

Stock Account and GST

- Stock only in Books of Account
- Stock details not filed in returns
- Quarterly verification stock account
- Perpetual stock records –
- Stock as per books/Stock as per actuals- theft can be more like food products, cotton, etc
- Periodically it will affect without stock records like damaged, destroyed goods cannot be identified.
- Ageing analysis
- Slow moving, fast moving items

Method of Record Keeping and reconciliation with books of accounts

Stock Account and GST

- Only provision for GST credit will not suffice/ Some entities make provision or written off.
- Reconciliation of the actual stock statement with financials
- Transactions relating to goods sent for consignment, for approval, for job work, etc
- Stock both with the Transporter and third party are important from revenue perspective (Confirmation on value and quantity and determining its taxability)
- Classify all HSN Code/SAC Code with quantifiable details
- What credit is claimed and what is part of cost of inventory as per AS 2.
- Reversal of ITC in case of goods lost, stolen, destroyed, written off.... (Average rate of ITC availed on cost of production can be worked) Wastage analysis

Method of Record Keeping and reconciliation with books of accounts

Inward Supplies and GST

- Inward supplies
- Purchase from unregistered person from 01.7.2017 to 13.10.2017
- Import of services payments
- Time of supply is payment date/60 days from the date of Invoice whichever is earlier. In case of associate booking of Invoice is time of supply
- Self Invoice /Payment Voucher of RCM- Input tax credit claimed
- in case of Booking of any Unregistered purchase as expense
- Eligibility of Input tax Credit
- Analysis of input tax rate with output tax rate as applicable

Method of Record Keeping and reconciliation with books of accounts

Inward Supplies and GST

- Verification of eligibility of Input Tax Credit
- System of track payment within 180 days
- Determination of exempt supply
- Transitional credit
- Composition to Normal/Normal to Composition

Method of Record Keeping and reconciliation with books of accounts

Expenses and GST

Freight- GTA provisions

Discounts- Pre supply and post supply

Expenses like Motor vehicle credit,

Security charges

Bank Charges

Telephone Bill/Mobile Bill/Internet

Food expenses,

Marketing expenses,

Hotel accommodation,

Renting a cab,

Legal fees,

Director sitting fees,

Expenses for administration of office etc

Method of Record Keeping and reconciliation with books of accounts

Balance Sheet and GST

- Capital Account:- Debits/Credits in nature of supplies, Withdrawal of Assets.
- Loan Account- Long dues without any repayment and interest.
- Current liabilities: Advances, Impact of Reverse charge, Reversal of Input Tax credit, Reclaim of Input Tax credit, GST Collected liability.
- Branch Account: Either Asset or liability

Method of Record Keeping and reconciliation with books of accounts

Balance Sheet and GST

- Asset Account:- Additions/Deletions, Depreciation and Input tax credit capitalized.
- Agent Account- Stock lying with Agent
- Current Assets: Input Tax credit, Cash deposited in Electronic cash ledger, GST paid on Advance, Transitional credits, GST paid on Reverse charge mechanism, 2A Mismatched credits, other credits in dispute, Duty paid on exports, Unutilized input tax credit.
- Refund applied: Transfer from Credit/Cash ledger to Refund ledger under Current Asset/
Refund allowed: in cash and cash equivalents/ Refund disallowed: Expensed to Rates and Taxes.

Case Study on accounting entry in records and its impact in GSTR

Intra State Supply from registered person

Purchase/Expenses A/c- Dr

SGST Input A/c- Dr

CGST Input A/c- Dr

Cess Input A/c- Dr

To Vendor/Bank A/c

For Inter state supply from a registered person

Purchase/Expenses A/c- Dr

IGST Input A/c- Dr

Cess Input A/c- Dr

To Vendor/Bank A/c

Reverse charge Entries

Purchase/Expenses A/c- Dr

SGST RCM Input A/c- Dr

CGST RCM Input A/c- Dr

Cess RCM Input A/c- Dr

To Output GST Payable(RCM) A/c

To Vendor/Bank A/c

(Being Cash deposited in Cash ledger)

