

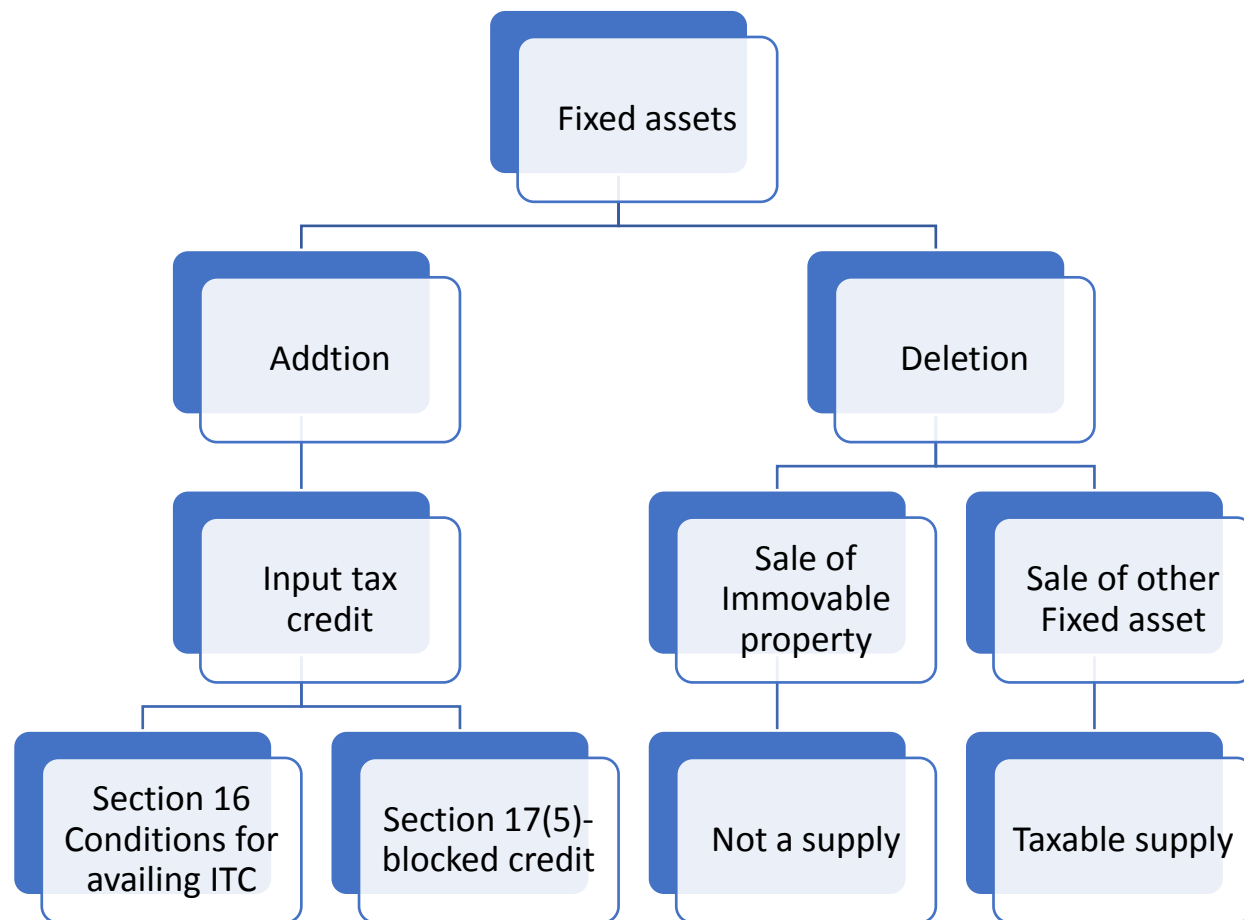
Finalization of Accounts with GST Perspective

IMPORTANCE

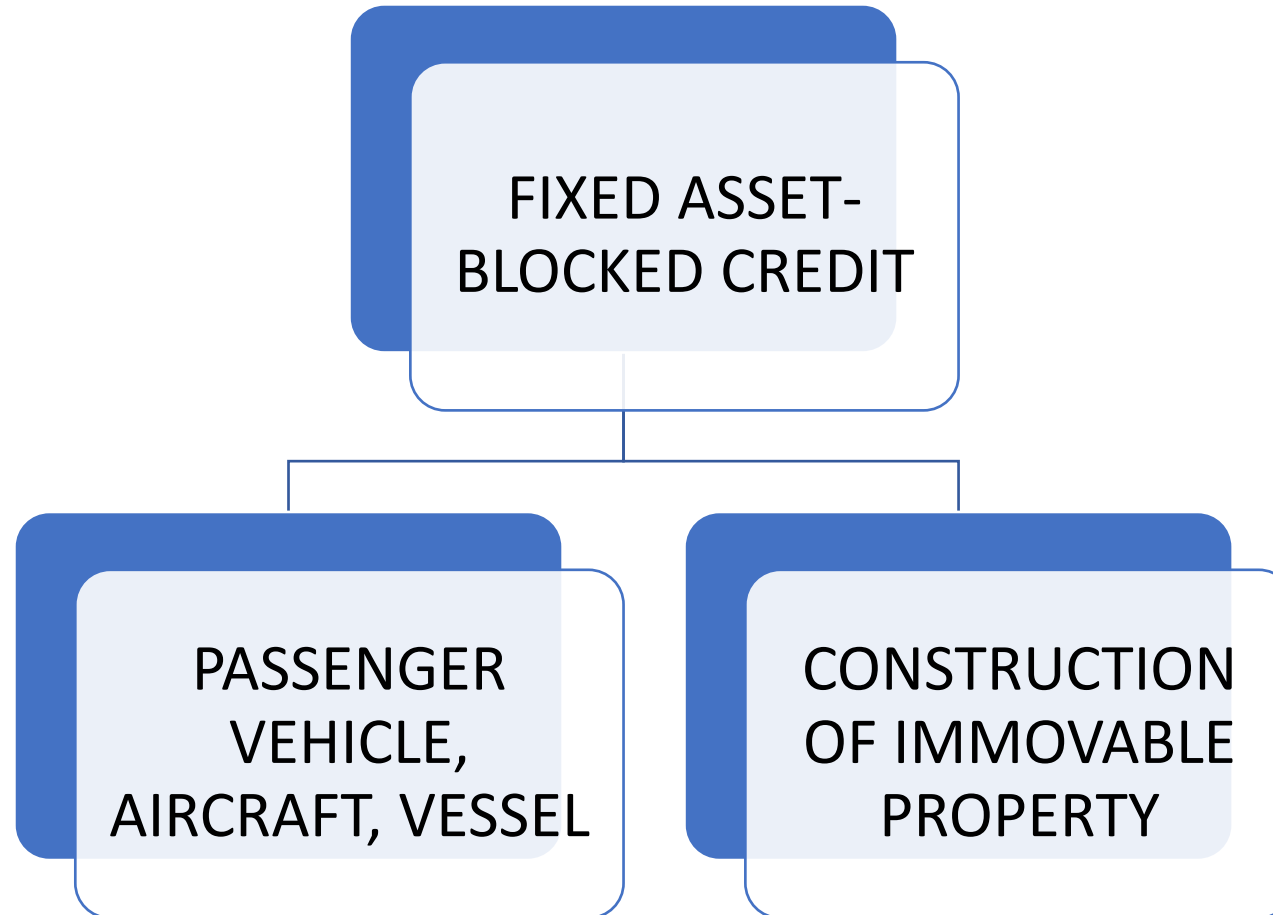
To obtain reasonable assurance that the Financial statement comply with various rules and regulation under GST.

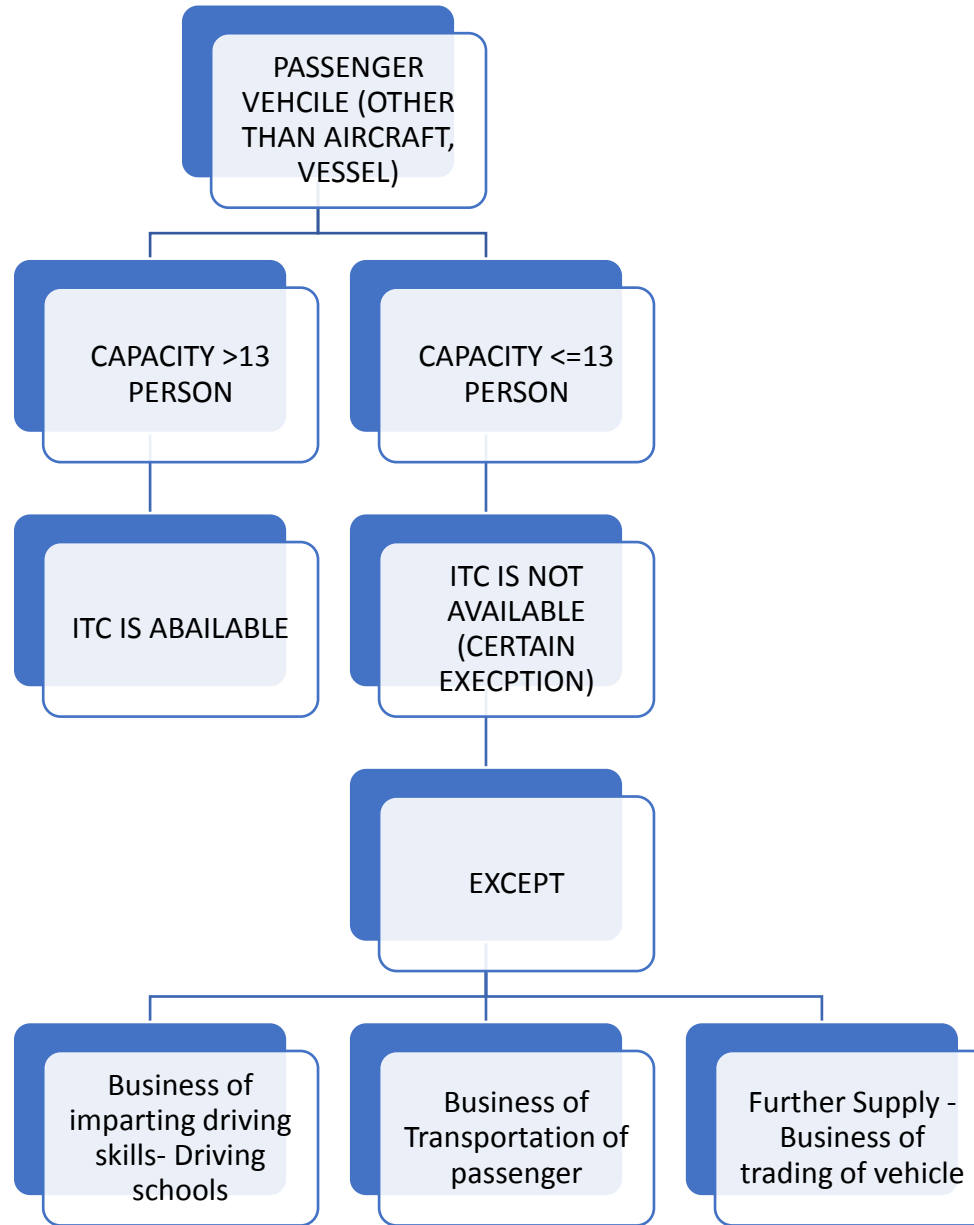
During investigation/inspection/search- Officers identifies various defects/ concerns based on the Audited Financial statements.

