

# Financial Statements & GST

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# Financial Statements

- **Present a True and Fair View of the Financial Position of an Entity**
- **Generally based on Entity Concept**
- **Some key principles:**
  - **Capital vs. Revenue**
  - **Prudence**
  - **Substance over Form**
  - **Materiality**
  - **Going Concern**
  - **Consistency**
  - **Accrual**

# Goods & Services Tax

- **Collection of Indirect Tax with minimum impact of cascading**
- **Outward Supplies - Output Tax**
- **Inward Supplies – Input Tax**
  - **Input Tax Credit**
  - **Reverse Charge Mechanism**
- **Documentation & Procedures**

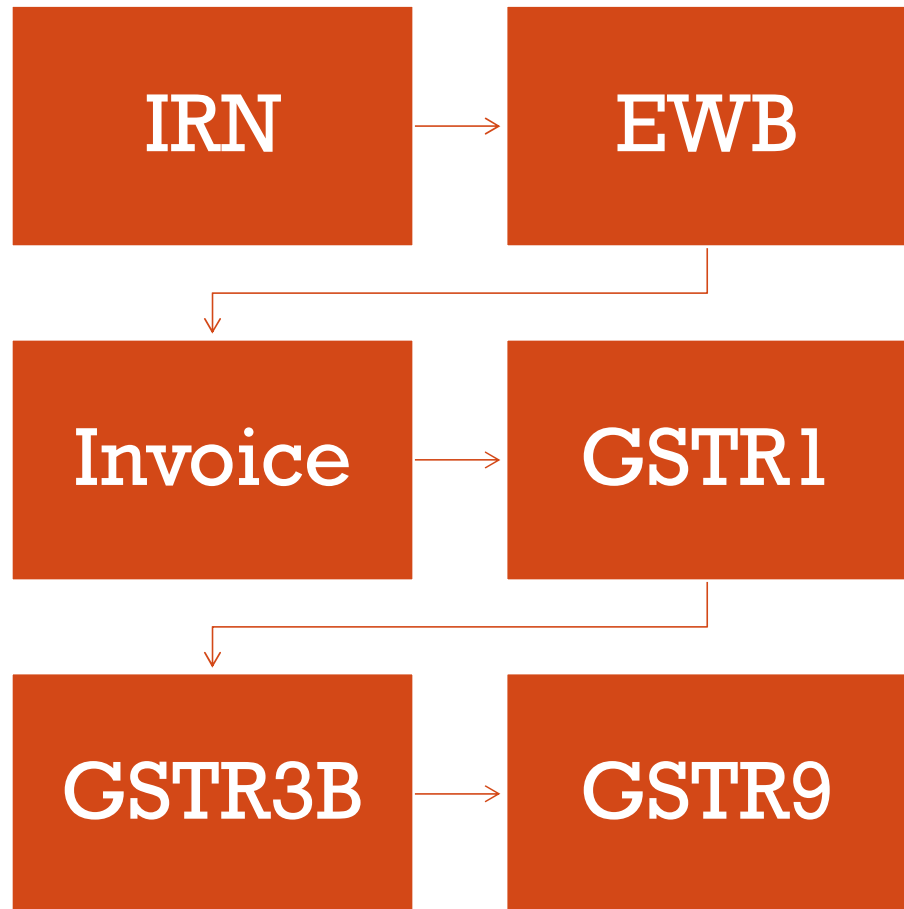
# GST on Outward Supplies

- **Revenue from Operations**
  - Jurisdiction Level Slicing – Domestic / International
  - Discounts & Provisions
  - Unbilled Revenue / Advances
  - Ind-AS Adjustments
- **Other Income**
  - Scrap Sales
  - Sale of Fixed Assets
  - Interest
- **Recovery / Reimbursement / Sharing of Expenses**
  - Canteen / Notice Pay
  - Pure Agent Tests not satisfied

## GST on Outward Supplies (Contd.)

- **Deemed Supplies**
  - **Branch Transfer of Goods**
  - **Branch Transfer of Services**
  - **Delayed Job Work Return**
  - **Reverse Supplies**
  - **Aggregator Supplies by ECO – S. 9(5)**
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Outward Supplies  
Reconciliation –  
Understanding  
the Flow



# Inward Supplies (Input Tax Credit)

Recognise but Remove Blocked Credit

Match Eligible Credits

Defer Unmatched Eligible Credits

Check Payment Status & Reverse Unpaid Credits – Defer unpaid credits

Check other reversals – Expense off Ratio / Credit Notes

# Inward Supplies (RCM)

- **Identification of Transactions triggering RCM**
- **Timing of Booking of RCM Liability**
- **Place of Booking of RCM Liability**
- **Claim of Input Tax Credit**



## Some Additional Pointers

- **GL Reconciliation of Output Tax & ITC – Offset Entries**
- **Reflection of Electronic Cash Ledger Balance**
- **Recognition of Litigation – Provisions / Contingent Liabilities / CARO**
- **Impact of Related Party Transactions**
- **Reference to Places of Business & Registration Requirement**
- **Analysis of Qualitative Information**

## GSTN Portal – Aid to Audit

- **Reflected in GSTR2B but not in books**
  - Whether need for booking or expense provision?
- **Reversal of ITC under investigation**
  - Impact on Financial Reporting & Fraud
- **EWB not supported by Invoice**
- **Invoice not supported by EWB**
- **HSN Level Reporting**
- **Frequency of Amendments & Credit Notes**



Thank You