Goods & Services Tax

Integrated Goods & Services Tax Act, 2017

"Accounting & Closing of Books under GST regime"

East Delhi CA CPE Study Circle

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Accounts & Records by Registered Person

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Accounts & Records Sec.35(1)

Every registered person

shall keep and maintain

at his principal place of business

a true and correct account of—

Place of Business Sec.2(85)

- Sec.2(*85*) "place of business" includes—
- (*a*) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
- (*b*) a place where a taxable person maintains his books of account; or
- (*c*) a place where a taxable person is engaged in business through an agent, by whatever name called;

Principal Place of Business Sec.2(89)

- Sec.2(*89*) "principal place of business"
- means the place of business specified as the principal place of business in the certificate of registration;

Accounts & Records Sec.35(1)

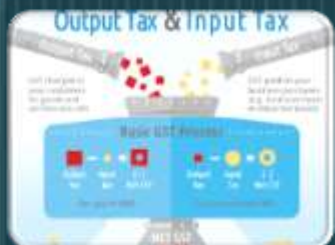
(a) production or manufacture of goods

(b) inward and outward supply of goods or services or both

(c) stock of goods

Accounts & Records Sec.35(1)

(d) input tax credit availed



(e) output tax payable and paid, and

(f) such other particulars as may be prescribed

Accounts & Records   Sec.35(1)

Provided that where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business

Provided further that the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed

CGST Rules, 2017 Rule-56(1)

True & Correct Account	• In addition to particulars mentioned in Sec.35(1)
Import or Export	• Account of **Goods or Services** imported or exported
Supplies under Reverse Charge	• of supplies attracting payment of tax on reverse charge along with the relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers

Accounting for "Stock"

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CGST Rules, 2017 Rule-56(2)

Every registered person, other than a person paying tax under 'Composition' -

shall maintain the accounts of stock

in respect of goods received and supplied by him

CGST Rules, 2017 Rule-56(2)

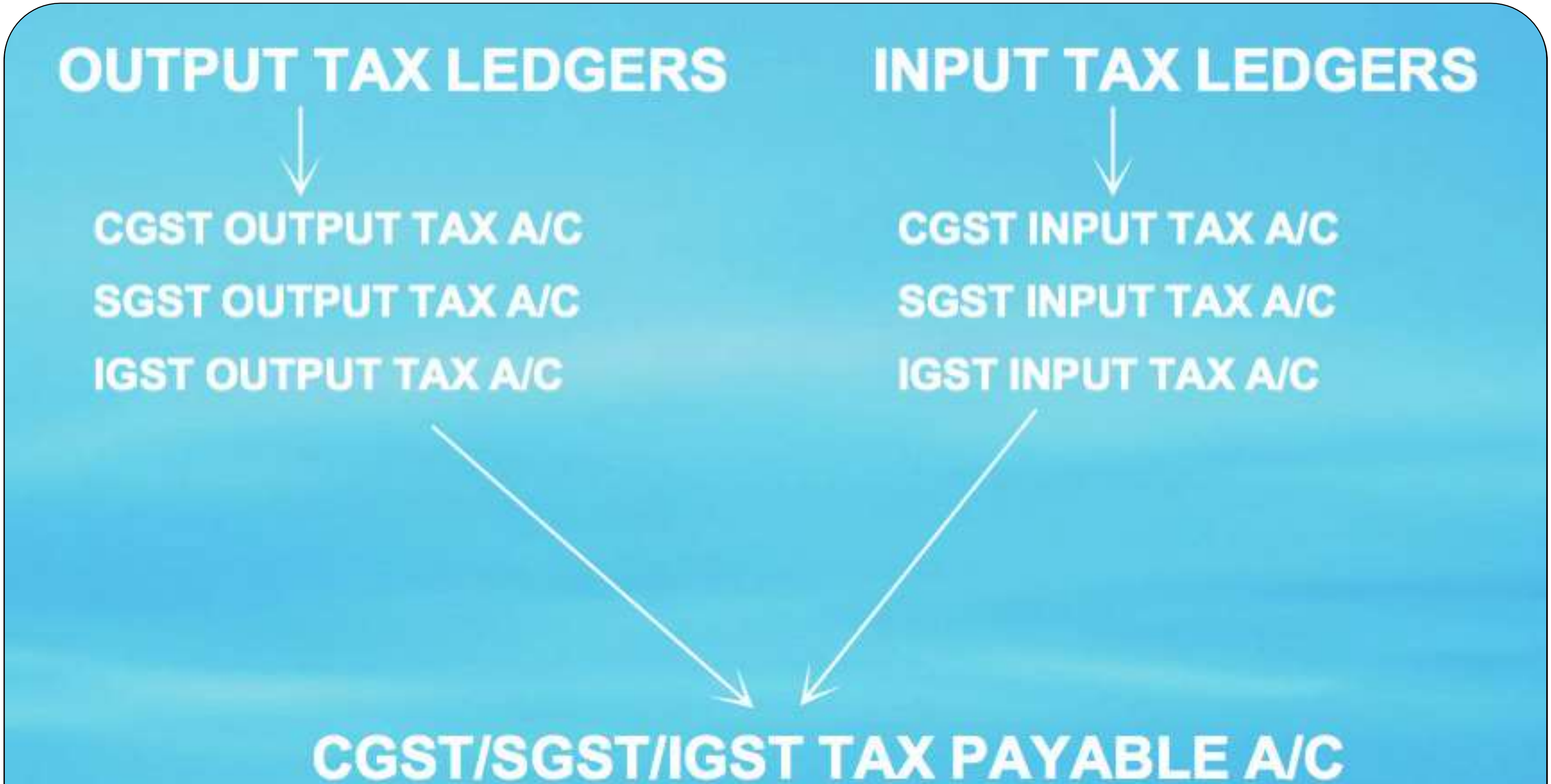
- Opening Balance
- Receipt, Supplied
- Goods stolen, lost
- Closing balance
- Gifts, Free Samples
- Destroyed, written off
- Raw Material
- Finished Goods
- Scrap and wastage