E- Cash ledger GST A/c- Dr

To Bank Account

(Being tax deposited in cash ledger)

Output GST Payable (RCM) A/c- Dr

To E Cash ledger GST A/c

(Being payment made through Electronic Cash ledger)

Input Tax credit A/c- Dr

To GST RCM A/c

(Being Input tax credit eligible as the output tax paid on RCM)

Case Study on accounting entry in records and its impact in GSTR

Inward supply from a person under composition scheme

Purchase A/c – Dr

To Vendor/Bank A/c

(Being inward supply made from a person under composition scheme)

Inward supply from exempted/Nil Rated/Non-Taxable

Purchase A/c – Dr

To Vendor/Bank A/c

(Being inward supply made from a person who is exempted)

Inward supply by way of Import/SEZ

Purchase A/c- Dr

Custom Duty A/c- DR

GST (Reverse Charge Input) A/c- Dr

To Exporter(vendor) A/c

To GST (Reverse charge Output)

To Custom duty Payable A/c

Custom Duty Payable A/c- Dr

To Bank A/c

(Being Import purchase made)

E- Cash IGST ledger A/c- Dr

To Bank A/c

(Being tax payable deposited in ECL)

GST(Reverse charge Output) A/c- Dr

To E Cash IGST ledger

(Being payment of tax on RCM made through electronic cash ledger)

IGST Input A/c- Dr

To GST (Reverse Charge Input) A/c

Case Study on accounting entry in records and its impact in GSTR

Inward supply from Branch/Business Vertical

Purchase/ Expense A/c- Dr

GST Input A/c- Dr

To Distinct Unit A/c

■ Outward supply under forward charge

Debtor A/c- Dr

To Sales/Services A/c

To GST A/c

To Cess A/c

■ Outward supply under reverse charge

Debtor A/c- Dr

To Sales/Services A/c

Outward supply by way of Exports/SEZ

Debtor/ Bank A/c- Dr

IGST Refundable A/c- Dr

To Sales/Services A/c

To Output IGST A/c

(Being goods/Services exported)

Output IGST A/c

To Input IGST A/c

(Being output reduced with eligible input tax)

E- Cash IGST Ledger A/c- Dr

To Bank A/c

(Being balance tax payable deposited in Electronic ledger of IGST)

Output IGST A/c- Dr

To E- Cash IGST ledger A/c

(Being balance output tax liability adjusted with E- cash ledger of IGST)

IGST Refund Claim A/c- Dr

To IGST refundable A/c

(Being balance output tax liability adjusted with E- cash ledger of IGST)

Case Study on accounting entry in records and its impact in GSTR

Export under Bond/LUT

Debtor A/c- Dr

To Sales/Services A/c

(Being goods/services exported under bond/LUT)

GST Refund claim A/c- Dr

To Input GST A/c

(Being refund of eligible Input Tax)

Bank A/c- Dr

To GST Refund claim A/c

(Being refund received)

Receipt for advance payment for goods and services by the supplier

Bank A/C - Dr

GST Advance A/c- Dr

To Output GST A/c

To Vendor A/c

(Being advance payment received and recognition of GST Liability)

E- Cash Ledger A/c- Dr

To Bank A/c

(Being tax deposited in E cash ledger)

Output GST A/c- Dr

To E- Cash Ledger A/c

(Being payment of tax made through electronic cash ledger)

Vendor A/c- Dr

To Output GST A/c

To Sales A/c

(Being advance payment received)

Case Study on accounting entry in records and its impact in GSTR

Being Refund of Advances

Refund A/c- Dr

To GST Advance A/c

(Being Refund under section 54(8))

Bank A/c- Dr

To Refund A/c

(Being balance GST refund received directly in bank)

Accounting treatment in case of distribution of Input Tax credit by ISD

Purchase/Expenses A/c- Dr

GST Input A/c- Dr

To Vendor/ Bank A/c

(Being Intra state purchase made by ISD)

