



# Finalisation of Accounts from GST Perspective

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# Finalisation of Accounts & Financial Audit from GST Perspective

- Broadly can be divided into 3 broad areas – Input, Output and Tax payable
- Output side requires maintenance of various accounts as under:
  - Debtors A/c
    - To Sales A/c
    - To Output IGST @ 12%
    - To Output CGST @ 18%

# Finalisation of Accounts & Financial Audit from GST Perspective

- Output IGST @ 12%  
Output IGST @ 18%  
    To IGST Liability A/c
- Expenses A/c  
Input IGST @ 12%  
Input IGST @ 18%  
    To Creditors A/c
- IGST ITC Availed  
IGST ITC Reversed  
    To Input IGST @ 12%  
    To Input IGST @ 18%
- GST Cash Ledger A/c  
    To Bank A/c

# Finalisation of Accounts & Financial Audit from GST Perspective

- IGST Paid A/c
- CGST Paid A/c
- SGST Paid A/c
- IGST Late fee A/c
- IGST Interest A/c
- etc....
  - To GST Cash Ledger A/c

# Ledgers to be included under Books of Accounts (1/2)

<b>Statement of Financial Position</b>	
Capital and Reserves	
Non-Current Liabilities	
<b><i>Current Liabilities-</i></b> (a) 0.125%/1.5%/2.5%/6%/9%/14% Output CGST account (b) 0.125%/1.5%/2.5%/6%/9%/14% Output SGST account (c) 0.25%/3%/5%/12%/18%/28% Output IGST account (d) Output Compensation Cess account (e) GST under Reverse Charge Mechanism (f) GST on Advance (g) GST due to litigation, if any, (h) Electronic Liability CGST A/c, (i) Electronic Liability SGST A/c, (j) Electronic Liability IGST A/c. (k) Electronic Liability Compensation Cess A/c	
<b>Total</b>	<b>XXX</b>

# Ledgers to be included under Books of Accounts (2/2)

Non-Current Assets	
<b>Current Assets-</b> (a) Input CGST A/c, (b) Input SGST A/c, (c) Input IGST A/c, (d) Input Compensation Cess A/c (e) Provisional ITC CGST A/c, (f) Provisional ITC SGST A/c, (g) Provisional ITC IGST A/c, (h) Provisional ITC Compensation Cess A/c (i) Electronic Credit CGST A/c, (j) Electronic Credit SGST A/c, (k) Electronic Credit IGST A/c, (l) Electronic Credit Compensation Cess A/c (m) Electronic Cash CGST A/c, (n) Electronic Cash SGST A/c, (o) Electronic Cash IGST A/c, (p) Electronic Cash Compensation Cess A/c (q) Cash/Bank A/c	
<b>Total</b>	<b>XXX</b>

# Statement of Profit & Loss(1/2)

<b><i>Outward Supply-</i></b> (a) Local B2B Supply A/c, (b) Local B2C Supply A/c, (c) Interstate B2B Supply A/c, (d) Interstate B2C Supply A/c, (e) Export Supply A/c, (f) Exempt Supply A/c, (g) E-Com Supply A/c.	
<b><i>Inward Supply-</i></b> (a) Purchases A/c, (b) Exempt Purchases A/c, (c) Expenses A/c, (d) Inward Supply-Purchases A/c.	
Others	
<b><i>Total (GP/NP)</i></b>	<b><i>XXX</i></b>

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- Expenses can be divided into the following categories
  - Expenses on which ITC availed
  - Expenses on which ITC not availed
  - Expenses on which GST paid on reverse charge
  - Expenses on which no GST charged by supplier as below threshold
  - Expenses with zero rated GST
  - Expenses on which GST not leviable
  - Expenses charged to tax under old law



# Finalisation of Accounts & Financial Audit from GST Perspective

- **Books of Accounts dilemma**
  - Companies Act
  - Income tax + ICDS
  - GST
  - Presumptive income scheme (Sec. 44AD/44ADA)
  