CGST Rules, 2017 Rule-56(3)/(9)/(15)

separate account of advances received, paid and adjustments made thereto

Each volume of books of account maintained manually by the registered person shall be serially numbered

The may be maintained in electronic form and shall be authenticated by means of a digital signature



Accounting Aspects & GST

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Ledgers to be Created for GST

- **For Inputs**
  - Input CGST A/c
  - Input SGST A/c
  - Input IGST A/c
- **For Input RCM**
  - Input CGST RCM A/c
  - Input SGST RCM A/c
  - Input IGST RCM A/c
- **For Input URD**
  - Input CGST URD A/c
  - Input SGST URD A/c
  - Input IGST URD A/c

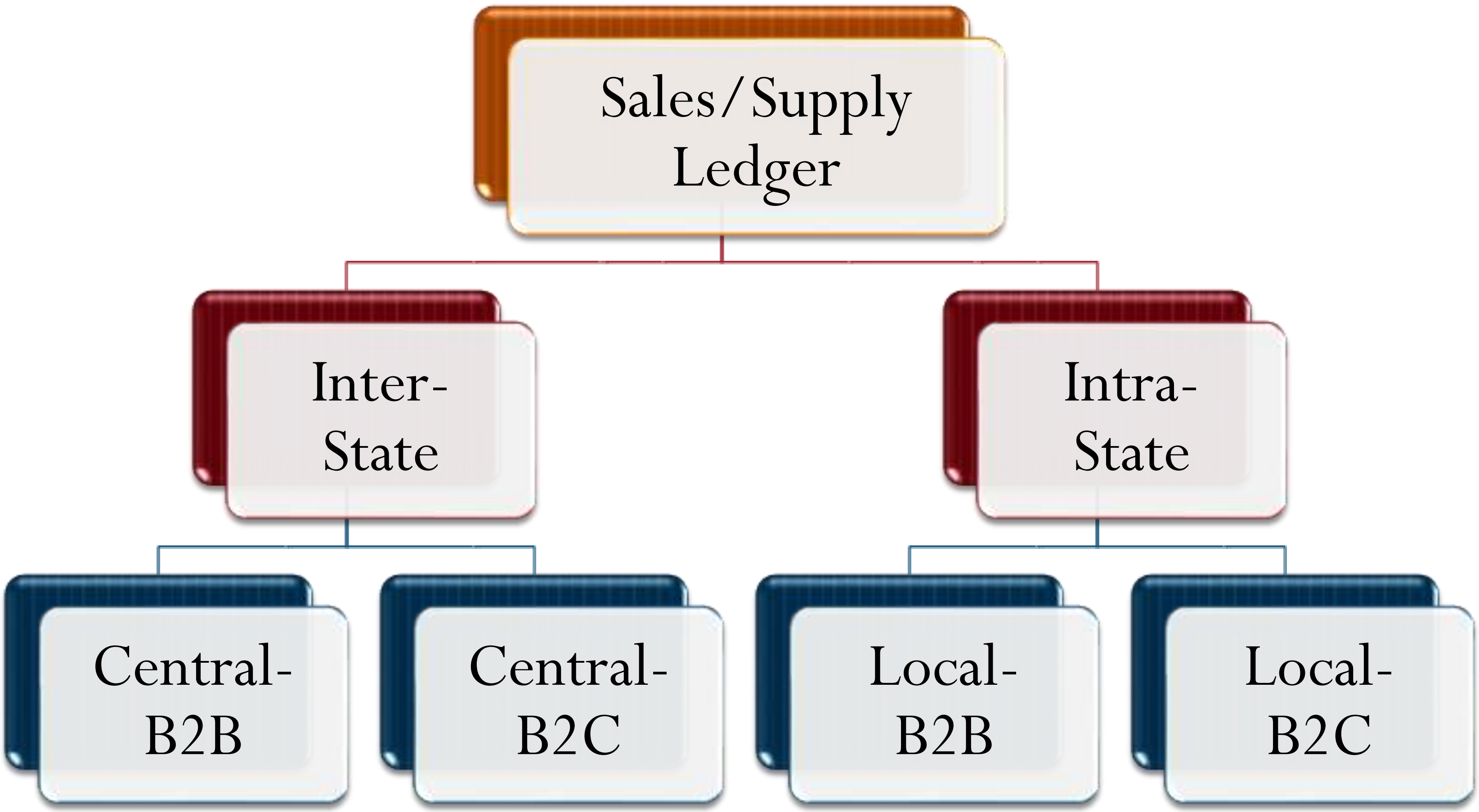
Ledgers to be Created for GST

- For ITC
  - ITC CGST A/c
  - ITC SGST A/c
  - ITC IGST A/c
- For Provisional ITC
  - Provisional ITC CGST A/c
  - Provisional ITC SGST A/c
  - Provisional ITC IGST A/c
- For E-Cash Ledger
  - E-Cash CGST A/c
  - E-Cash SGST A/c
  - E-Cash IGST A/c

