

Session Coverage

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Books of Accounts

Financial Statements

- Director's Report
- > Audit Report & CARO
- Notes to Accounts
- Internal Audit Report
- Tax Audit Report
- > Year end Adjustment Entries

	Books of Accounts
Financial Books	GST Ledgers/Returns
ITC	Credit ledger
Excess cash paid (if any)	Cash Ledger
TDS -GST	Cash Ledger
Turnover	GSTR 1 & GSTR 3B
GST Liability	GSTR 3B
ITC refund receivable	Refund Application status
Turnover/GST Liability	Credit and Liability Statement

> Revenue recognition Vs GST turnover reconciliation.

Eg:1. Goods invoiced on March 28. However risk and reward passes only in April. Revenue cannot be recognised as per Accounting Standard. Since invoice was raised in March, GST turnover will include the sale and tax has to be paid in April

Eg: 2. In construction contracts the turnover as per books & GST returns will vary and needs to be reconciled.

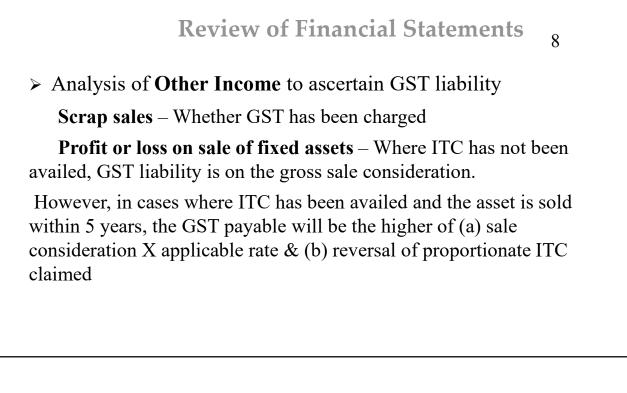
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Review of Financial Statements ₆ > Revenue recognition Vs GST turnover reconciliation. Eg:3. Entities following IND AS, where the functional currency is not INR. For the purpose of GST, sales will be accounted at the exchange prevailing on the date of transaction, whereas in books it will generally be recorded at a prefixed average rate. This will

result in difference, requiring reconciliation.

- Analysis of turnover rate wise to ensure correctness of GST liability.
- > Check if HSN & rates are appropriate.
- > Impact of GST on year end discounts

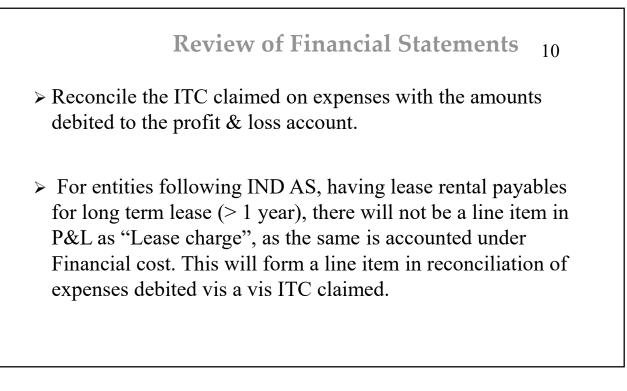
- Volume discounts passed on at year end reduces the taxable value and consequently the GST liability. Auditor to ensure that an agreement was entered into before supply commenced and the discount can be linked to specific invoices. If not, discount will not reduce taxable value.



Profit or loss on sale of fixed assets

Cost of capital asset Rs 10,00,000 ITC claimed Rs 1,80,000 Max life of asset as per GST rules – 5 years Asset sold after 3 years of use for Rs 3,25,000 (A) ITC to be reversed= $1,80,000 \ge 24/60 = 72,000$ (B) GST payable on sale value= $3,25,000 \ge 18\% = 58,500$