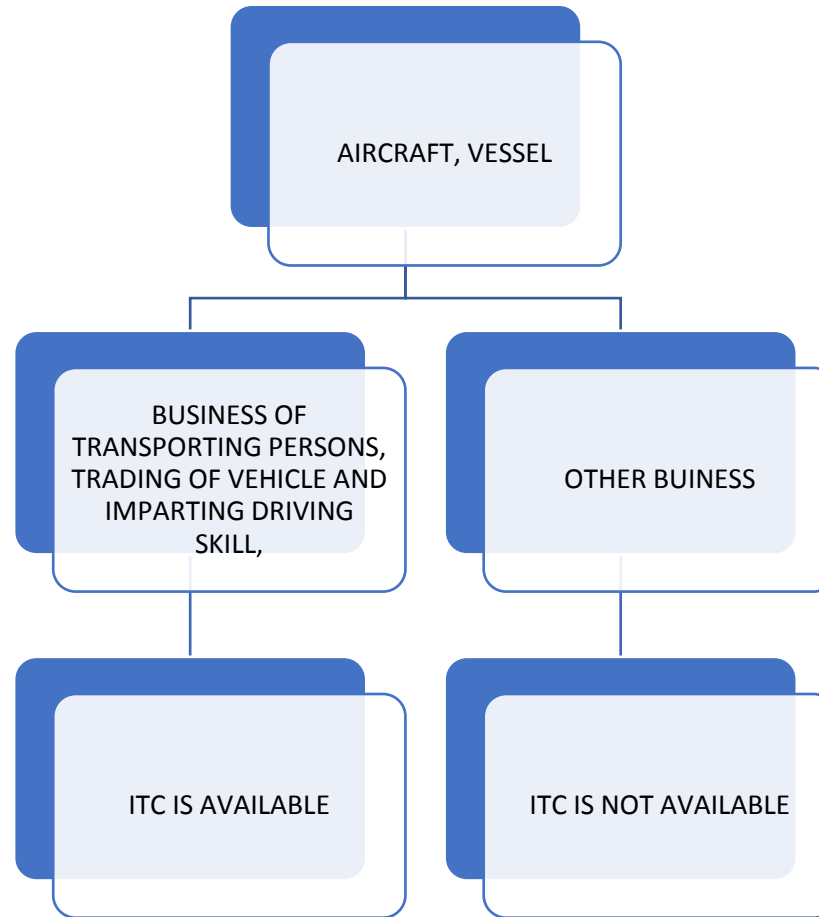
Review of Balance Sheet: Fixed Asset



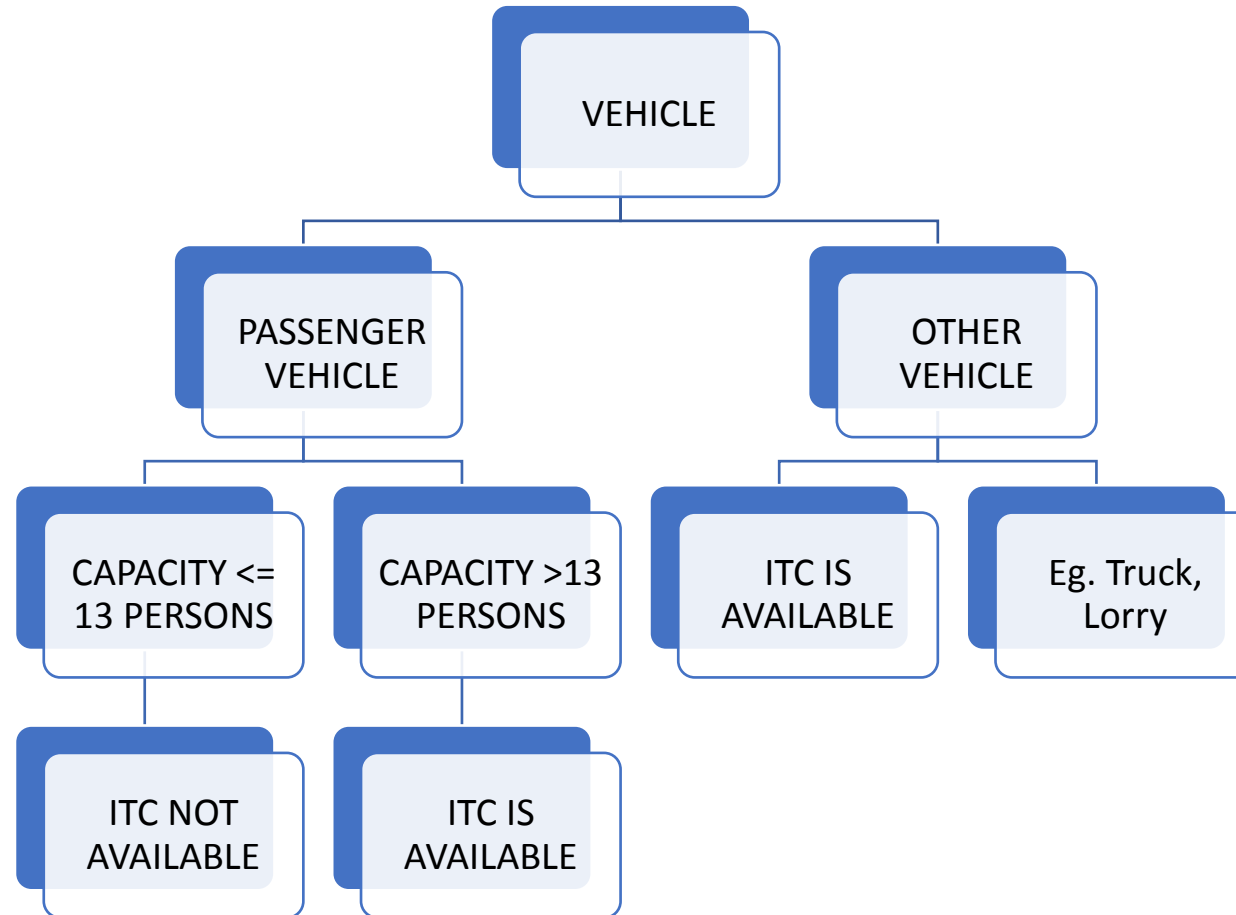
Section 17(5) of CGST Act 2017



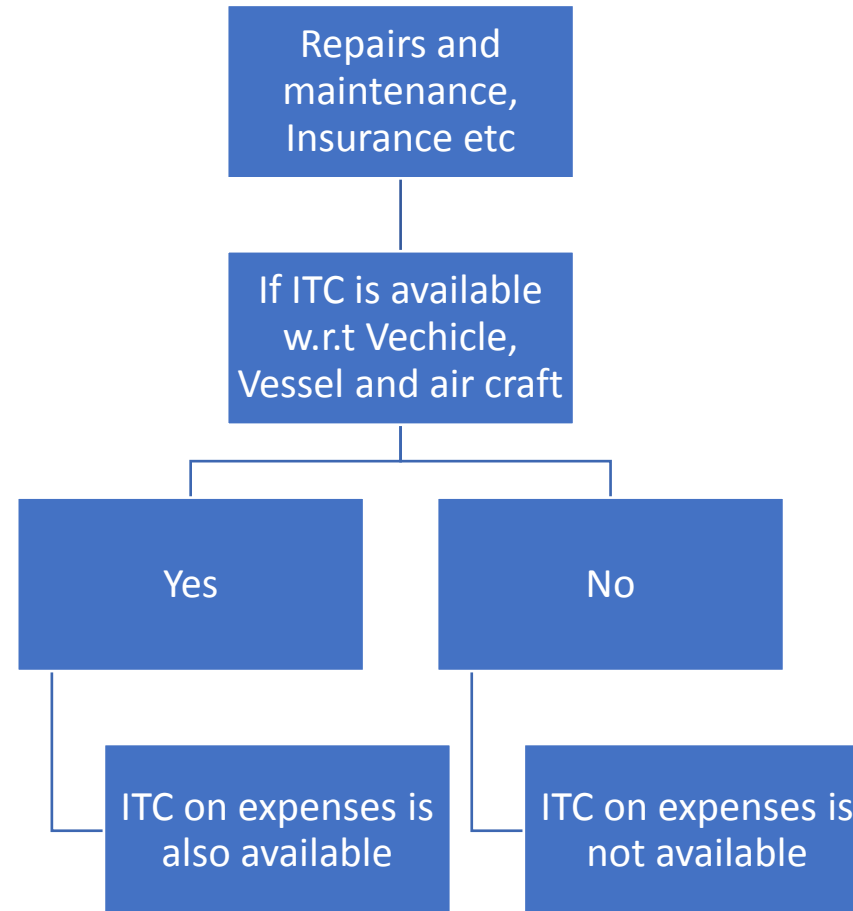




SUMMARY - ITC W.R.T VEHICLE



Revenue Expenditure w.r.t Motor Vehicle:



ITC- CONSTRUCTION OF IMMOVABLE PROPERTY

INWARD
SUPPLIES
RECEIVED FOR
CONSTRUCTION
OF IP IS NOT
ELIGIBLE FOR
ITC.

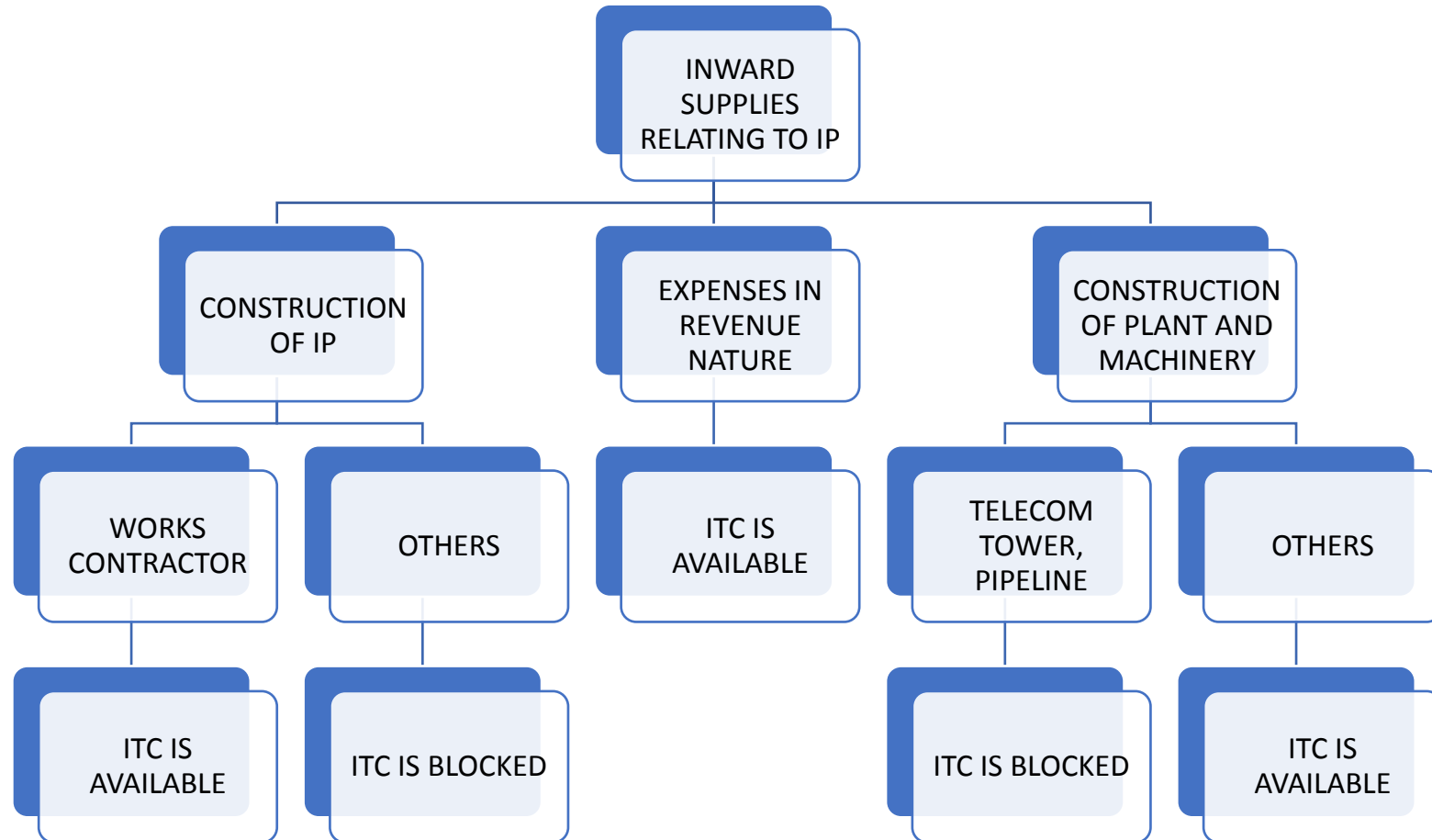
THIS IS NOT
APPLICABLE TO
THE SUPPLIER
OF WORKS
CONTRACT
SERVICE.

IMMOVABLE
PROPERTY
EXCLUDES
PLANT AND
MACHINERY.

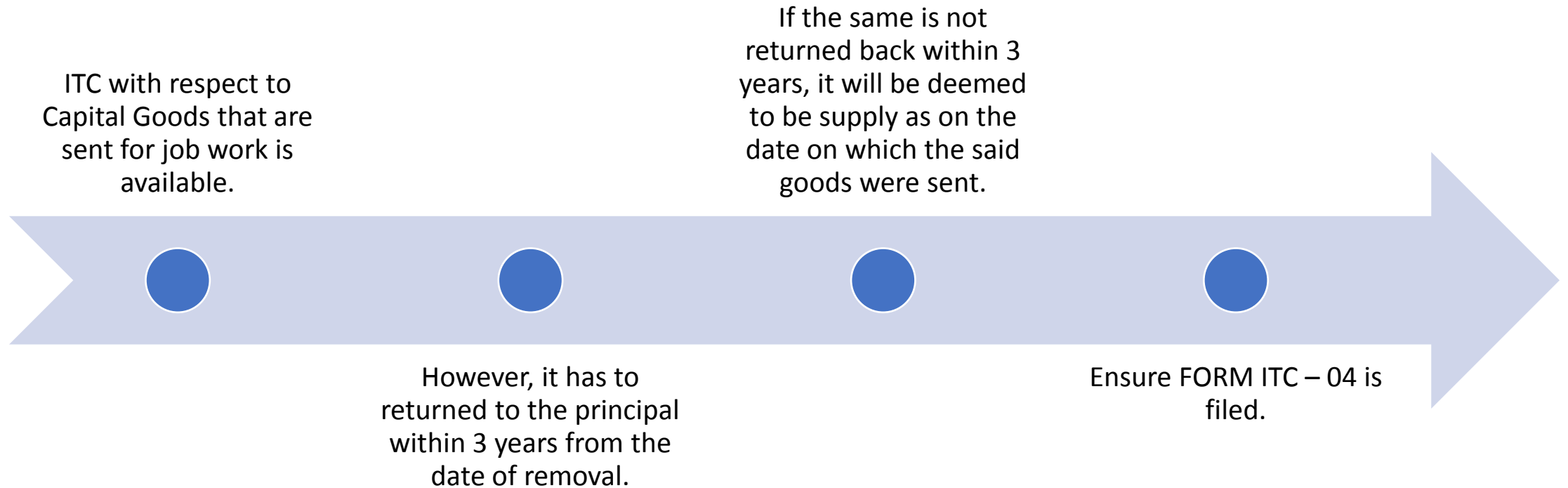
P&M EXCLUDES
TELECOM
TOWERS AND
PIPELINES LAID
OUTSIDE
FACTORY.

CONSTRUCTION
EXPENSES IN
THE NATURE OF
REVENUE IS
NOT BLOCKED
FOR THE
PURPOSE OF
ITC.

SUMMARY:



CAPITAL GOODS SENT FOR JOB WORK



IMPORT OF SERVICE:

When Fixed assets are imported the incidental services Eg. Installation, erection, technical services etc. may be provided by the exporter or a person from outside India.

Usually such type of expenditure is capitalized as cost as per AS 10/ IND AS 16.

It is import of service and hence it is subject GST under RCM.

Ensure GST Liability on the same is discharged.

DELETION/DISPOSAL OF FIXED ASSET

Sale of fixed asset by any entity is a taxable supply.

Tax rate for the same will be determined based on HSN code.

This provision is transaction specific and not entity specific.

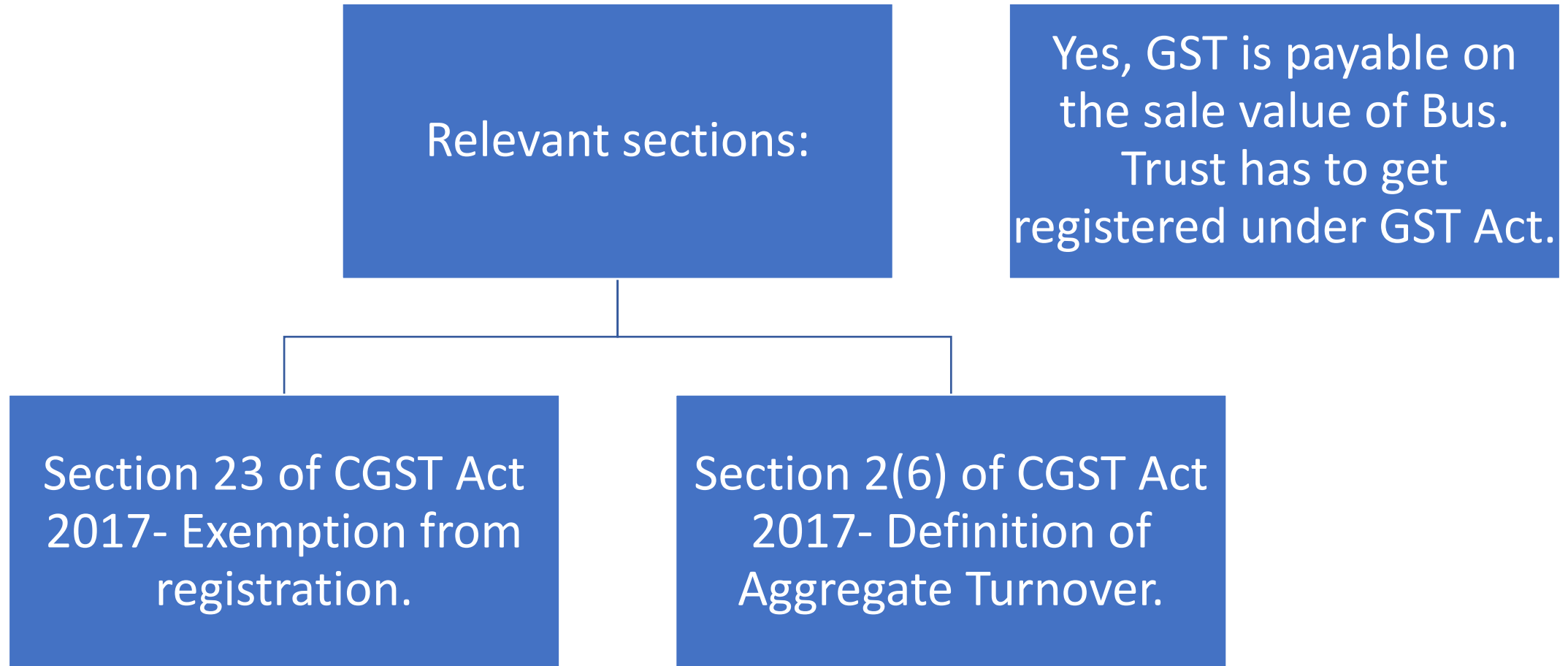
ANALYSIS:

Lets assume a situation where a Trust which runs a school has sold a Bus which was inoperative for Rs. 2 Lakhs. The Turnover (Fees from students) of the trust excluding the sale of bus is Rs.3.5Crores.

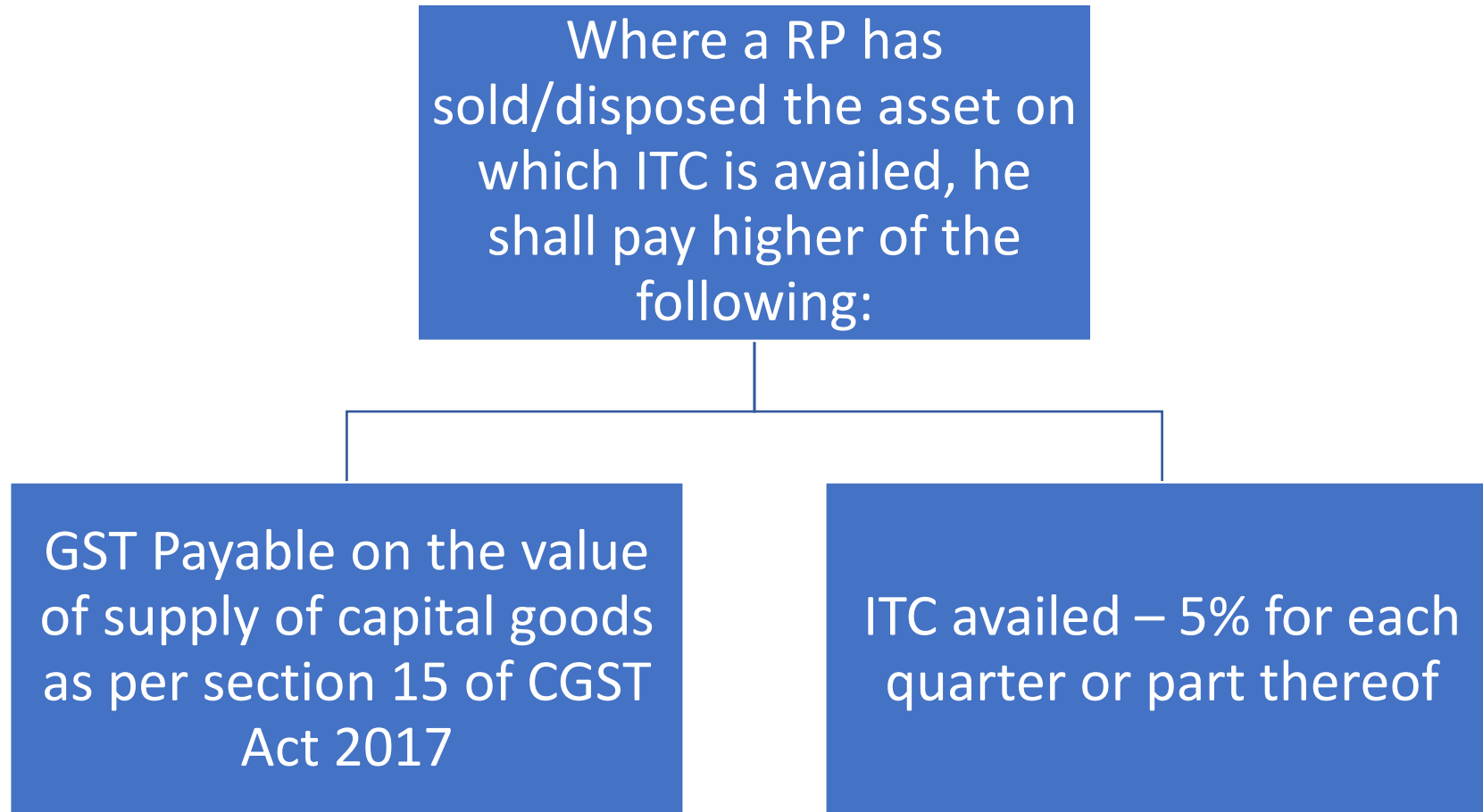
The trust is unregistered under GST Act. (Section 23 of CGST Act 2017)

Whether GST is payable on the sale of Bus?