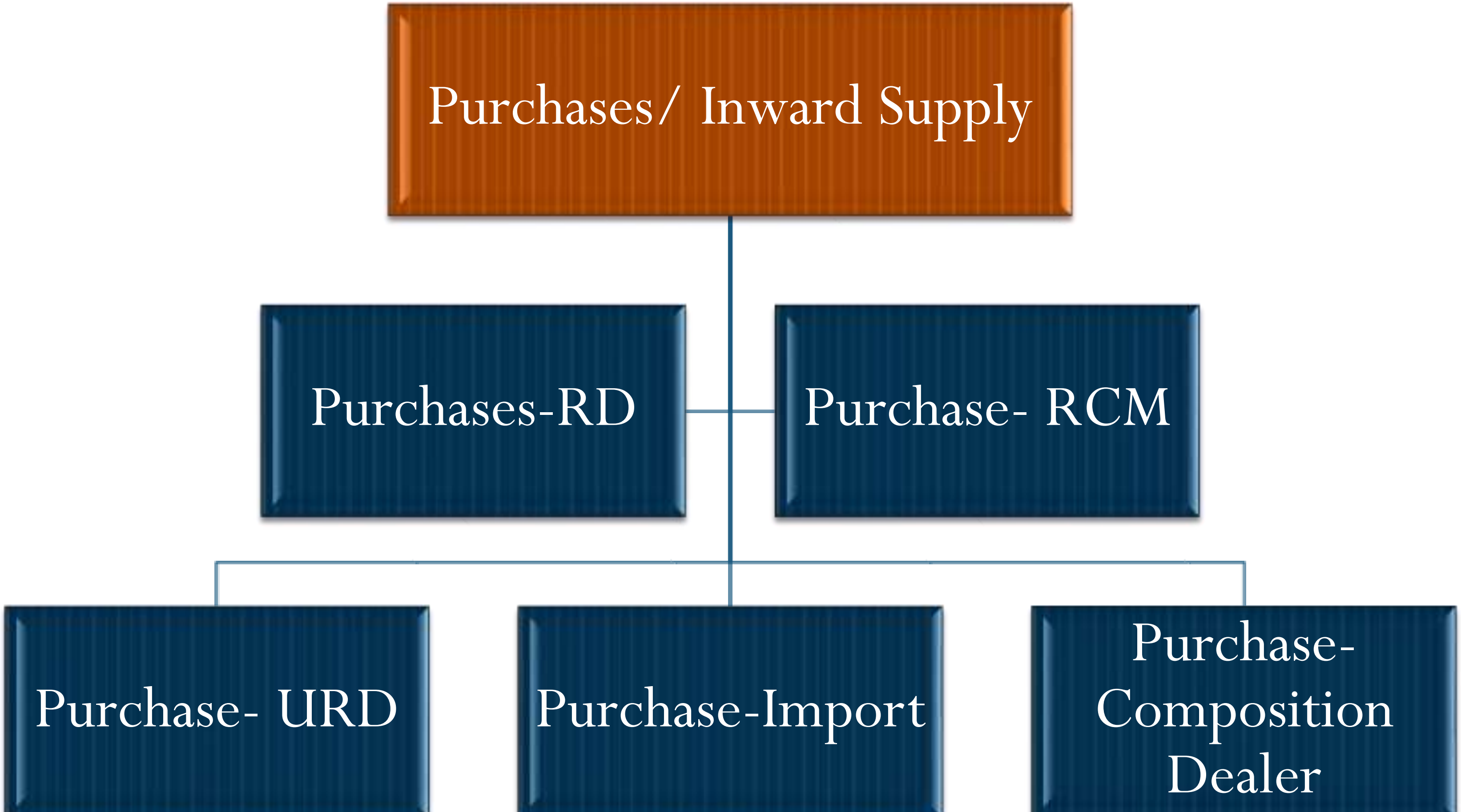
Ledgers to be Created for GST

- For Output Liability
  - Output CGST A/c
  - Output SGST A/c
  - Output IGST A/c
- For Output Liability on Advance
  - Output CGST (Advance) A/c
  - Output SGST (Advance) A/c
  - Output IGST (Advance) A/c
- For Output Liability on RCM
  - Output CGST (RCM) A/c
  - Output SGST (RCM) A/c
  - Output IGST (RCM) A/c

Ledgers to be Created for GST



Ledgers to be Created for GST



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Ledgers to be Created for GST

- **Direct Expenses**
  - RD-Direct Expenses
  - URD- Direct Expenses
- **Indirect Expenses**
  - RD- Indirect Expenses
  - URD- Indirect Expenses

Reconciliation of GST Returns with Financial Records

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Method of Accounting followed:

Accounting Standards, Mercantile System and Cash System

GST- Time of Supply, definition of Supply

Revenue Recognition

AS-9, Revenue Receipts, Credits in P & L A/c

Supply may include revenue as well as capital Transactions

Revenue Recognition

Transaction between distinct persons

Capital account Transactions

State Wise Turnover

Revenue Recognition

Turnover as per GST and as per Books of Accounts

Transitional Credit

Reimbursement of Expenses treated as Supply

Reconciliation with Financial Books

ITC eligibility

- ITC as per GSTR-2A to be reconciled with ITC as per books of Accounts

E-Cash Ledger

- Balance of e-cash ledger PMT-5 to be reconciled with Balance in books of Accounts

E-Credit Ledger

- Balance of e-credit ledger PMT-2 to be reconciled with balance in books of account.

Reconciliation with Financial Books

Output Liability	• Electronic liability register to be reconciled with liability as per books of accounts.
RCM Liability	• GST paid under RCM to be reconciled with entries in profit & loss account.
GST on Advance Received	• For reconciliation of output GST liability to be made by taking into account the GST paid on advances received on services provided.

Reconciliation with Financial Books

HSN Summary reconciliation.

- Reconciliation of HSN wise turnover summary as per GSTR-1 with product, stock registers and purchase invoices

TRAN-1 reconciliation with stock records

- To reconcile the quantity and description of stock declared in TRAN-1 with stock records as on 30th June 2017.