Higher of (A) & (B) will be the GST liability

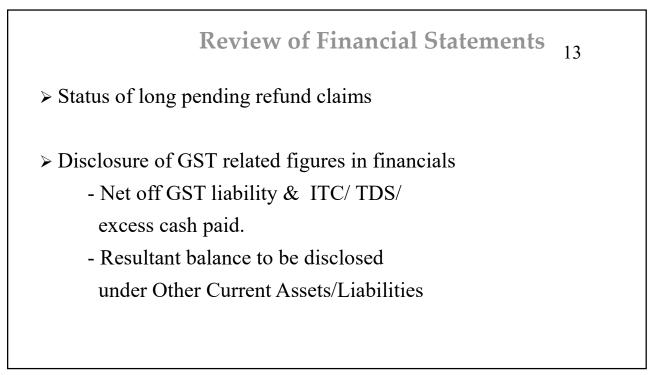


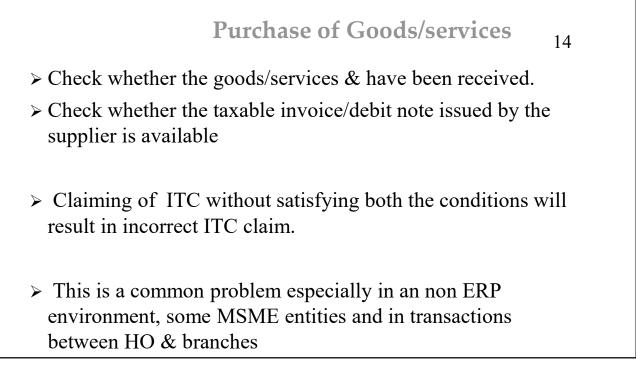
- Analysis of Expenditure heads for RCM liability accounting and payment thereof.
- Accounting for TDS (GST) receivable (Check whether entries uploaded by deductor has been accepted online and the return filed)
- Has claims for refund been lodged in time and as per the laid down guidelines.

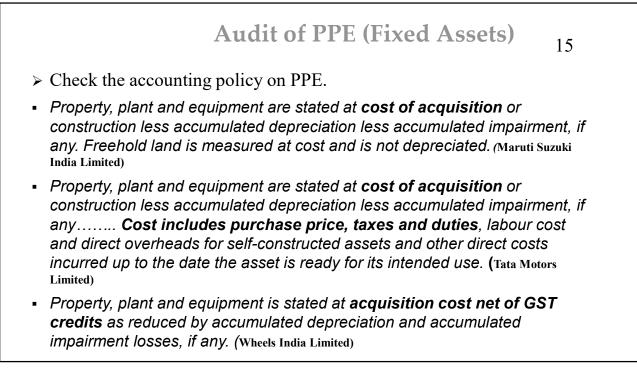
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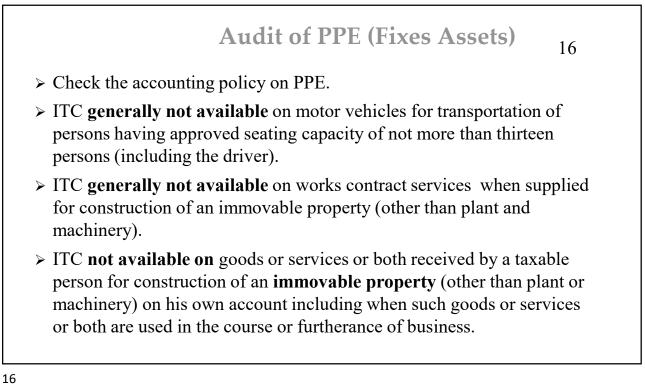
- Analyse payables to ensure that all invoices on which ITC has been claimed have been paid within 180 days. Else ITC to be reversed and liability plus interest to be provided.
- Analyse export receivables on account of supply of service, to check for amounts outstanding for more than a year from the date of export. In such cases, GST is payable on amounts not realised and the liability is to be provided for along with interest.