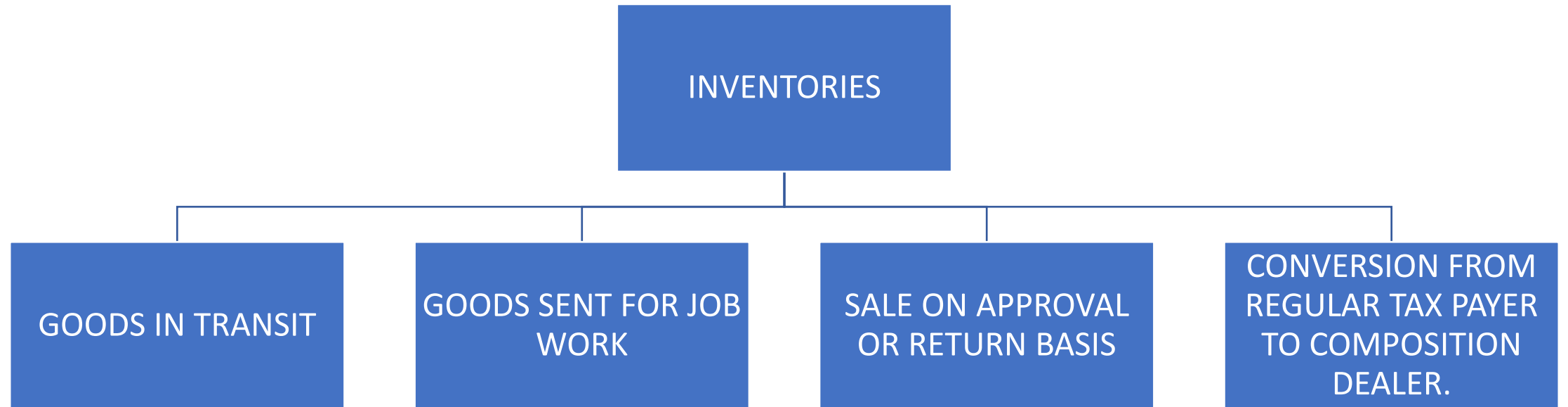
ANALYSIS:



SALE/DISPOSAL OF FIXED ASSET ON WHICH ITC IS AVAILED: Sec 18(6) of CGST Act read with rule 40 of CGST rules 2017:



INVENTORIES:



GOODS IN TRANSIT

Sec 16 of CGST ACT 2017, states the preconditions for availing ITC, one of the conditions is “goods / services are actually received”.

Hence ITC has to be availed only when the goods are actually received even though the same is available in FORM GSTR 2B.

Ensure that the above conditions are complied with especially as on reporting date.

GOODS SENT FOR JOB WORK:

Where the Inputs are sent for Job work, it has to be received back within one year.

Ensure FORM ITC – 04 is filed.

If the same is not returned back within 1 year, it will be deemed to be supply as on the date on which the said goods were sent.

Goods with 3rd party- sale on approval basis

In books of accounts, the revenue will be recognized only when the buyer approves the goods sent to him. Till then it will be recorded as a closing stock at cost.

However, as per Sec 31(7) of CGST act 2017, where goods are sent on sale on approval basis, invoice has to be raised – earlier of the following:

Date of acceptance by the buyer

6 months from the date of removal goods from the supplier's location.

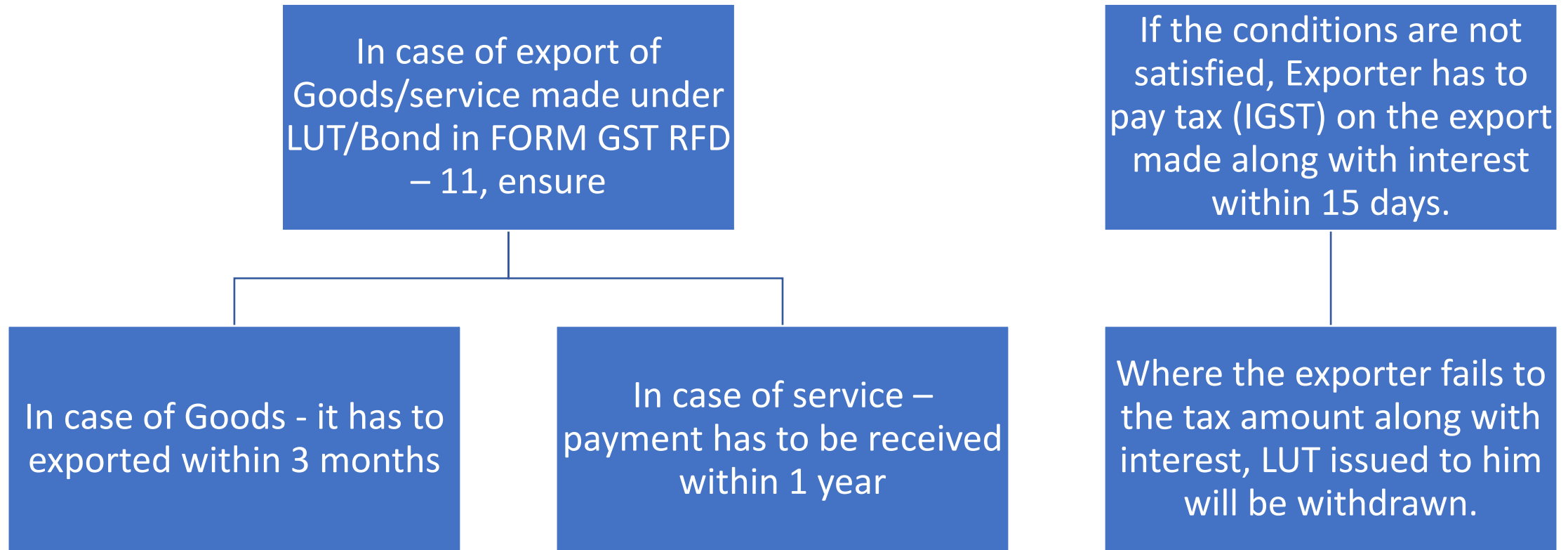
Conversion from Regular Tax payer to Composition dealer : (Sec 10 of CST Act 2017)

It is an option to smaller business entities to pay tax at concessional rate.

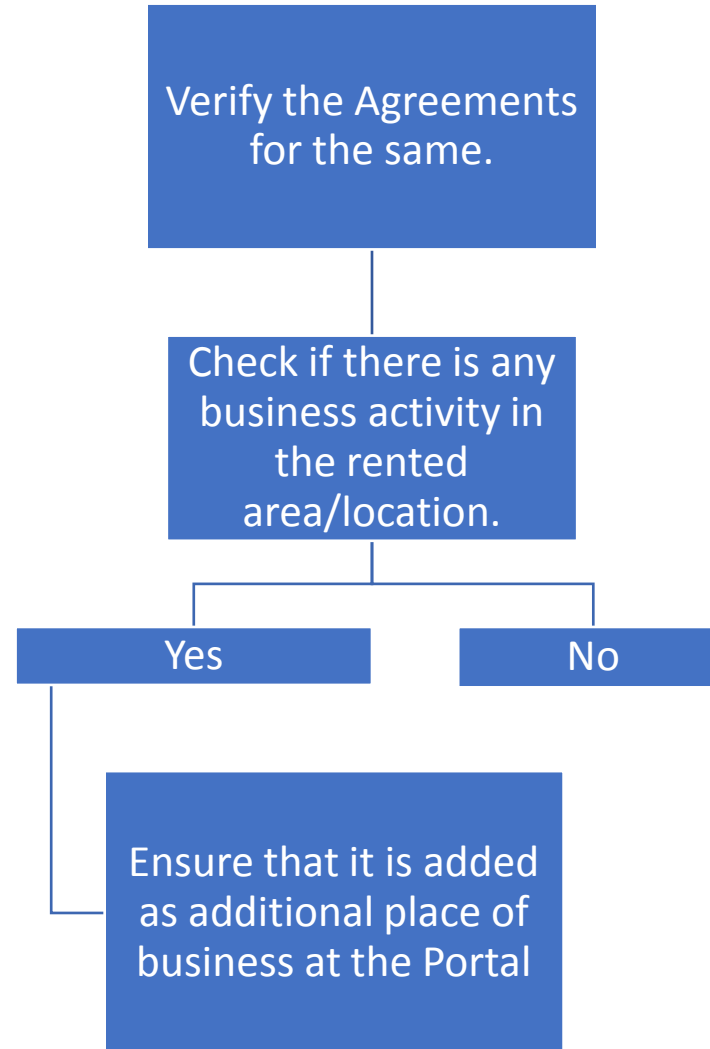
This conversion can be done in the beginning of the financial year.

ITC pertaining to the closing Stock as on the preceding date of the conversion has to be reversed by filing FORM GST ITC 03 .i.e. as on 31st March.

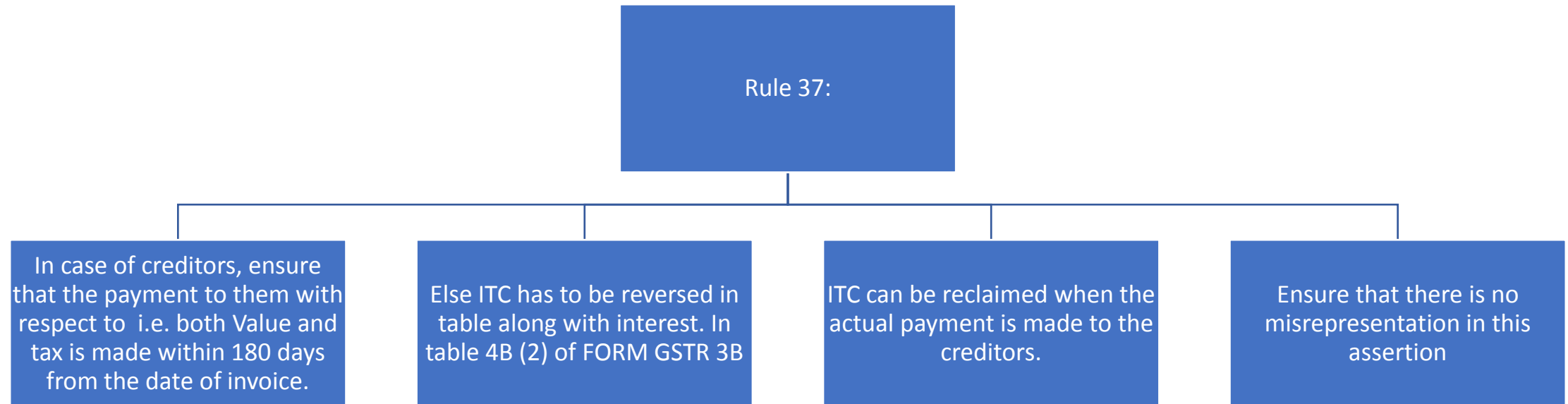
Trade Receivable- Export: (Rule 96A of CGST Rule 2017)



Rent advance/ Security deposit paid:



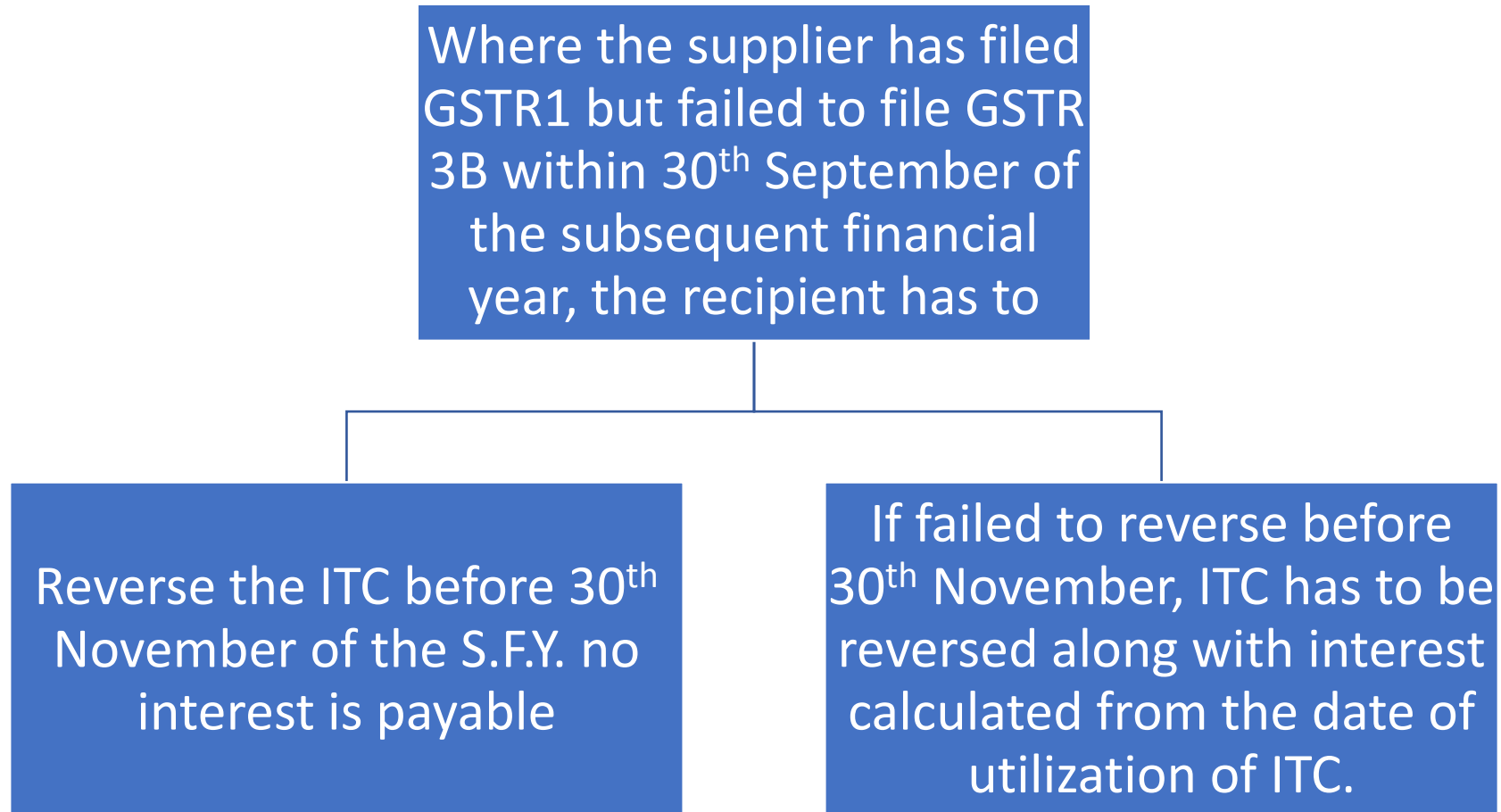
Trade payable: (Rule 37/37A of CGST rule 2017)