Reconciliation of Outward Supply with TRAN-2

- To reconcile the quantity and description of outward supply declared in TRAN-2 with stock records and GSTR-1.

Reconciliation with Financial Books

- Debit Note/ Credit Note
- Import reconciliation with bill of entry
- Tax Free Supplies
- Refunds
- Export reconciliation with customs records
- Contract wise records
- Job Work reconciliations
- Goods Sent on approval basis
- Composite Supply and Mixed Supplies

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Audit Trails

Payment against GST invoices within 180 Days

- ITC credit to be checked with payment to suppliers within 180 days from the date of invoice. Reclaim of credit thereof on payment made.

ITC reversal due to non-business use.

- ITC reversal on account of non-business use out of common credits. Adhoc reversal of 5% may be opted

Audit Trails

Impact on GP Rate

- There may be major impact of Gross Profit rate of any business concern. Impact analysis may be required to justify the variations.

Classification of Supply and rate of Tax

- Very important area is to identify the correct tariff heading and correct rate of tax of supplies made during the period.

Audit Trails

Record of generation of e-way bills

- To reconcile the e-way bill with stock records and with inward and outward supply or movement of goods for due diligence of transactions.

Eligibility Conditions of Composite Scheme

- If supplier has availed composition scheme than to check whether conditions as per Sec.10 read with rules are fulfilled.

Audit Trails

Date of filing of GST returns

- To check if all the returns, statements and forms have been filed within due dates as extended from time to time. To check late fees and interest also.

IGST under RCM on sea freight

- To check whether IGST paid under RCM on sea freight as per Not.10/2017 IT (Rate). If import is on CIF value and freight is paid by foreign party.

Disclaimer

- The views expressed, presentation made, charts made here are personal views of the presenter/author. And presenter/ author shall not be liable for any damages of whatsoever nature due to any action taken on the basis of this presentation.

Thank You

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