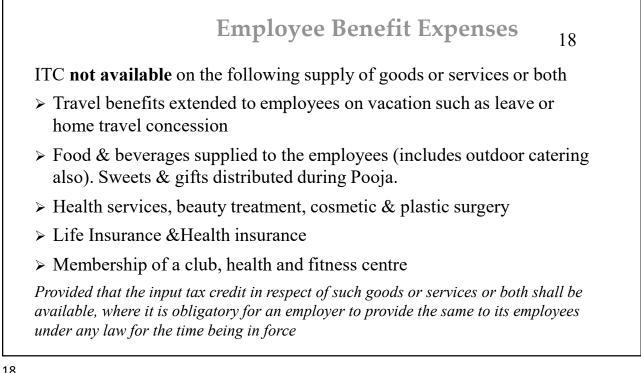




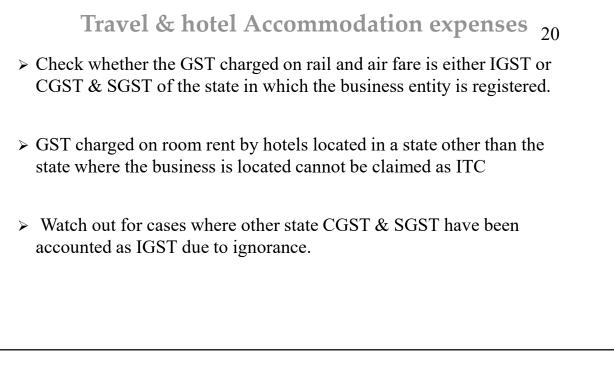
ITC on Vehicles

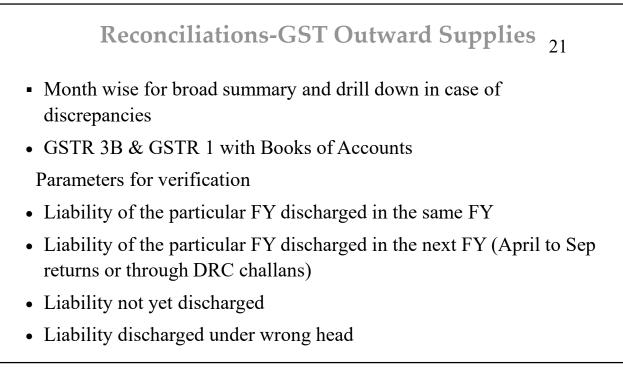
ITC is generally **not available** on the following expenditure incurred on account of motor vehicles, Vessels or aircrafts

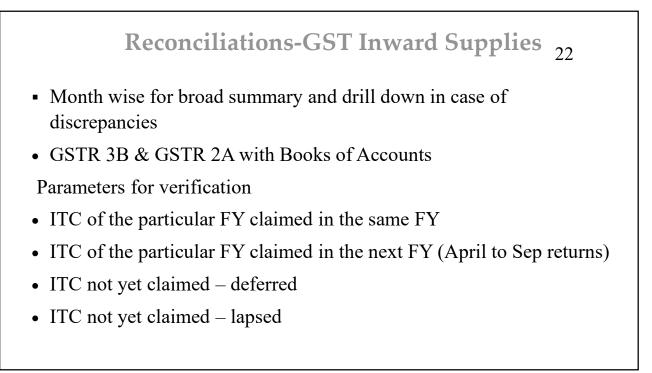
- ➤ General Insurance
- ➤ Servicing
- > Repairs & Maintenance



Conveyance expenses 19 ITC not available on renting or hiring of motor vehicles, unless it is a statutory obligation. When auditing corporates (Public ltd cos, Pvt ltd cos, corporations set up by a separate statute) private companies and check whether Rent-a-cab services have been availed. If yes check If it was from individuals (proprietorship concern), partnership firm or HUF. Whether the above service providers are unregistered or are charging only 5% without availing ITC If both the conditions are satisfied, then the liability GST liability is to be discharged by the recipient. *ITC credit cannot be availed on the liability discharged under RCM*