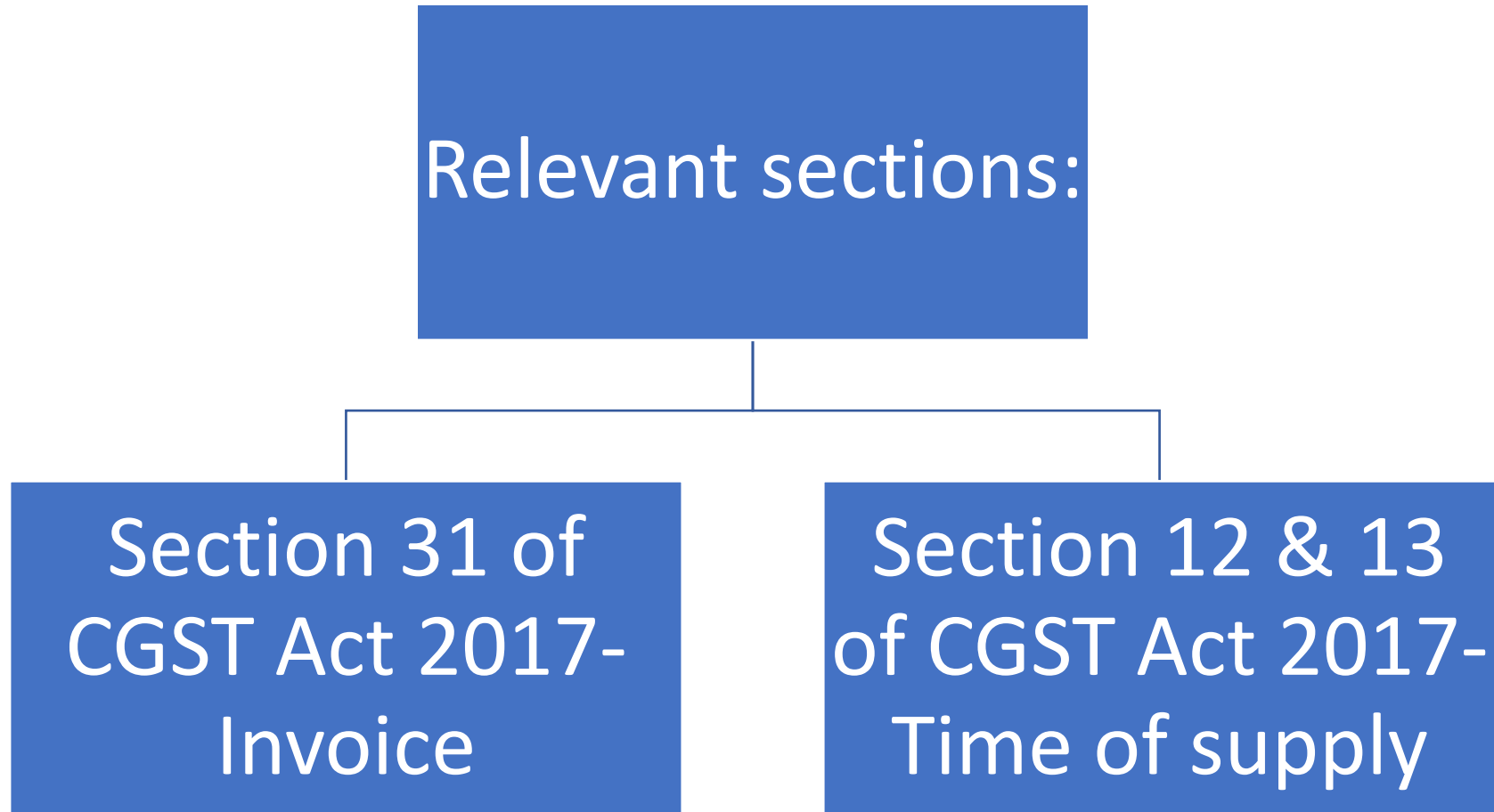
NOTE 15 - Other Income

Transportation Charges, Pumping & Mobilisation Charges	5,65,29,527	7,30,86,506
Sale of Scrap	58,941	67,559
Labour Charges	83,31,640	1,49,91,175
Lease Rent	2,00,000	-
Hire Charges	30,000	-
Interest Received	4,46,463	3,77,927
Credits No Longer Required Written Back	1,85,153	9,30,028
Discount Received	10,788	-
Profit on Sale of Assets	2,07,059	3,46,684
Profit on Sale of Investments	11,640	-
Land Surveying Service	-	70,476
Total	6,60,11,211	8,98,70,354

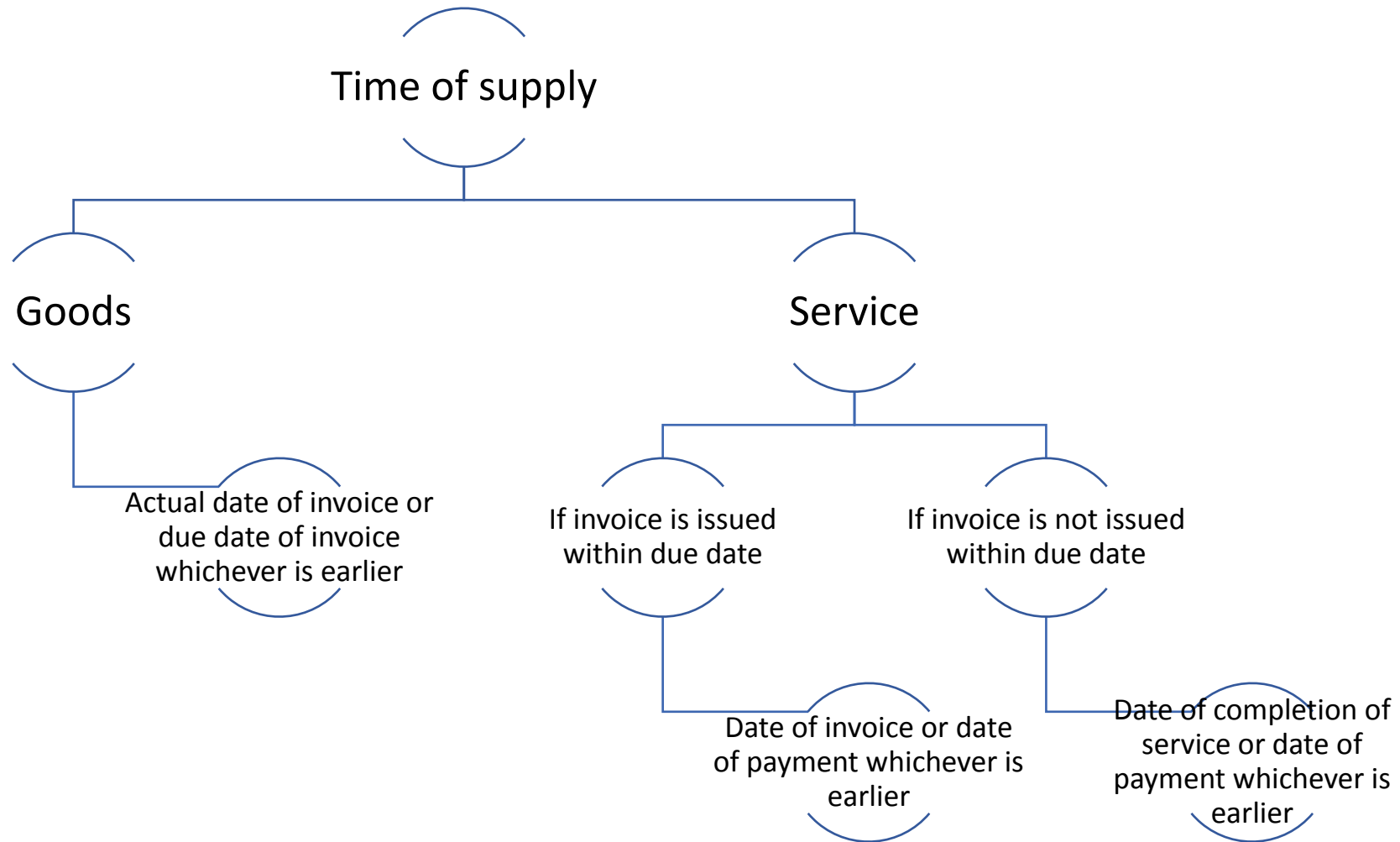
Rule 37A of CGST Rules 2017:



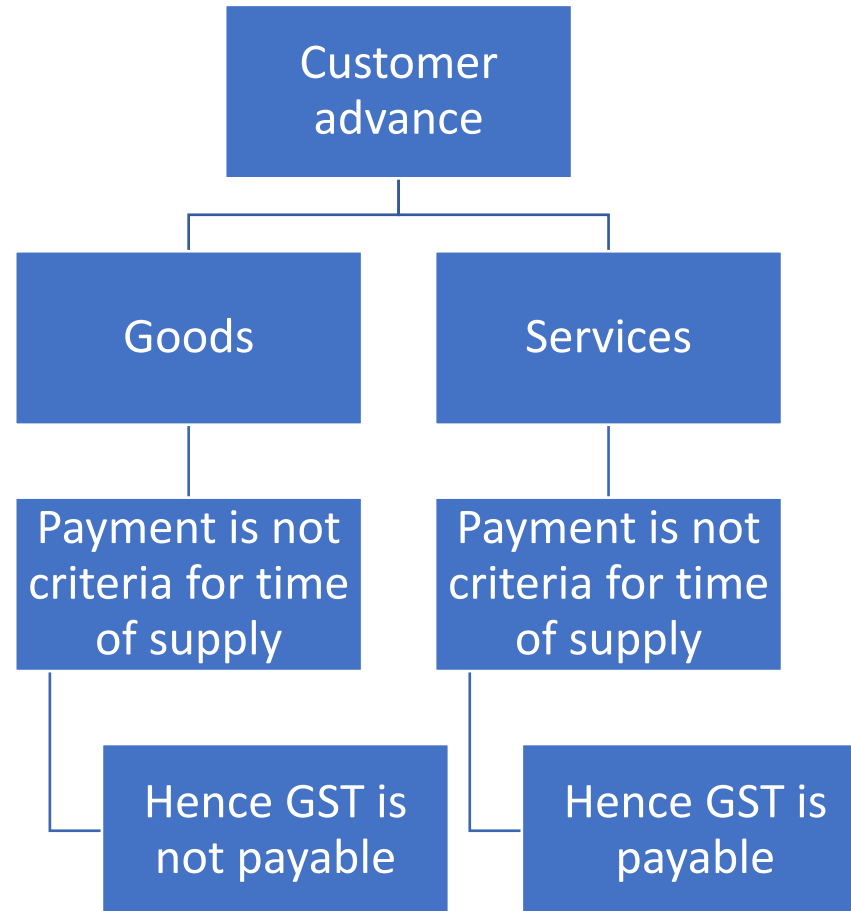
Customer Advance:



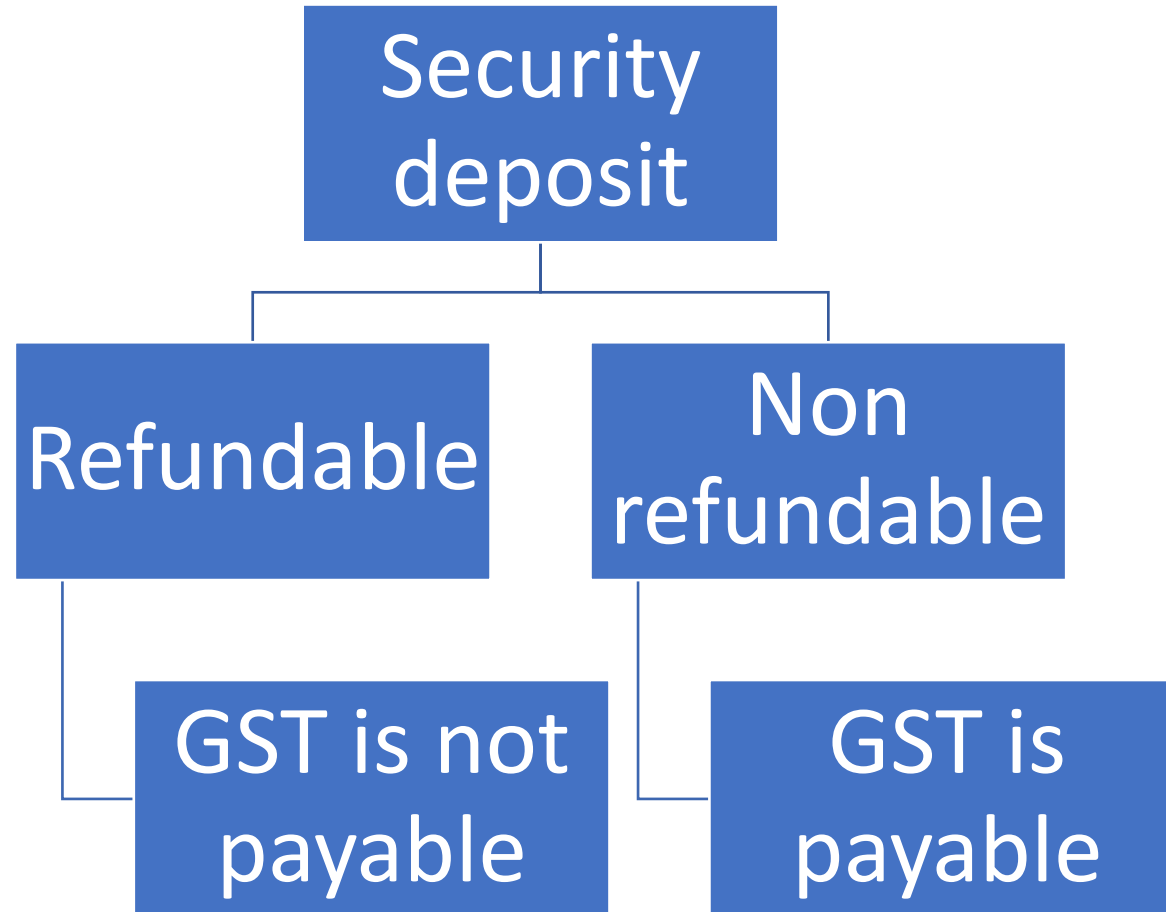
Customer Advance:



Customer Advance:



Security Deposits:



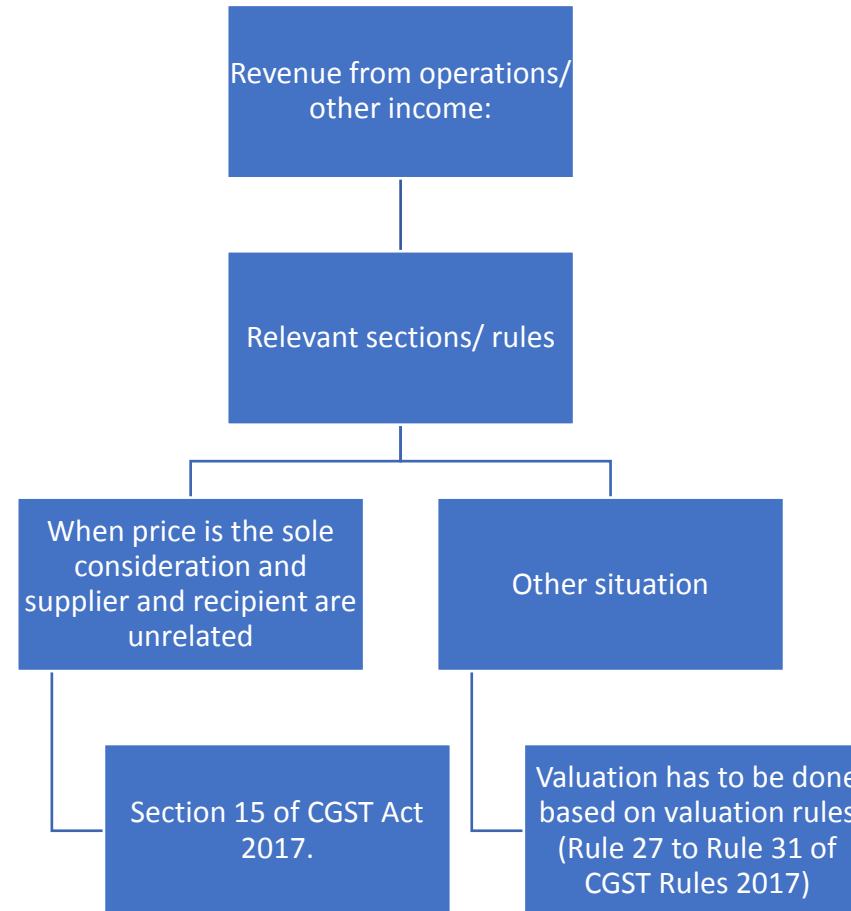
Retention money:

It is a part of the consideration payable held by the buyer to safeguard his interest.

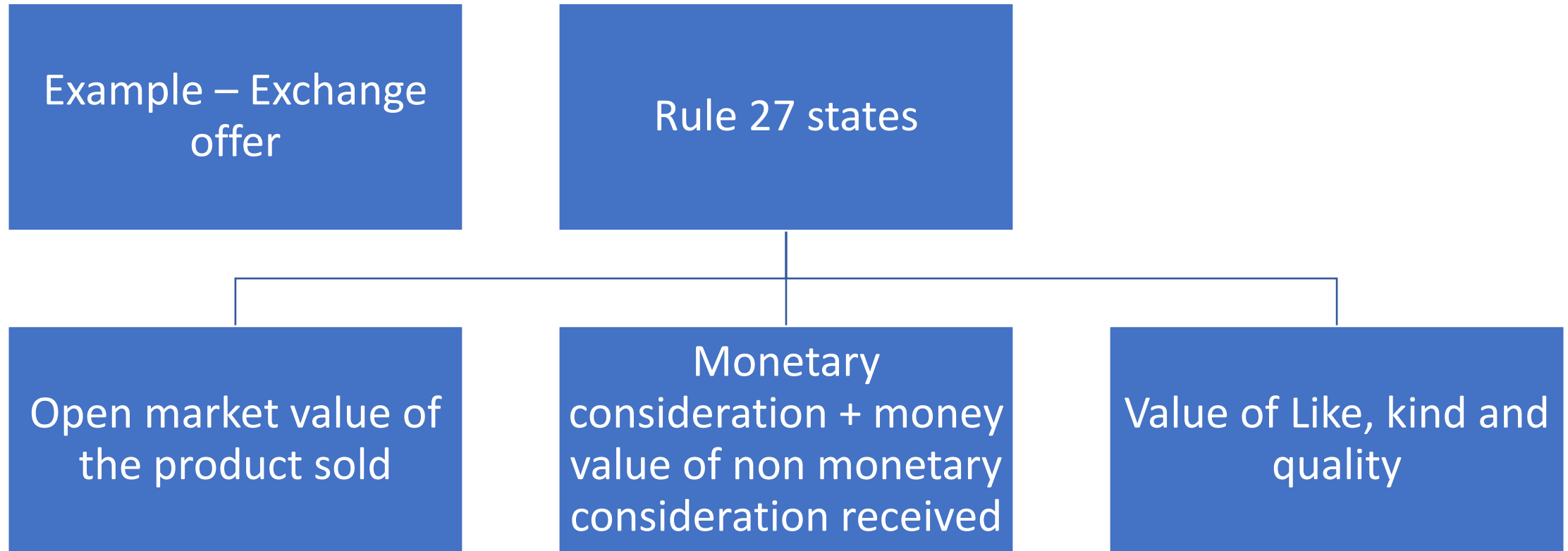
Gst is calculated on the whole value of the supply/ consideration.