- **Peculiarities of Books under GST**
  - Accrual system
  - PAN India / GSTIN/ Location wise
  - Supply invoices/ commercial invoices
  - E-Way bills / Delivery challans

# Finalisation of Accounts & Financial Audit from GST Perspective

- Prescription as to records under GST
  - Stock records
  - Inward & outward supply of goods/ services
  - ITC availed
  - Tax Invoice
  - Bill of Supply
  - Debit note/ credit notes
  - Receipt voucher
  - Payment voucher
  - Refund voucher

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Difficult to match Books with GST returns

- April to March v/s July, 2017 to March, 2018
- Stand alone books will contain following entries like Branch transfers I/w and O/w, ISD invoices, cross charge etc.
- Free supplies not reported as Sales, but might have been reported :
  - in case of related parties in GST
  - reported as sales to avoid ITC reversal
- Goods sent on approval – recognized as per Contract but reported in GST after 6 months

# Finalisation of Accounts & Financial Audit from GST Perspective

- Recovery from employees, penalties levied on vendors might not be shown on credit side of P&L but will be reported as O/w supply
- Records necessary to be checked in case of branch transfers, related party transactions, RCM etc.
- Valuation of Related party transactions/ Deemed Distinct persons where no ITC available – as per Invoice v/s Rule 28 of CGST Rules

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- Revenue should not be reported to include GST

Should the revenue be presented gross or net of GST under Ind AS?

Companies	Qtr. ended 30 September 2017	Qtr. ended 30 September 2016			Change %	
	Net of GST	Gross revenue	Excise duty	Net revenue	Including excise duty	Excluding excise duty
Reliance	95,085	81,651	(5,490)	76,161	16%	25%
ACC Cements	3,054	2,794	(367)	2,428	9%	26%
ITC	9,676	13,491	(3,956)	9,535	-28%	1%

- Revenue needs to be reconciled in case of companies like Real Estate, entities following cash accounting, etc  
Other income / credits in bank should be checked for any GST impact
- Advance received requires payment of GST/ issuance of tax invoice

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- Interest/ penalties recovered from customers
- Check value of material written off in the goods for ITC reversal
- O/w supplies might contain details of ITC reversed & paid in cash where balance in ITC ledger insufficient
- Exports without LUT and without payment of IGST (CIRCULAR NO 37/11/2018-GST MAR 18)

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- High sea sale – Exempt or non-GST?
- Goods returns - Under GST returns have to be identified to specific sales invoices whereas in accounts FIFO, LIFO etc is followed
- Share capital in Kind/ Loans repaid in Kind
- Pure Agent v/s reimbursement

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- Reco to ensure all eligible credits are availed by September, 2018 & with GSTR-3B
- Detailed scrutiny of ITC needs to be undertaken to ensure no ineligible credits are claimed
- Stock register needs to be checked thoroughly to examine issues like Free supplies, etc.
- Certain transaction like air ticket bookings – 2 tax invoices issued against one transaction



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- Reco statement to be prepared in case of Job work
  - whether the 'job worker' is registered or unregistered
  - date of receipt of such 'inputs' / 'capital goods
  - date/month of claiming ITC;
  - date of sending to job worker under cover of 'Challan'
- Taxable value declared in ITC-04

# Finalisation of Accounts & Financial Audit from GST Perspective

- Issues as per transitional provisions
  - Eligible ITC credit bought/ forward
  - ITC availed in terms of Proviso to Sec. 140(3)
  - Cenvat credit on Unpaid invoices in service tax
  - Tax paid under Old law but supply received in GST
  - Cancellations in case of builders
- Reporting by auditor in audit report and CARO

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- Verification of Place of Supply necessary to check correct GST is charged
- Creditors should be checked and detailed statement taken from management to ensure no credit is availed on unpaid invoices beyond 180 days
- Reco. of expenses ammortised/ prepaid expenses/ provisions
- Anti Profiteering



# THANK YOU

Every ending is a new beginning

Ashish Kedia

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