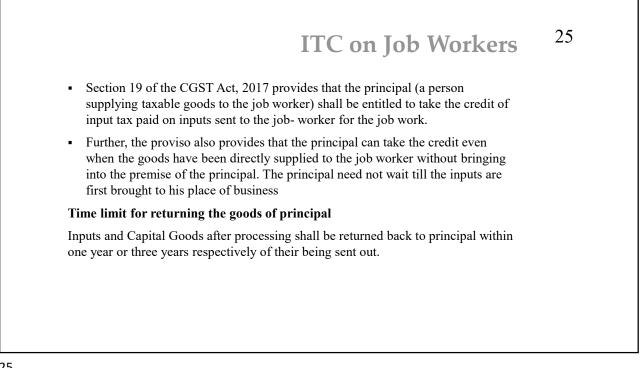






Sl.N o	Ledger Account / Line item	Services rendered by	Recipient of Service
1	Transport charges/Freight	Goods Transport Agency	Factory\Society\Co-op society\person regd under GST\Body corporate\Partnership firm\AoP\casual taxable person located in the taxable territory.
2	Legal charges	Legal services rendered by an Advocate/ Sr. Advocate/ firm of Advocates	Any business entity located in the taxable territory
3	Arbitration fees	Services rendered by an arbitral tribunal	Any business entity located in the taxable territory
4	Sponsorship expenses	Any person	Body corporate & partnership firms located in the taxable territory
5	Project expenses – Transfer of development rights	Any person	Promoter of the project

			RCM 24
Sl.N o	Ledger Account / Line item	Services rendered by	Recipient of Service
6	Lease rentals Payment made for long term lease of land(>30 years) for construction of a project	Any person	Promoter of the project
7	Payments to Directors	A Director of the company making the payment	Corporate
8	Security services	Any person other than a body corporate	A registered person located in the taxable territory
9	Conveyance expenses Renting of motor vehicle	Any person	A body corporate located in the taxable territory





Expenditure in foreign currency - Paid for services - GST on RCM

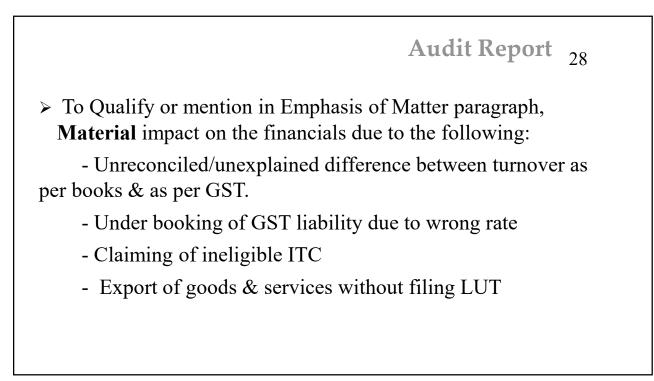
> Earnings in foreign currency – Check whether LUT filed

> GST on remuneration to directors (other than salary) - RCM

➢ GST on sitting fees − RCM

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- CSR activities Whether GST paid if any has been claimed as ITC
- Correctness of any reference in the report to GST paid (under contributions to exchequer) if any
- Response to Auditor's comments (EoM or Qualification)



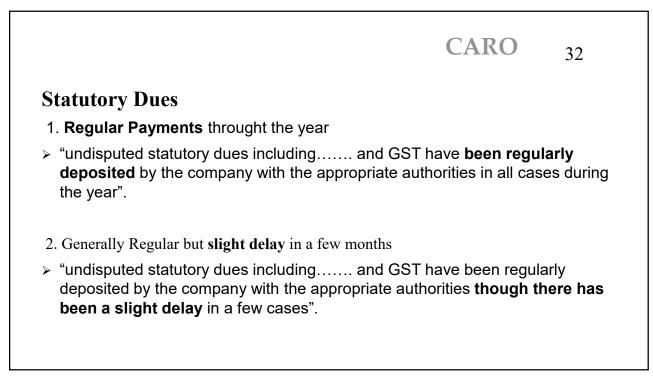
CARO 29 Inventory [Paragraph 3(ii)] Whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account; The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account. (Tata Motors Ltd) The discrepancies noticed on verification between the physical stocks and the book records which were not material, have been properly dealt with in the books of account. (Wheels India Ltd)

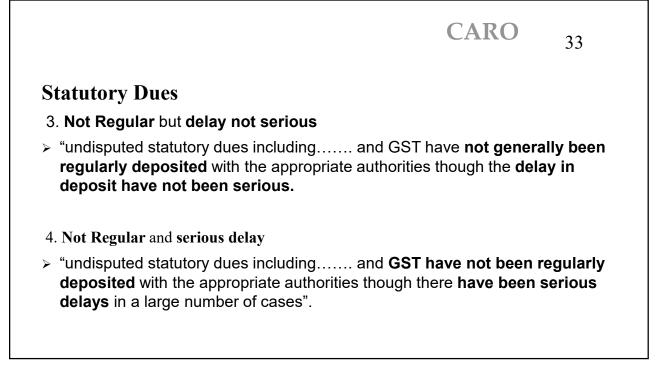
CARO 30 > Statutory Dues [Paragraph 3(vii)(a)] Whether the company is regular in depositing undisputed statutory dues including Provident Fund, employees' State Insurance, Income-tax, Sales-tax, Service Tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated Disputed vs Undisputed - Need positive evidence or action on the part of the company to show that it has not accepted the demand for payment of tax or duty 30