Ensure that the tax liability is discharged on the whole value.

Review of Statement of Profit & Loss:



Valuation when price is not the sole consideration (Rule 27)



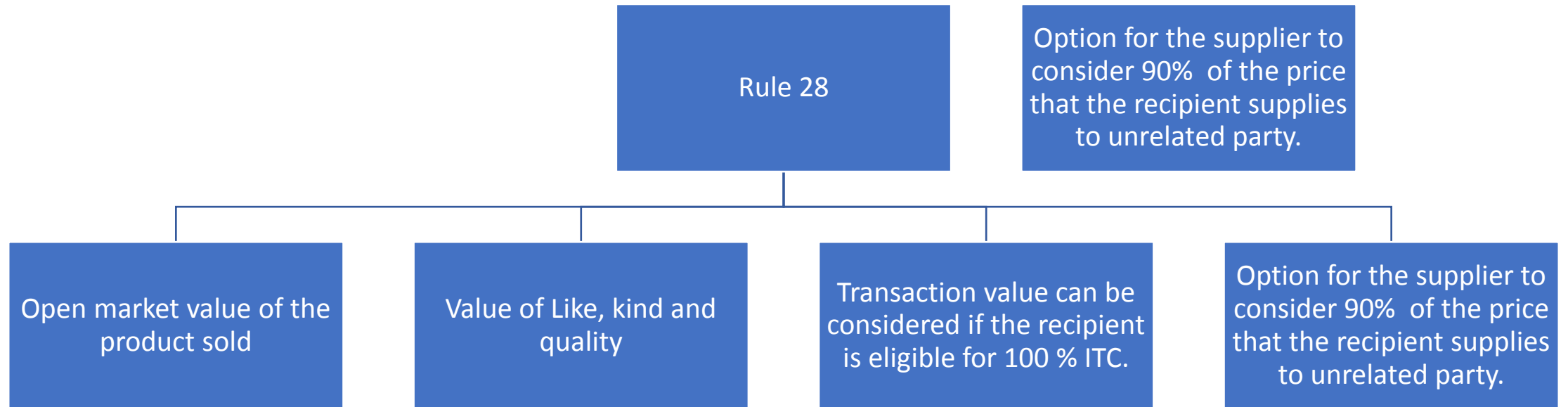
Transaction between related party/ distinct persons:

As per section 7 (1) (c) of CGST Act 2017 supply of goods/services between the distinct person is considered as supply even though if there is no consideration.

Valuation has to be done based on rule 28 of CGST rules 2017 and GST is payable on that value.

However, while preparing Financial statement, the above is considered as branch transfer and it is eliminated.

Transaction between related party/ distinct persons:



Principal – agent transactions

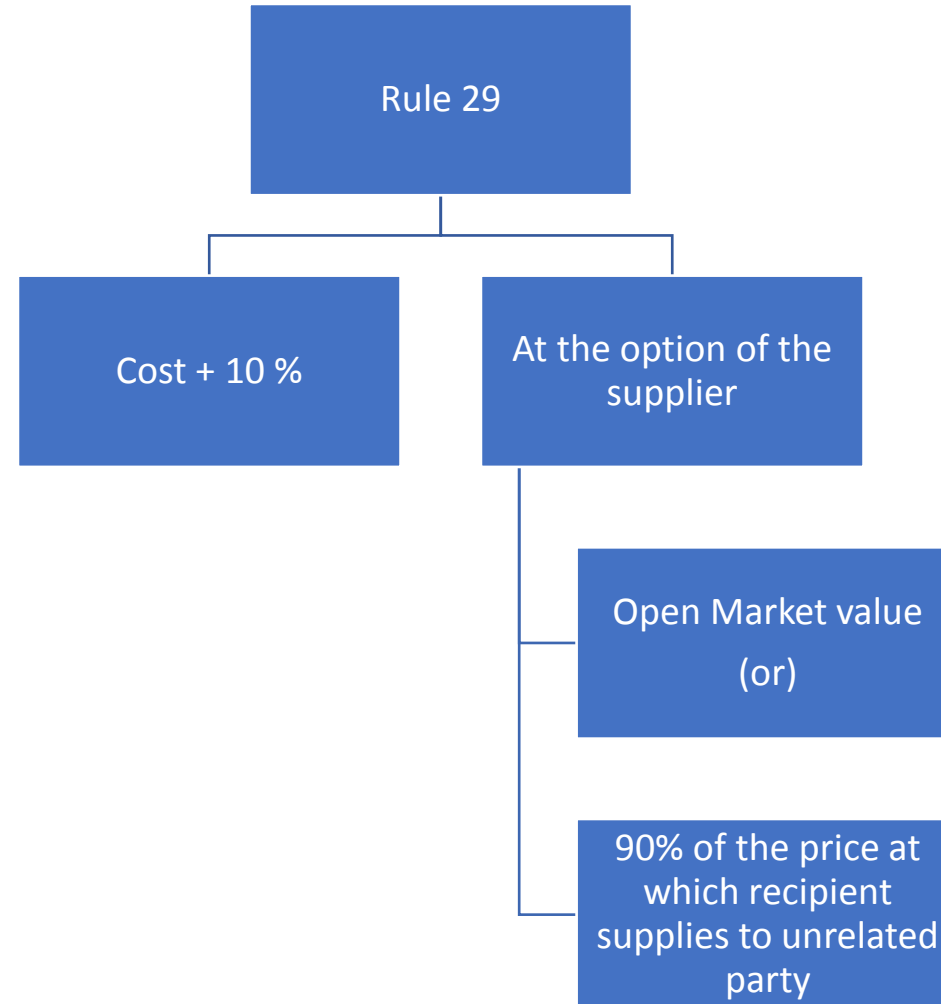
As per Sec 7 (1) (c) of CGST Act 2017, transaction between principal and agent will be considered as supply even though the same is not for consideration, when the principal is acting on behalf of the principal.

“acting on behalf”- agent has to issue invoice in his own name.

Valuation has to be done as per Rule 29.

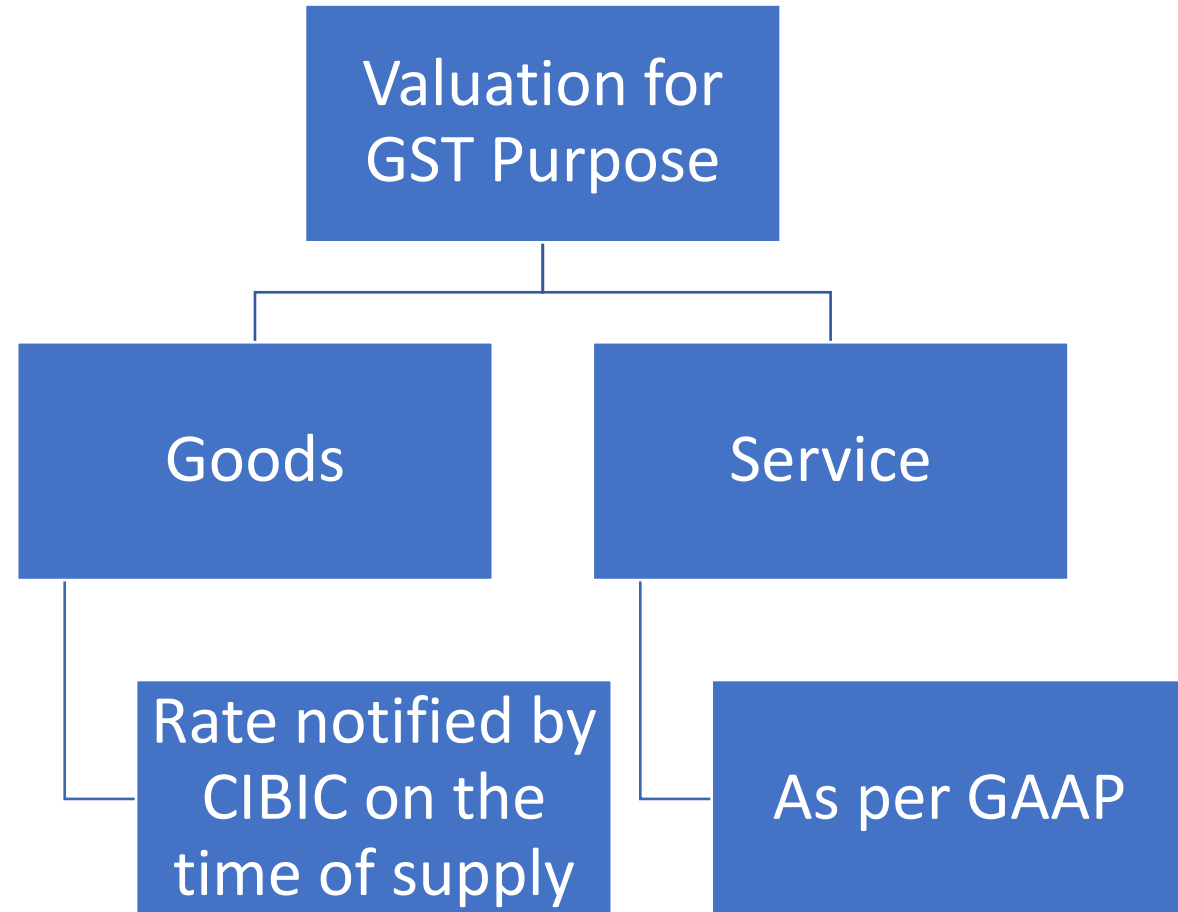
Verify Commission paid ledger and other agreements

Principal – agent transactions



Exchange rate impact on turnover

Incase of Export of service/
goods as per AS 11 while
preparing Financial
statement generally
Average rate will be used to
translate the Export value
to rupee denomination



Exchange rate impact on turnover

Incase of export of goods since there is difference in valuation as per books and for the purpose of GST, Reconciliation to this effect is necessary.

Whereas in case of export of service since it is as per GAAP for GST purpose, there would be no difference in valuation between books and the GST purpose.

Credit/ Debit note:

In accounting, buyer may issue debit note for the purchase return made by himself.

Under GST both Debit note and Credit note has to issued by the supplier.

Credit note is issued by the supplier to reduce the taxable value or the tax amount.

Debit note is issued by the supplier to increase the taxable value or the tax amount.

Time limit – 30th November of the subsequent FY or date of filing AR whichever is earlier.

No time limit

NOTE 14 - Revenue from Operations

Sale of Products

Contract Receipts

Domestic Sales

Total

2,62,46,493	4,49,83,996
36,30,92,727	33,07,63,604
38,93,39,220	37,57,47,600

NOTE 15 - Other Income

Transportation Charges, Pumping &

Mobilisation Charges

Sale of Scrap

Labour Charges

Lease Rent

Hire Charges

Interest Received

Credits No Longer Required Written Back

Discount Received

Profit on Sale of Assets

Profit on Sale of Investments

Land Surveying Service

Total

5,65,29,527	7,30,86,506
58,941	67,559
83,31,640	1,49,91,175
2,00,000	-
30,000	-
4,46,463	3,77,927
1,85,153	9,30,028
10,788	-
2,07,059	3,46,684
11,640	-
-	70,476
6,60,11,211	8,98,70,354

Various Reconciliations to be made for Revenue:

GSTR 1 vs 3B

GSTR 1 vs 3B vs Books

GSTR 1 vs 3B vs Books vs Form 26 AS

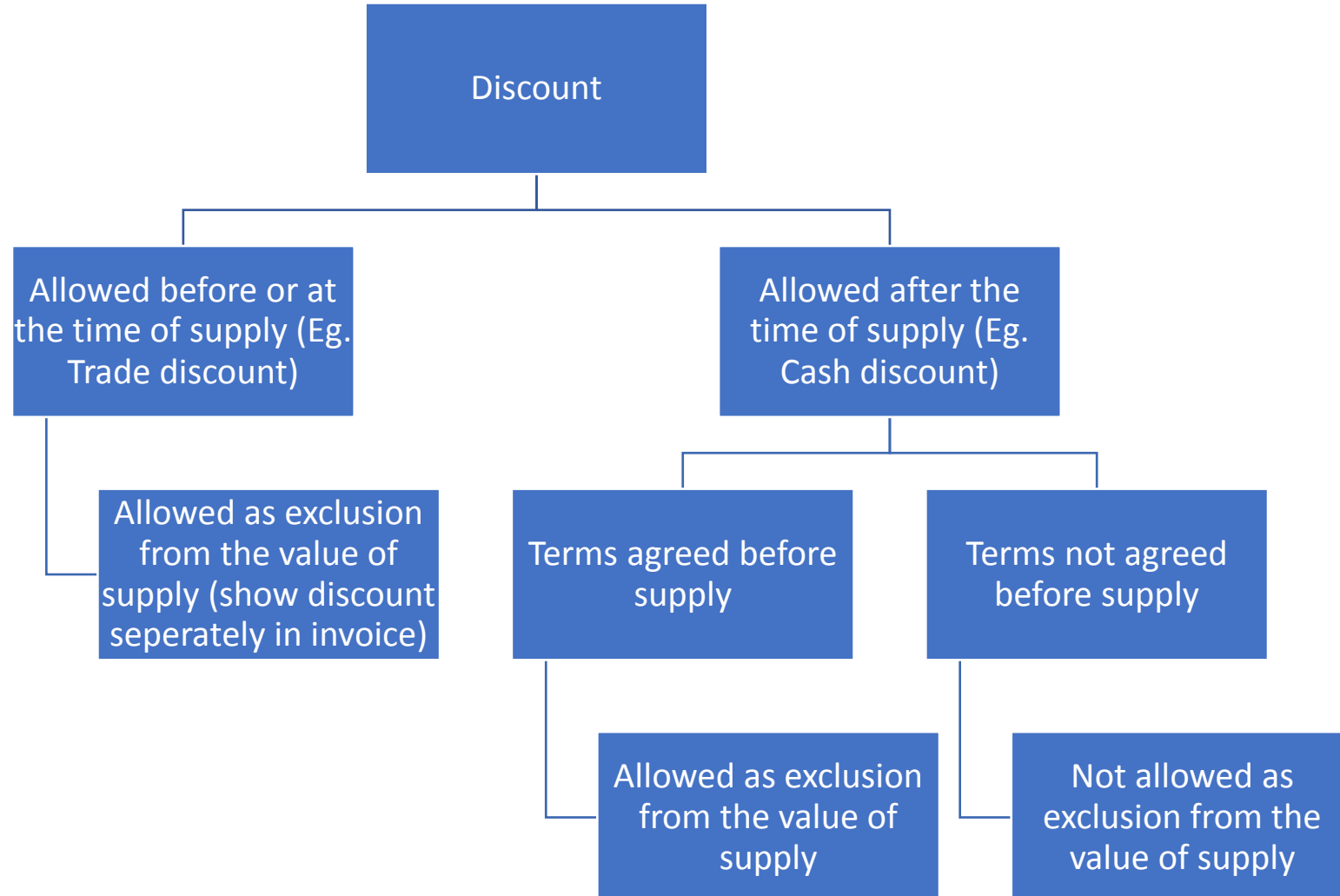
Reconciliation for Registered person with multiple registration to eliminate stock transfer.

Reconciliation in case of Export of G/S for difference in exchange rate.