Branch A/c- Dr

To GST Input A/c

(Being distribution of GST Input)

Case Study on accounting entry in records and its impact in GSTR

In the books of principal

Dispatch of Inputs to the Job worker

Stock with Job worker A/c- Dr

To Stock A/c

(Being goods sent on Job work)

Stock A/c – Dr

To Stock with Job worker A/c

(Being receipt of goods from Job worker)

Receipt of Job work Invoice from Job worker

Job worker charges A/c- Dr

GST Input A/c- Dr

To Job worker A/c

(Being Job work Invoice received from Job worker)

Sales of waste and scrap if job worker is unregistered

Debtor/Bank A/c- Dr

To GST A/c

To Sales A/c

Agent Transactions in the books of Principal

Agent A/c- Dr

To GST A/c

To Intra State Consignment A/c

(Supply to Agent)

Commission A/c- Dr

GST A/c- Dr

To Agent A/c

(Commission to Agent)

Case Study on accounting entry in records and its impact in GSTR

Principal Transactions in books of Agent

Intra State Consignment A/c

GST Input A/c

To Principal A/c

(Being Intra state receipt of goods from an agent)

Principal A/c- Dr

To GST A/c

To Commission A/c

(Being Invoice raised for commission to the principal for intra state supply)

Goods Sent on Approval Stock A/c- Dr

To Goods Sent on Approval A/c

Accounting treatment in case of distribution of Input Tax credit by ISD

Purchase/Expenses A/c- Dr

GST Input A/c- Dr

To Vendor/ Bank A/c

(Being Intra state purchase made by ISD)

Return of goods from Recipient

Sales Return A/c- Dr

GST A/c- Dr

To Debtors A/c

Return of goods to Recipient

Creditors A/-c- Dr

To GST Input A/c

To Purchase Return A/c

(Being goods returned to supplier)

Finalization of Accounts from GST perspective (Part II)

- Year End adjustment entries and impact on GST
- Reconciliation Statement under GST
- Reconciliation of GSTR, Annual Return and Books of Accounts
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Disclosures in Audited Financial Statements on GST

- Reporting under CARO for GST
- Reporting of no reconciliation and possible reasons
- Key learnings from practices in computerized environment

Year End Adjustment entries and Impact on GST

Transitional credit

Transitional credit A/c- Dr
 To Stock Account

(Transitional credit)

Profit and Loss A/c- Dr
 To Transitional Credit

(To the extent not utilized)

Output Tax A/c- Dr
 To Transitional Credit

(To the extent of Transitional Credit utilized against output tax liability)

Making reversal of Input tax credit for loss, wastage, written off

Input Tax Credit Reversed A/c- Dr
 To Input Tax credit A/c

(Being Input tax credit reversed)

Profit and Loss A/c- Dr
 To Input Tax Credit Reversed A/c

(Expenses to the extent reversed)

Year End Adjustment Entries and Impact on GST

Rule 42- Reversal

Input Tax Credit Reversed A/c- Dr

To Input Tax credit A/c

(Being Input tax credit reversed as per Rule 42)

Profit and Loss A/c- Dr

To Input Tax Credit Reversed A/c

(Expenses to the extent reversed as per Rule 42)

Impact on GST (Monthly/Yearly)

Either Payable or Refundable

Output GST Payable A/c- Dr

To Input Tax GST Credit A/c

(Being difference Tax Payable)

Input Tax GST Credit A/c- Dr

To Refund Receivable A/c

(Being Refund of ITC)

Sale of Fixed Assets

Customer A/c- Dr

Loss on sale of Asset A/c- Dr

To Sale of Fixed Asset A/c

To Profit on sale of Asset

(Being Sale of Fixed Asset)

Bank A/c- Dr

To Customer A/c

(Being realisation proceeds)