CARO 31

Statutory Dues

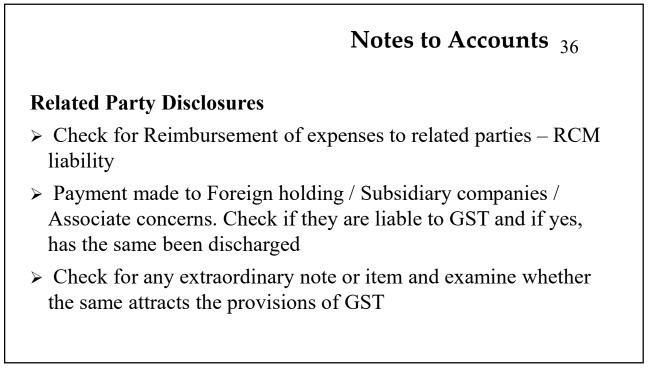
- "Dues" include taxes, interest & penalty
- a) Regular Payment
- b) Generally Regular but slight delay in a few months
- c) Not regular but delay not serious
- d) Not regular and serious delay As per ICAI GN on CARO, the above four situations warrants different disclosure. The concept of Materialty to be kept in mind





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atutory D	ues					
e details of arre	ears of Lindi	souted Stat	utory Dues Outsta	ndina foi	r More than	Six Months
date they beca	ame payable	to be pres	ented in the format	set out	below	
date they beca	ame payable	to be pres	ented in the format	set out	below	
-		·	ented in the format y Dues Outstandii			x Months
Statemer Name	t of Arrears Nature of	of Statutor Amount	y Dues Outstandii Period to which	ng for M	ore than Six Date of	Remarks,
Statemer	t of Arrears	of Statutor	y Dues Outstandii	ng for M	ore than Six	

					(CARO	35
> Stat	utory I	Dues [Paragraph	3(vii)(b)]			
duty of e dispute, shall be shall not	excise o then the mention t be trea	r value e amou ned. {A nted as	added t ints invo mere re a disput	ax have no lved and tl presentatic e.}	r service Tax t been deposi- ne forum when on to the cond ed in the following	ited on acc re dispute i erned Depa	ount of any is pending
	·	,	_	ement of Disp			
	Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending	Remarks, if any	



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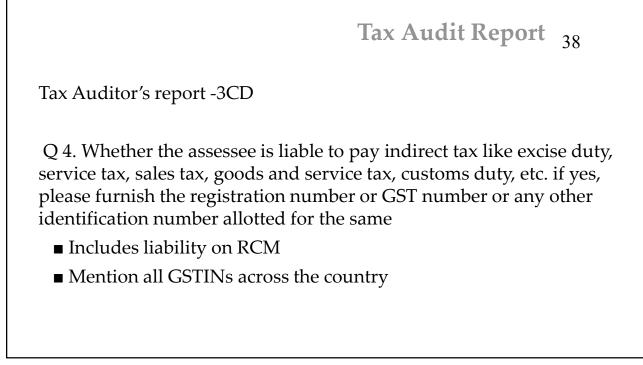
Check for observations/comments on: a)accounting for GST liability

b) Frequent claim of ineligible ITC

c) Claim of ITC based on 2A without acual receipt of goods or services.

d)Comments on efficacy of controls in accounting for Input & output GST.

Consider the impact of IA report while drafting Audit report & Internal Financial Control Report



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Clauses in Tax Auditor's report -3CD

18. Depreciation Schedule

■ Ensure that assets included are exclusive of GST if ITC has been claimed. Also check accounting policy on PPE

21(a) Amounts debited to the profit and loss account, being in the nature of capital, personal....

■ Check that on amounts disclosed under this clause, ITC has not been claimed.

