

CERTIFICATION, REPORTING, ACCOUNTING AND RECONCILIATION OF TURNOVER

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CERTIFICATION

- Section 61 provides that vat auditor has to give his report in Form 704. This audit report includes certification, opinion and reporting on the requirements prescribed in Form 704.
- The vat auditor is not required to give his opinion on financial statements.
- This report is special purpose report/certificate.

WHAT IS CERTIFICATE

- “A written confirmation of the accuracy of facts stated therein and does not involve any estimate or opinion thereon”

WHAT IS REPORT

- “ A FORMAL STATEMENT USUALLY MADE AFTER ENQUIRY, EXAMINATION OR REVIEW OF THE SPECIFIED MATTERS UNDER REPORT AND INCLUDES REPORTING AUDITORS’ OPINION THEREON”
- Responsibility for factual accuracy of his is stated therein rests on the auditor when he issues a certificate.
- Opinions are in accordance with facts and factual data which is arrived on the application of due care and skill.

PART 1 OF FORM 704

- 2 (B) Subject to *my / our remarks about non-compliance, shortcomings and deficiencies in the returns filed by the dealer as given in the Table 3 of Part 1 of this report ,
certify that ,
- a) *I/We have read and understood the instructions for filling up this audit report and the Auditor is required to fill in schedule I / II / III / IV / V/ VI and the Annexures if required.
- *I/We have obtained all the information and explanations which, to the best of *my / our knowledge and belief, were necessary for the purposes of our audit.

CERTIFICATION CONTINUED

- b) In *my / our view the books of accounts, purchase and sale invoices as also cash memos and other sales tax related records and registers maintained by the dealer are sufficient for verification of correctness and completeness of the returns.

The records relating to receipts and dispatches of goods are properly maintained.

The tax invoices issued are in conformity with the provisions of law.

- c) The gross turnover of sales declared in the returns includes all the transactions of sales concluded during the period under audit.

CERTIFICATION CONTINUED

- d) The gross turnover of purchases declared in the returns includes all the transactions of purchases made during the period under audit.
- e) The adjustment to turnover of sales and / or purchases is based on entries made in the books of accounts during the period of review, supported by necessary documents.
- f) The deductions from the gross turnover of sales and other adjustments thereto including deduction on
- account of goods returned, adjustments on account of discounts as also debit/credit notes issued or received on account of other reasons, claimed in the returns are supported by necessary documents.
- Further, the deductions and adjustments not claimed or made in the returns, are neither required nor authorized to be claimed or made in the returns under the provisions of relevant Act.

CERTIFICATION CONTINUED

- ◉ g) Considering the schedule and entry wise classification of goods sold, the rate of tax applied is correct and the details regarding the exempted sales, sales at reduced rates, the composition rates and computation of tax payable as shown in the returns is proper.
- ◉ h) Computation of set-off admissible in respect of Purchases made during the period of review and adjustments thereto are correct. While ascertaining the correctness, *I/We have taken into account the factors of goods returned, adjustments on account of discounts as also debit /credit notes issued or received on account of other reasons.

CERTIFICATION CONTINUED

- ⦿ I) Computation of Cumulative Quantum of Benefits (CQB), wherever applicable, is in conformity of the provisions of the Act in this regard.
- ⦿ j) The quantum of tax payable /claim of refund is correct.
- ⦿ k) Other information furnished in the returns is correct and complete.
- ⦿ l) The dealer is conducting his business from the place/places declared by him as his main place of business/ and the additional places of business.

CERTIFICATION CONTINUED

- m) The bank statements have been examined by *me/us and they are fully reflected in the books of accounts. Excepting in so far as transactions recorded in the cash book, the transactions recorded in the books of accounts are fully reflected in bank statements during the period of review.

CERTIFICATION CONTINUED

- ⦿ n) Whether dealer has maintained stock register. (Yes/No)
- ⦿ o) Whether dealer has maintained proper record relating to receipt, dispatch and delivery of goods. (Yes/No)
- ⦿ P) I have verified that the purchases effected by the dealer in respect of SEZ Unit of the dealer are used in the said unit.

ADVISE TO THE DEALER

- 5. The dealer has been advised to
 - (a) file revised returns for the period fromto and
 - (i) Pay additional tax liability of Rs.
(Rupees), or
 - (ii) Pay back excess refund received of Rs.
(Rupees), or
 - (iii) Claim additional refund of Rs. (Rupee s), or
 - (iv) Reduce the claim of refund by Rs.
(Rupees), or

ADVISE TO THE DEALER

(v) Reduce tax liability by

Rs.

(Rupee

s.....), or

(vi) Revise closing balance of CQB

by

Rs. (Rupee

s.),

(b) Following other recommendations are made to the dealer [Please specify

ACCOUNTING AND RECONCILIATION

- ① 1. TREATMENT OF PRIOR PERIOD AND POST PERIOD ITEMS.
- ② Purchases
- ③ Purchase returns
- ④ Sales Returns
- ⑤ Discount and credit notes issued
- ⑥ The auditor certifies these items in a to h in part 1
- ⑦ To overcome correct reconciliation required to arrive at correct turnover of sales and Purchases.

WHY RECONCILIATION

- ⦿ The auditor is required to certify about recording of all transactions of sales and purchases.
- ⦿ ITC is allowed on the basis of matching of J1 with J2
- ⦿ ITC disallowed may not be allowed in any previous or subsequent year.
- ⦿ Obtaining ledger confirmation from suppliers essential. The turnover on reconciliation may change in certain cases.