Pre Paid Expense like insurance premium

Pre Paid Expense A/c- Dr

Input Tax Credit A/c- Dr

To Vendor A/c

(Being Pre Paid expenses)

Input Tax credit in advance A/c- Dr

To Input Tax Credit A/c

(ITC accounted in advance)

Year End Adjustment Entries and Impact on GST

Reversal of Education Cess/KKC

Transitional Credit Cess A/c- Dr

To Cess Credit A/c

(Transitional Credit Applied)

Profit and Loss A/c- Dr

To Transitional Credit Cess A/c

(Being Transitional Credit Reversed)

Export Invoice in March and shipping in April

Foreign buyer A/c – Dr

To Unearned revenue A/c

(On the date of issue of Tax Invoice)

Unearned Revenue A/c- Dr

To Sales A/c

(On the date of recognition of revenue)

ITC Claimed , Reversed and Reclaimed

Inward Supplies A/c

Input Tax Credit A/c- Dr

To Vendor A/c

(Being Input Tax Credit Claimed)

Input Tax credit Reversal A/c- Dr

To Input Tax Credit

(Being Input Tax Credit Reversed)

Input Tax Credit A/c

To Input Tax Credit Reversal A/c

(Being Input Tax credit Reclaimed)

Year End Adjustment Entries and Impact on GST

GST Entry when GST TDS has been deducted along with TCS

Debtors/Cash A/c- Dr

Income Tax TDS A/c- Dr

CGST TDS A/c- Dr

SGST TDS A/c- Dr

To Outward Supply A/c

To CGST A/c

To SGST A/c

(Being TDS Deducted at year end and adjusted in next month)

Accrual of expenses for which supplier invoices have not been received

Outstanding Expenses

Expense A/c- Dr

Input Tax Credit A/c-Dr

To Vendor A/c

(Being Expenses booked)

Input Tax credit in advance A/c- Dr

To Input Tax Credit A/c

(ITC accounted in advance)

Observation from internal report impacting GST transactions

- GST Migration Impact study Report
- Documentation on product classification
- Document on event of supply (Time of supply/Place of supply)
- Inter Unit Transfer policy
- ITC recognition policy
- Common Credit Apportionment Rules
- ISD Credit Transfer policy
- 2A Credit Mis match Treatment Notes
- Software used for Books of Accounts and GST Return filing

Key learnings from practices in computerized environment

- Rule 56 requires maintenance of complete trail in transactions reported in the computer software.
- Erroneous Configuration of Party Address
- an individual who has access to a computer programme or the , processing of data may be in a position to perform incompatible functions
- Invoices would have accounted or corrected after filing of GST Returns
- Once the System is configured, the choice of selecting Place of Supply, Rate of Tax, Type of Tax, Reporting Table in GST 1/GSTR 3B etc. is all auto driven by the system.
- certain data only in Books Purchase / Input Tax Credit Register and not in GSTR 2A.
- Reconciliation of balance in Books of Accounts with Electronic Registers maintained by the GSTN.
- the use of data analytics software, including MS Excel, specialized audit software, third-party software provided by an ASP or GST Suvidha Provider

Key learnings from practices in computerized environment

Software must be configured

- To determine the supply as mixed or composite
- To provide for tax rates to be applied accordingly for such supplies
- To adjust the stock quantity in the books accordingly (for mixed supply)
- To review goods/capital goods sent on Job work, control process
- Any impact on margin must be actually passed on to the customers and the same is regulated by law
- Vendor selection plays crucial role, Since utilising credits are dependant on his compliances
- Rating for every supplier are based on timely compliances & mismatches

Key learnings from practices in computerized environment

- All data of business will be online, it is necessary to ensure software and system has adequate security
- Ensure all terms and conditions are read while entering into a contract with GSPs/ ASPs/GSTP
- Ensure appropriate anti-malware's and antivirus software's are installed
- Be aware of social engineering attempts
- Ensure key information like user IDs and passwords are adequately secured
- If any unauthorised account activity are suspected, appropriate security measures to be initiated

Thank you