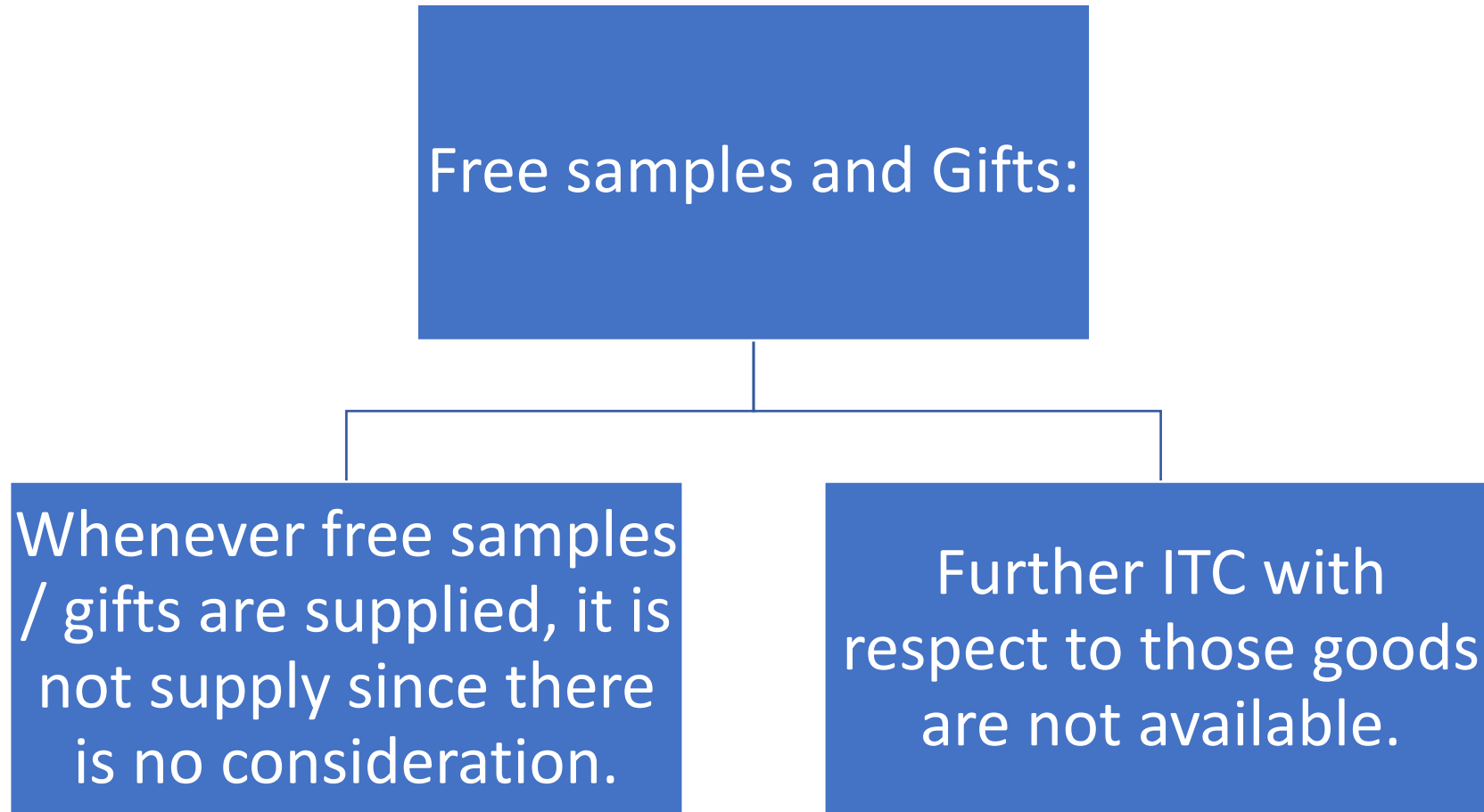
HSN wise Turnover reconciliation.

Rate wise Turnover reconciliation.

Expenditure- Discount allowed



Sales promotion expenses:

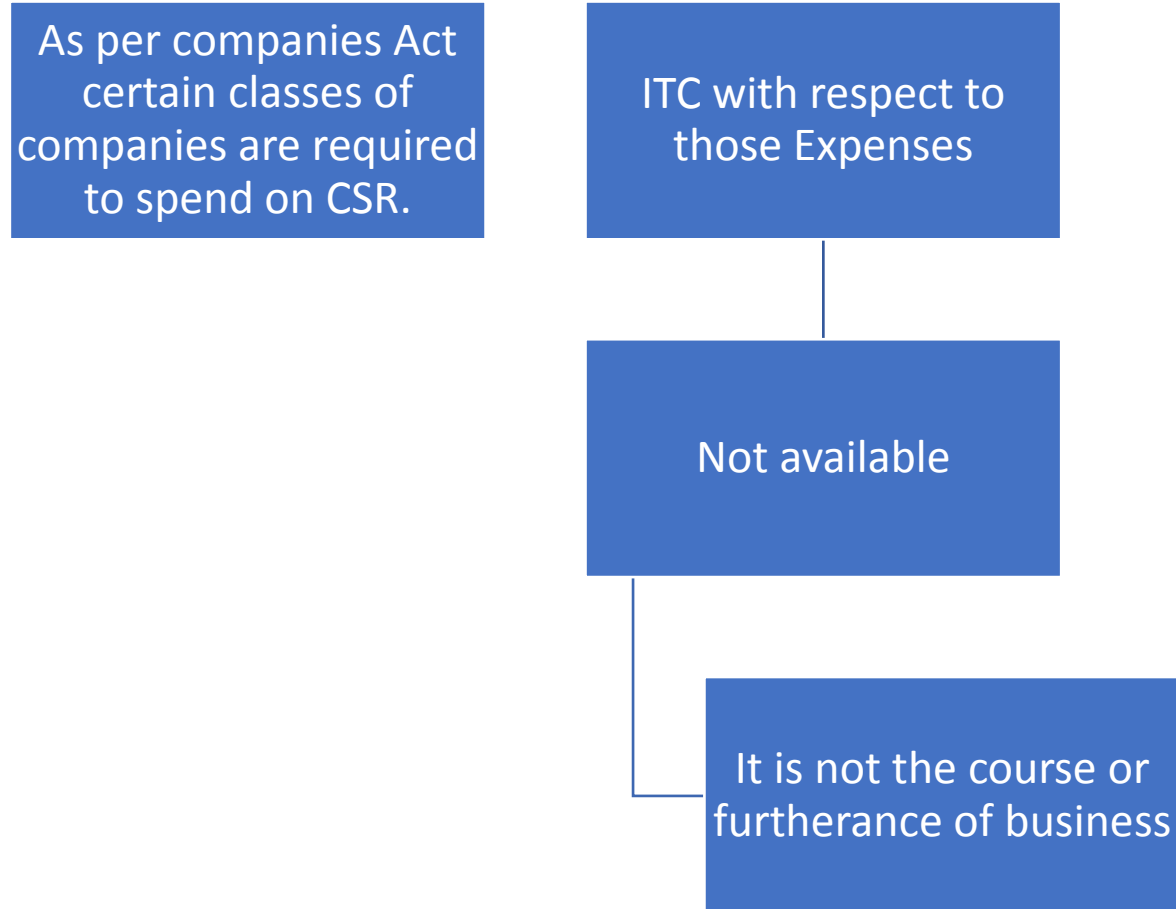


Is there any possibility for availing ITC?

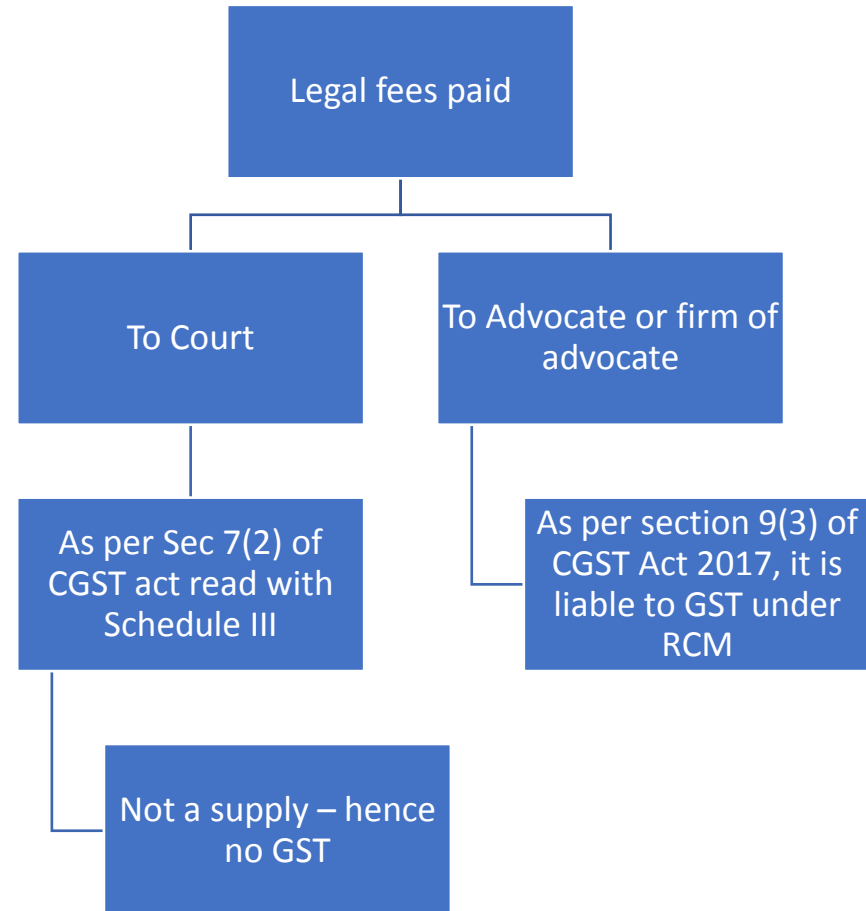
Particulars	Amount
Value of Bike	1,00,000
Value of Helmet	2,000
Total	1,02,000
Less: Discount	-2,000
	<u>1,00,000</u>

Discount is allowed as per Section 15 if the other conditions are fulfilled. In this case it is not free sale of helmet and ITC can be availed on the same.

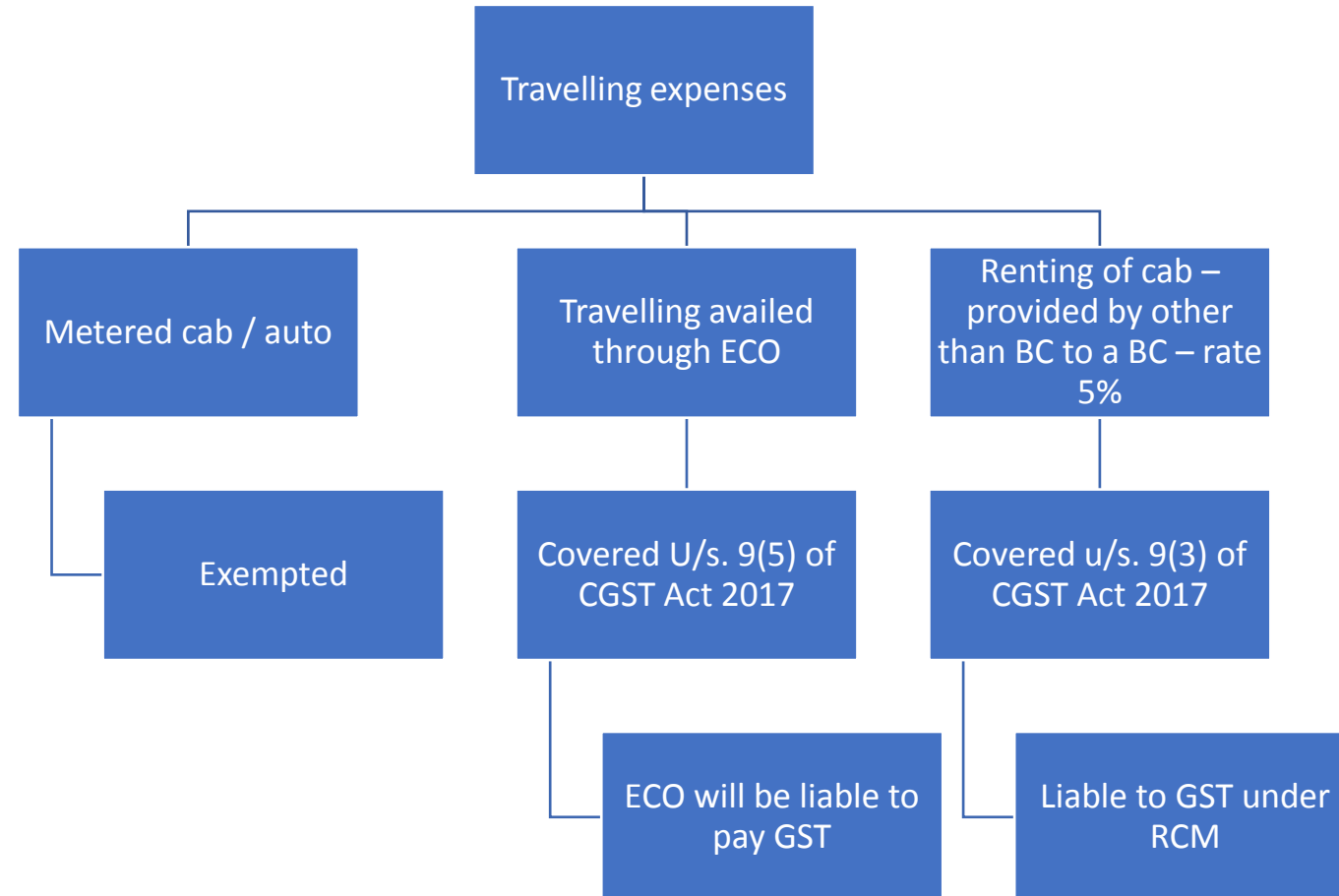
CSR Expense in case of corporate entities:



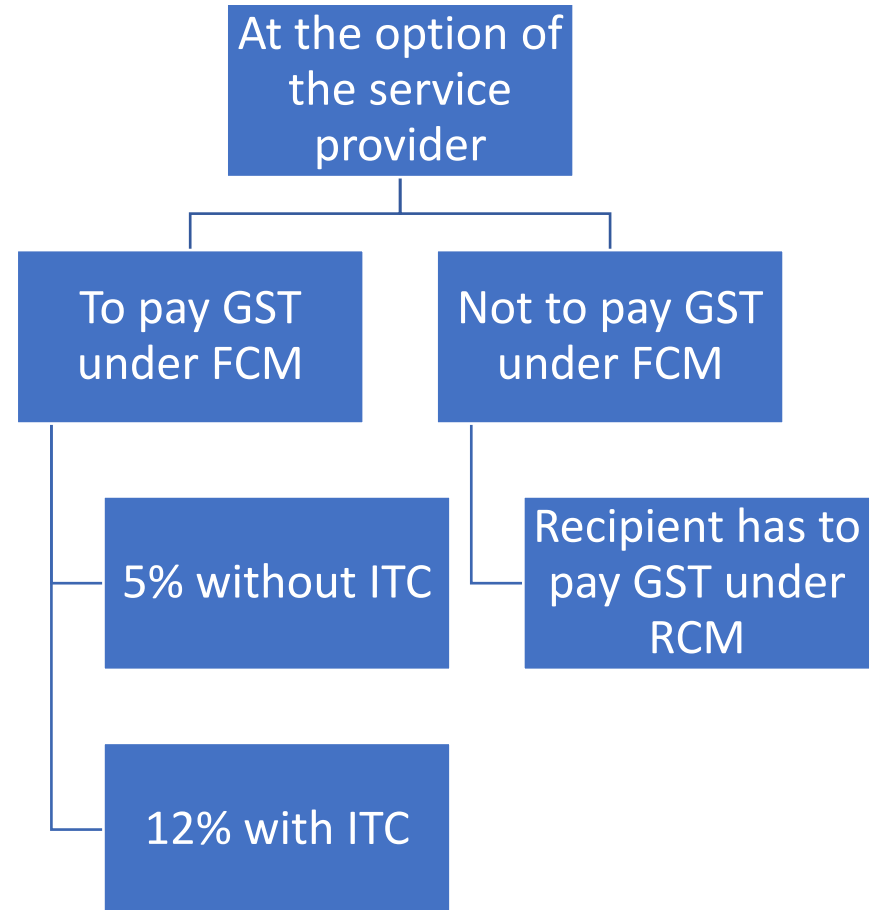
Expenses- Reverse Charge mechanism: Sec 9(3) of CGST Act 2017:



Travelling Expenses

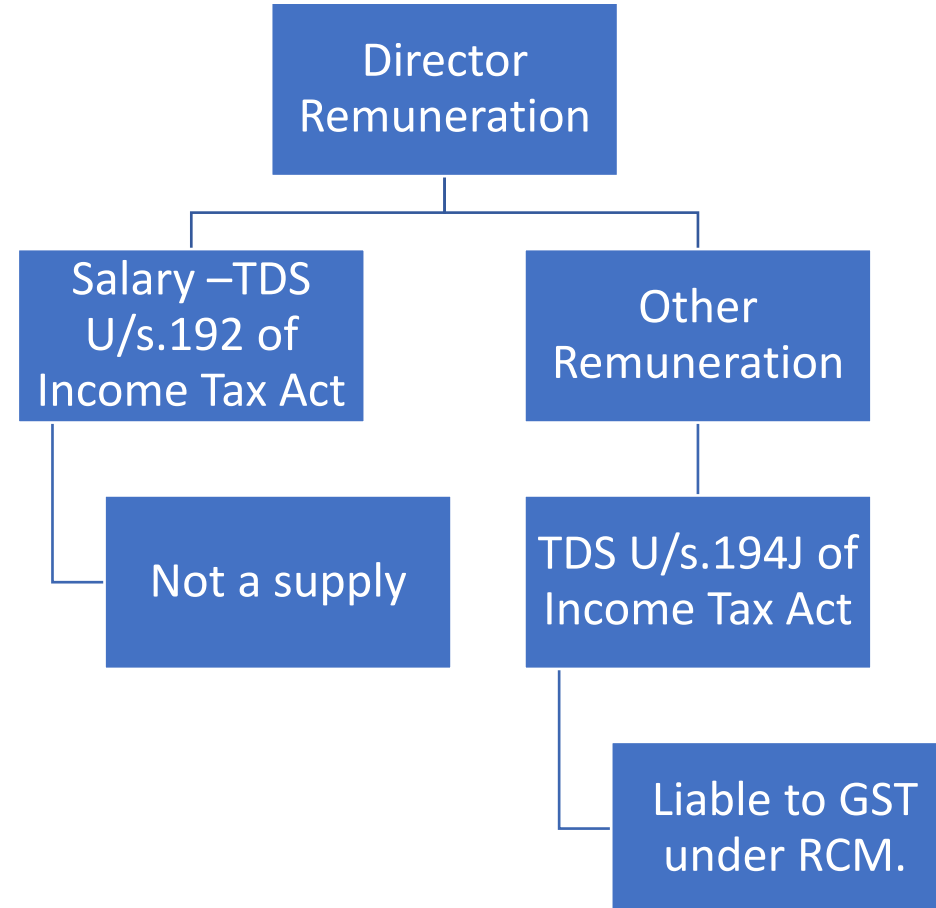


GTA service:



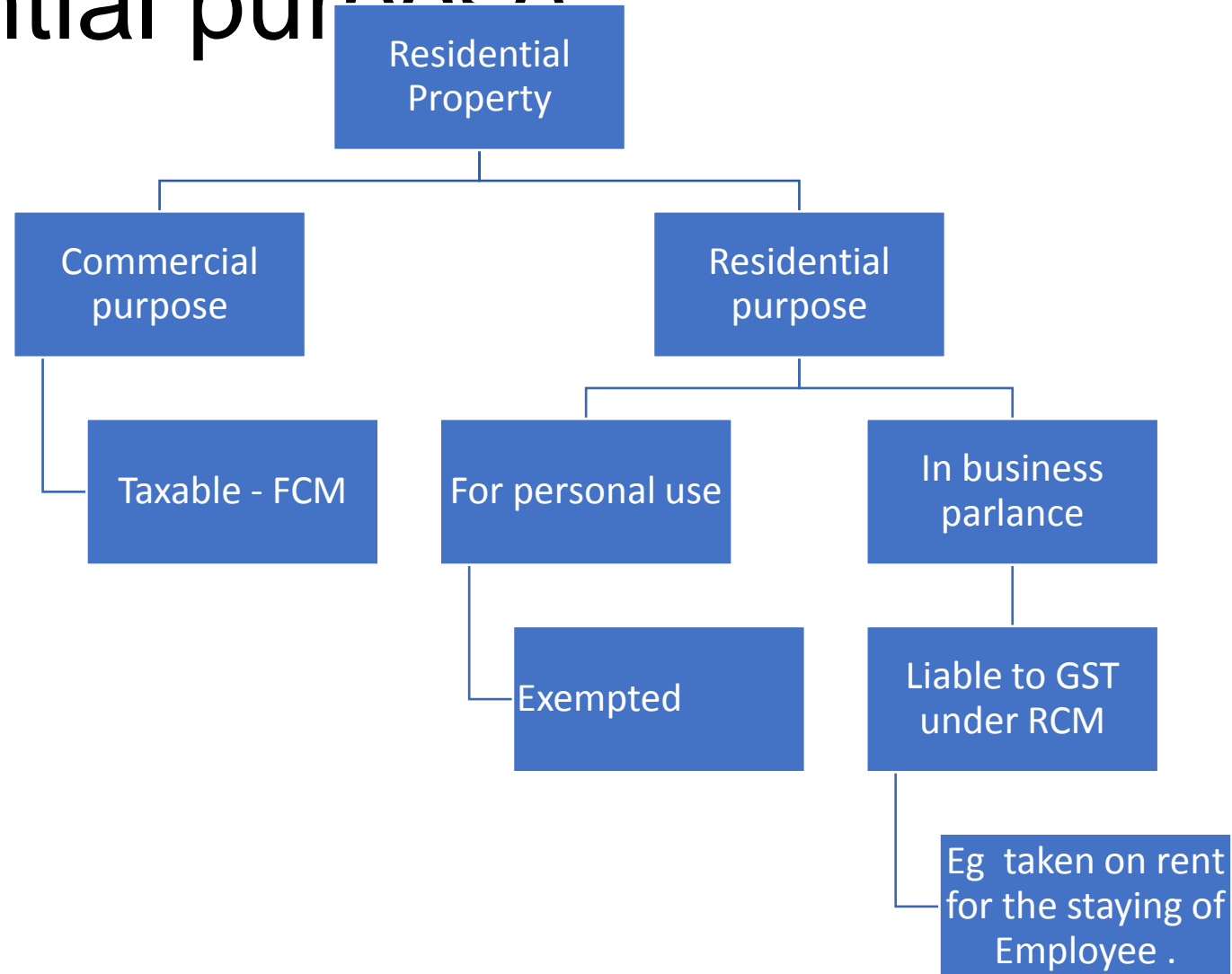
Supplier has to file Annexure V for paying tax under FCM.

Director Remuneration:

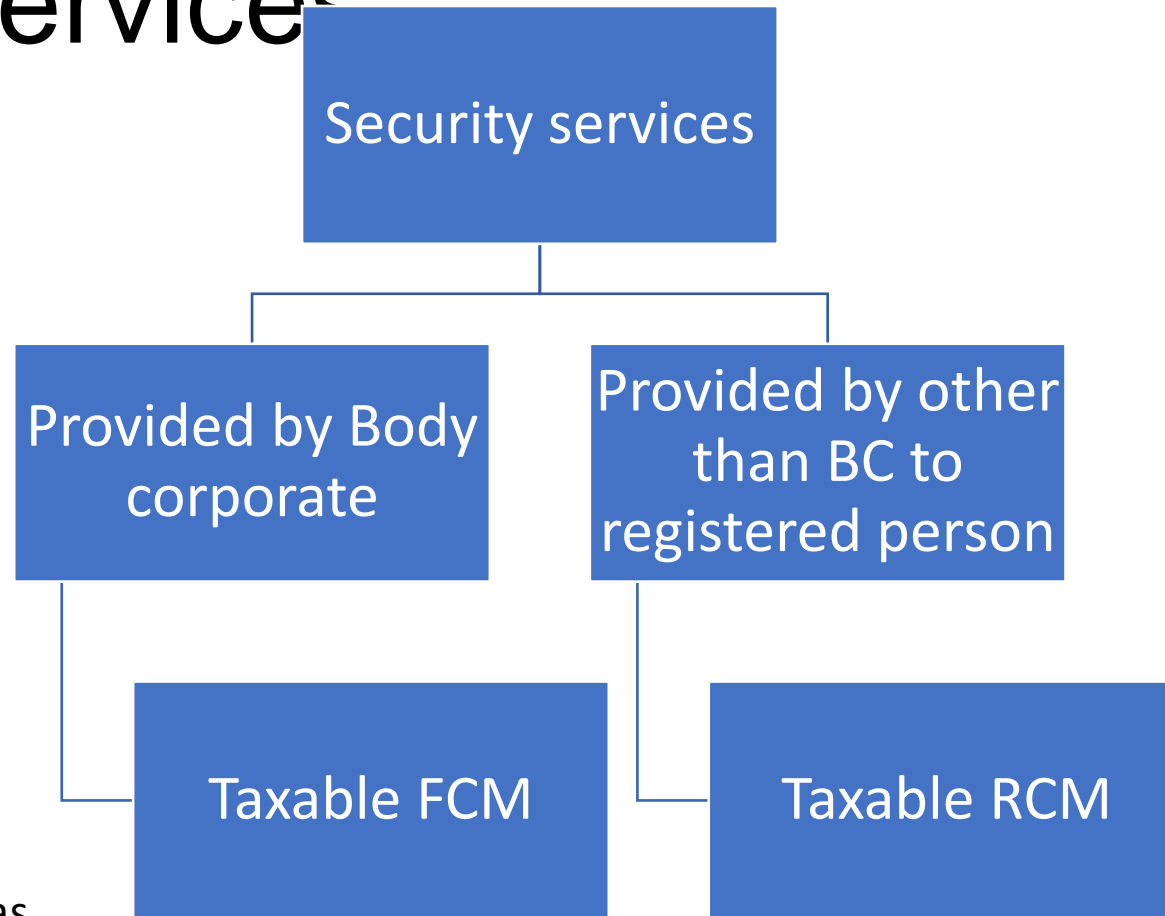


Executive Director or Non Executive Director – in MCA Portal – Details of Signatories

Renting of Residential property for Residential purpose:

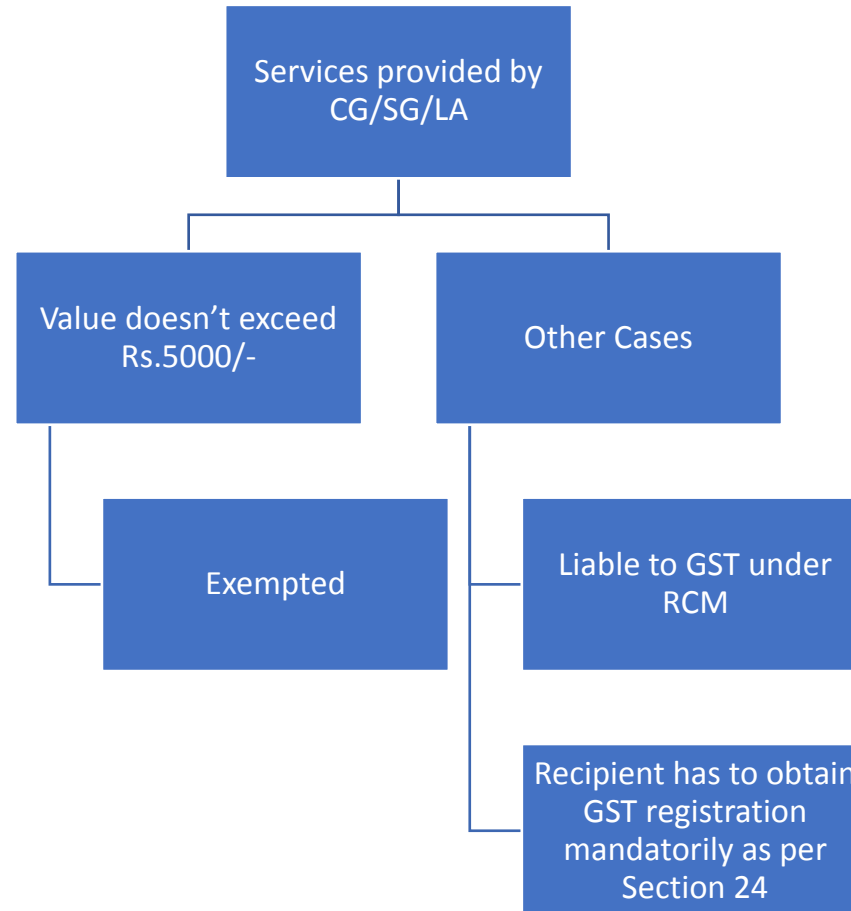


Security Services:

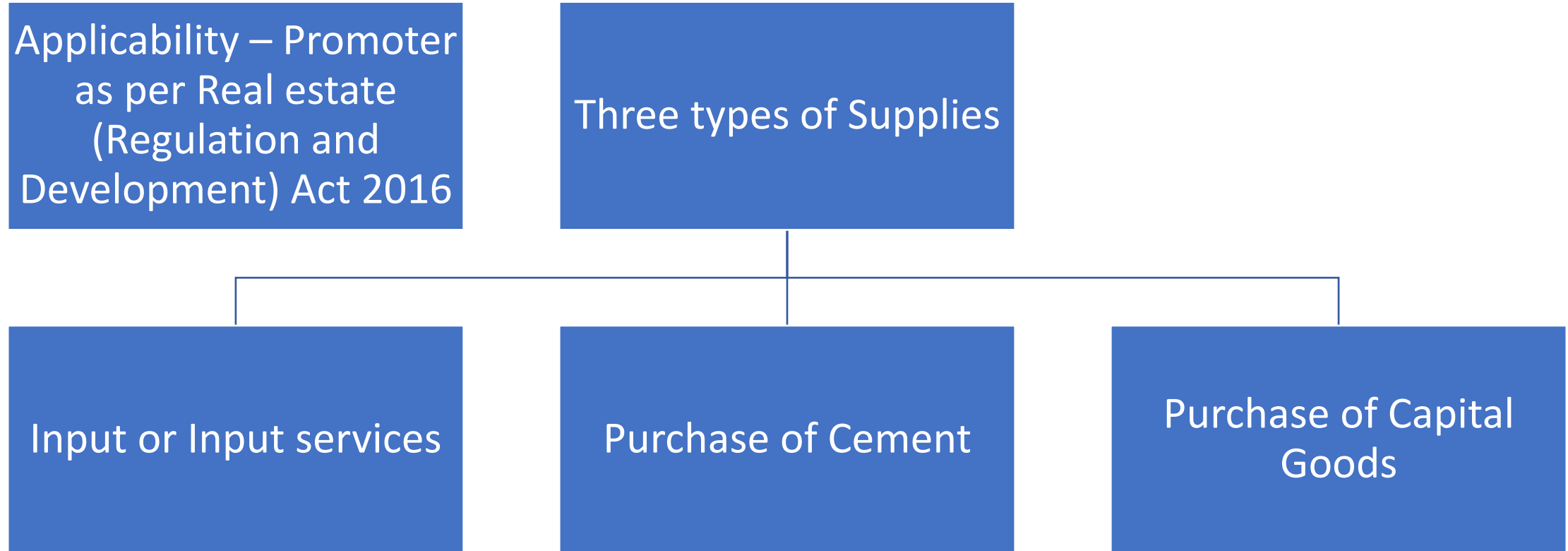


If the Recipient is registered as composition dealer or registered only to deduct TDS, RCM is not applicable

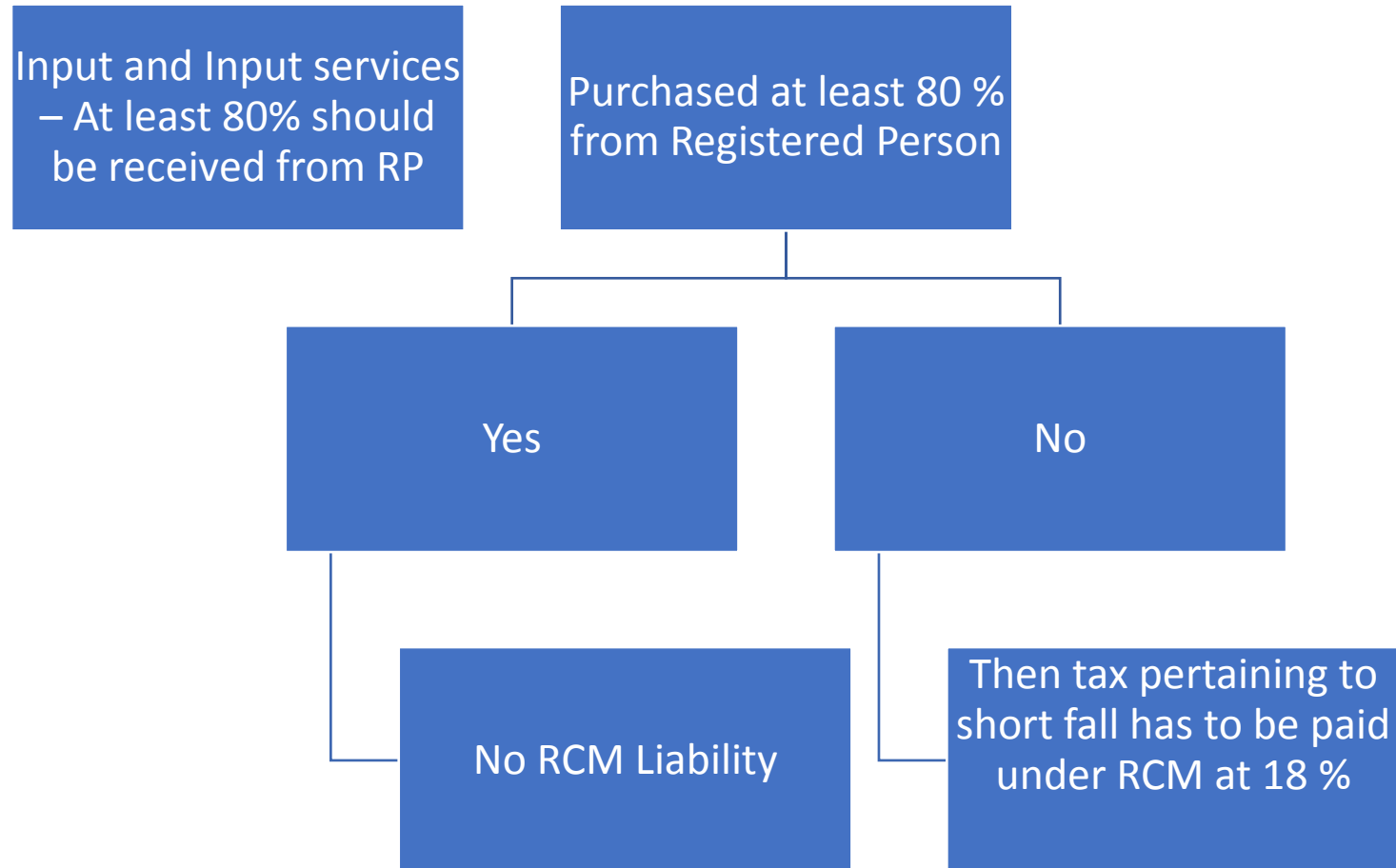
Services received from CG/SG/LA:



Sec 9(4) of CGST Act 2017



Inputs and Input services:



Purchase of Cement

Entire purchase of cement
should be received from
Registered person

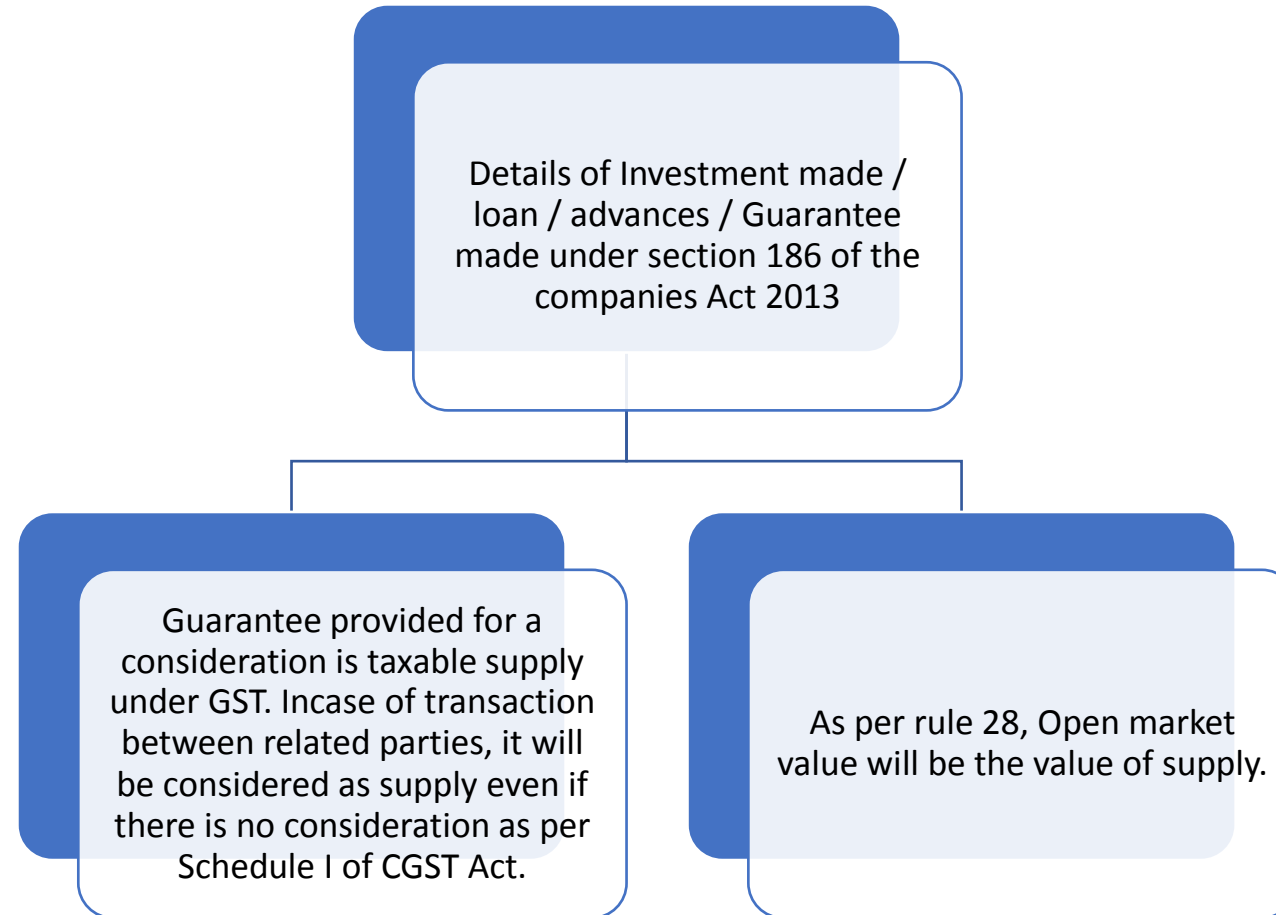
Else tax pertaining to
shortfall has to be paid
under RCM at 28%

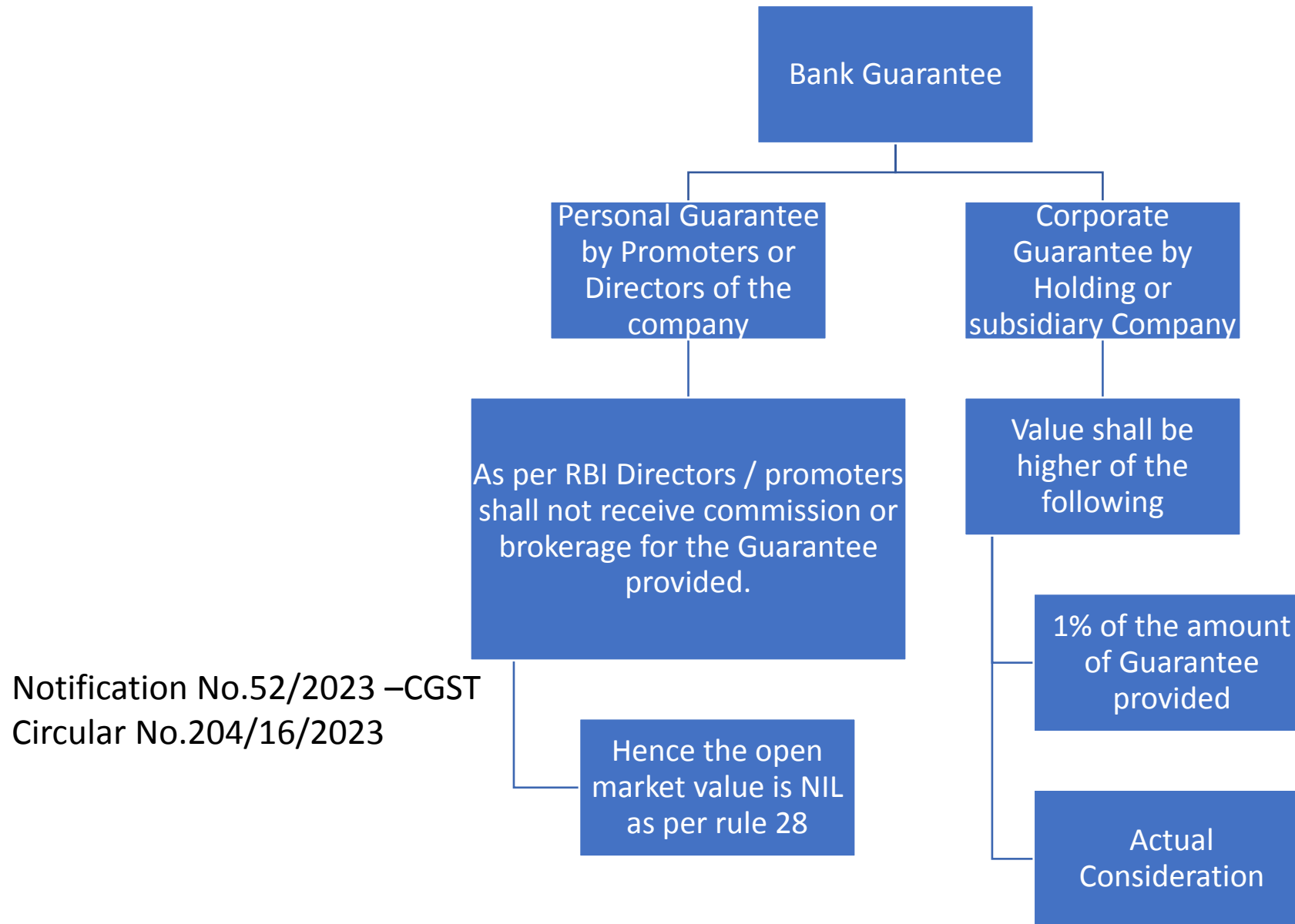
Capital Goods:

Entire purchase of capital goods should be received from Registered person.

Else tax pertaining to shortfall has to be paid under RCM at the applicable tax rate.

Notes to Accounts:





7 STATEMENT CONCERNING DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY OF THE COMPANY

The Company does not have any Risk Management Policy as the elements of risk threatening the Company's existence are very minimal.

8 DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The provisions of section 135 towards corporate social responsibility are applicable to the company. Details relating to the same are furnished in the annexure 1 to this report.

9 PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The Company has given Corporate Guarantee to State Bank of India on behalf of its subsidiary company – [REDACTED] Private Limited towards the Term Loans borrowed by them.

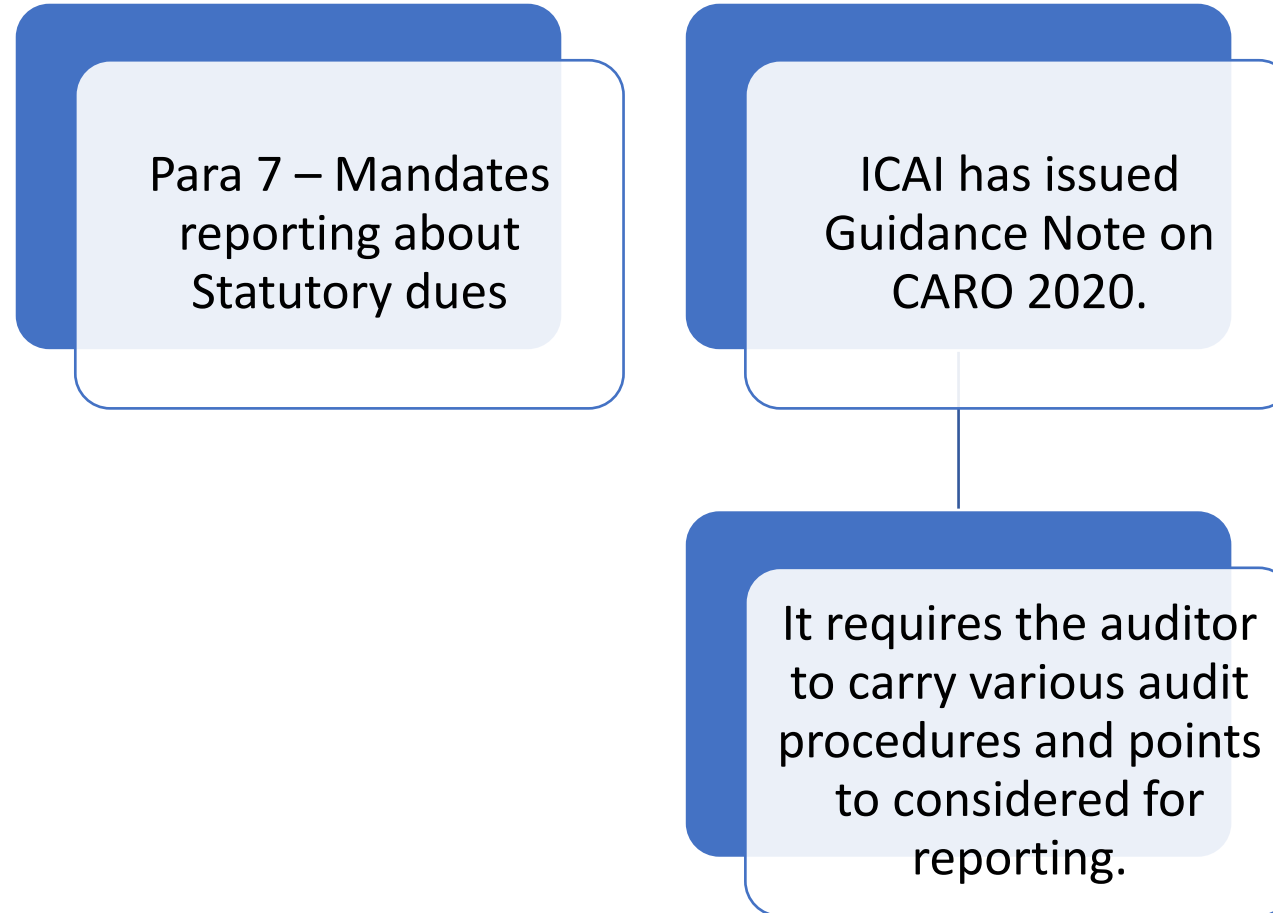
10 PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

All contracts arrangements / transactions with related parties are on arm's length basis and in the ordinary course of business.

The details of the same as per AoC-2 given in Annexure II.

11 EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE

CARO 2020:



Guidance Note on CARO 2020

made as input tax credit in the books of account and consequently adjusted the same in the books of account against its Goods and services tax liability, same shall be considered as statutory dues paid on due date. However erroneous adjustments of one category of Goods and services tax credit with other category without appropriately applying the prevailing laws in the state/country will be considered as default in payment of statutory dues. The auditor may also review the Goods and services tax returns/audit reports and shall trace non-compliances, if any, disclosed thereunder for the purposes of reporting under this clause.

- (i) For the purpose of this clause, the auditor should consider a

Statutory dues – what to be reported?

```
graph TD; A[Statutory dues – what to be reported?] --- B[Report on Regularity in payment]; A --- C[Other non compliances]; A --- D[Disputed statutory dues and Forum where it is disputed]; A --- E[Outstanding dues as on the date of reporting – outstanding for a period more than 6 months from the day it become payable.]
```

Report on Regularity in payment

Other non compliances

Disputed statutory dues and Forum where it is disputed

Outstanding dues as on the date of reporting – outstanding for a period more than 6 months from the day it become payable.

Income Tax: Form 3CA/CB

2. I certify that the balance sheet and the **Profit and loss account** are in agreement with the books of account maintained at the head office at **MADURAI** and **0** branches.

3. a. I report the following observations/comments/discrepancies/inconsistencies if any:

b. Subject to above,-

A. I have obtained all the information and explanations which, to the best of **My** knowledge and belief, were necessary for the purposes of the audit.

B. In **My** opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from **My** examination of the books.

C. In **My** opinion and to the best of **My** information and according to the explanations given to **Me** the said accounts, read with notes thereon, if any, give a true and fair view:-

i. In the case of the balance sheet, of the state of the affairs of the assessee as at 31st March **2023** ; and

FORM 3CD

Clause 4 – Details of GSTIN

Clause 18 – Details of Fixed asset additions/ deletion

Clause 26 – Details of GST, that is passed through P & L A/c. (In case of Composition dealer)

Clause 27 – Details of ITC availed during the PY

Clause 35 – Quantitative Details of Inventories

Clause 44 – Break up of Expenditure of entities registered or not registered under GST

Other Important Due dates in March and April:

Form Annexure V – if GTA opts to pay GST under FCM- 15th March 2024 for FY.2024-25

LUT (RFD -11) for FY 2024-25 – 31ST March 2024

Form ITC -04 for Inputs/CG sent for job work – 25th April 2024

GSTR 4 – Annual return for Composition dealer – 30th April 2024

FAQ'S

Is Supply of Electricity, a supply of good or service?

Whether a Partnership firm not registered under GST, is required to get registered if it receives services from an Advocate?

Can a credit note be raised in case of bad debts?

Can a buyer issue debit note to the supplier in case of purchase return under GST?

Can an Advocate opt for paying GST under Forward Charge Mechanism?

FAQ'S

Will remuneration paid to Independent Director attract GST?

Whether ROC filing fees paid to MCA is subject to GST?

Whether Inter state movement of conveyance between two distinct person is subject to GST?
(Circular No. 1/1/2017 IGST)

Whether compensation received by the employer for not serving notice period by the employee, constitute a supply? (Circular 178/10/2022- GST)

Whether GST is payable on Insurance claims received?

FAQ'S

Whether room charges collected by the hospital from inpatients is fully Exempt?

A firm has paid Rs.1 Lacs to Mining authorities as royalty for license. The turnover of the firm doesn't exceed the threshold limit. Whether the firm has to obtain GST registration?

The turnover of the company in the previous year is Rs.4 Crores. The Turnover of the CY is Rs.7.5 Cr till date. Whether E- Invoice is applicable?

THANK YOU

CA RAM ASWIN J

MADURAI