Unit – 6
Accounting Package

CHAPTER 1

PRINCIPLES OF ACCOUNTING

1.1 INTRODUCTION TO ACCOUNTING

1.1.1 What is Accounting ?

Accounting, in simplest terms, is keeping track of our Income, Expenses, Assets and Liabilities. This is true for a business, for a household or for an individual.

In the case of a business Accounting can be defined as:

"... the art of systematic recording, classifying, summarising in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results thereof."

From the above definition, we note the following features of accounting :

Only financial aspects are considered in Accounting. A financial transaction is one which brings some change in the financial position of a business. For example, we buy raw material or sell our goods. Thereby, we spend money and earn money. These are financial transactions. But when we place an order to a supplier for a particular machinery, it does not alter the financial position of the business. Thus, it is not a financial transaction and cannot be included in Accounts Books.

The transactions are to be recorded primarily in some documents. Later they are to be grouped and summarised. This leads to different steps in Accounts Compilation.

The process at different steps in the Compilation of Accounts should be performed on some basic rules, which are common for all business organisations, be it Manufacturing, Trading or the Service Industry.

The entire organised, grouped and summarised data should reveal some information for executives at different levels in the organisation. We prepare reports of standard formats for interpretation purposes.

1.1.2 Process of Financial Accounting System

The basic documents used in the Financial Accounting System are :

Voucher	where transactions are entered first
Journal	where transactions are entered chronologically and denote which accounts will be affected.
Ledger	where the transactions of particular account are segregated and balanced for each account.

Using the above documents, the main reports prepared in the Financial Accounting System are as stated below:

(a) **Trial Balance :** It gives the consolidated list of various Accounts and their balances. Brings out any error, procedural or arithmetical, in Journalising or Posting of transactions. This is the source point for preparing other reports.

(b) **Profit & Loss Report :** This statement is prepared to find the operating profit in the business for a given period. The net profit is the basis of calculating the tax. The final net profit will be transferred to the Balance Sheet. The P & L statement shows the efficiency of performing operations in the business for a given period.

(c) **Balance Sheet :** The Balance Sheet shows the financial status of the business as at a particular date. The effectiveness of managing the business is depicted here.

The P & L Account and the Balance Sheet together form the basis for different analysis. The results of such analysis will be used by different groups of people such as the Income Tax Department, Banks for providing Working Capital Loans, existing and potential investors for investing in the business, and so on.

1.2 DOUBLE ENTRY SYSTEM OF ACCOUNTING

1.2.1 What is Double Entry System of Book-keeping ?

Every financial transaction in an organisation has two aspects. There will always be inflow of cash or kind on one side and outflow on the other. For example, purchase material from the supplier on credit. Our stocks of material increase. At the same time our liability towards the supplier (which is outflow of cash) also increases.

The double entry system of Book-keeping allows us to keep track of both these aspects. Thus, as per this system, at least two accounts are affected when a transaction is recorded.

In the example above, the accounts affected are the Material Purchase account and the supplier account.

1.2.2 Debit and Credit Entries in the Double Entry System

How do we account for the two sides of a transaction ?

The respective accounts, which get changed by a transaction, get any of the two entries - Debit or Credit. In other words, one account will be debited and the other account will be credited.

Passing of the Debit and Credit entries is the basic, but crucial process in Accounting. Any error in this process will have a ripple effect and will affect the final reports.

1.3 ACCOUNTS AND RULES FOR ACCOUNTING

1.3.1 Account Type: Accounts can be any of four types :

Asset	What the business owns and what is due to the business
Liability	What the business owes to others
Expense	A source of expenditure for running the business pertaining to a period
Income	A source of earning money in the business pertaining to a period.

Exercise :	**Identify the following types of Accounts :**
Debentures	Bank of India
Factory Shed	Furniture and Fittings
Taxes Payable	Interest Received
Sales	Electricity Charges

1.3.2 Rules for Recording Transactions

Classification of Accounts by the Nature of Account and the Golden Rules of Accounting :

(i) Personal Account

All accounts which are in the name of any Individual, Firm or Company

such as Ram & Co., Shyam Gupta, Metro Transport, and so on.

Rule : Debit the Receiver and
Credit the Giver

(ii) Real Accounts

Accounts which relate to the Assets or Liabilities of the Business,

Such as Cash A/c, Goods A/c, Furniture A/c, and so on.

Rule : Debit what comes in and
Credit what goes out

(iii) Revenue or Nominal Accounts

Accounts which relate to Income or Expense, such as Purchase,

Sales, Interest Received, Salary & Wages, and so on.

Rule : Debit all Expenses and
Credit all Income

Let us suppose we have a transaction

"Purchase of goods worth Rs. 7000/- on Credit from Mahesh Traders"

What accounts will be affected by this transaction ?

Which account will be Debited and which will be credited ?

To find answers for the above questions, take the help of some basic rules of recording transactions. The rules are given below.

Account Type	Debit	Credit
Personal	Receiver	Giver
Asset/liability/Capital (Real)	What comes in (in cash or kind)	What goes out (in cash or kind)
Revenue (Income and Expenses)	Expenses and Losses	Income or Gains

Table 1.3.1

Also known as Nominal

Let us understand the rules with some examples. Consider the same transaction :

(a) Purchase of goods worth Rs. 7000/- on Credit from Mahesh Traders

Accounts affected	Purchase	Mahesh Traders
Type	Expense	Personal
Status	Money paid/to be paid	Giver
Rule	Debit Expenses	Credit the Giver
Entry	Debit Purchase A/c	Credit Mahesh Traders A/c
Amount	7000/-	7000/-
	∴ Purchase A/c Dr. 7000/- (Debit all Expenses)	
	To Mahesh Traders A/c Cr. 7000/- (Credit the Giver)	

Table 1.3.2

(b) Cash drawn from United Bank Rs. 5500/-

Accounts affected	Cash	United Bank
Type	Asset	Asset
Status	Money comes in	Money goes out
Rule	Debit what comes in	Credit what goes out
Entry	Debit Cash A/c	Credit United Bank A/c
Amount	5500/-	5500/-
	∴ Cash A/c Dr. 5500/- (Debit what comes in)	
	To United Bank A/c Cr. 5500/- (Debit what goes out)	

Table 1.3.3

1.4 ACCOUNTS COMPILATION & REPORTS

1.4.1 Basic steps in Accounts Compilations, documents used and report

In this section, let us learn how to go through the different steps of Accounts compilation and see what document is used and created/updated at each stage.

The steps are as indicated below :

Step 1 Recording

Step 2 Classifying

Step 3 Summarising

Step 4 Interpreting (by preparing reports)

The sequence is best represented in the flow diagram below:

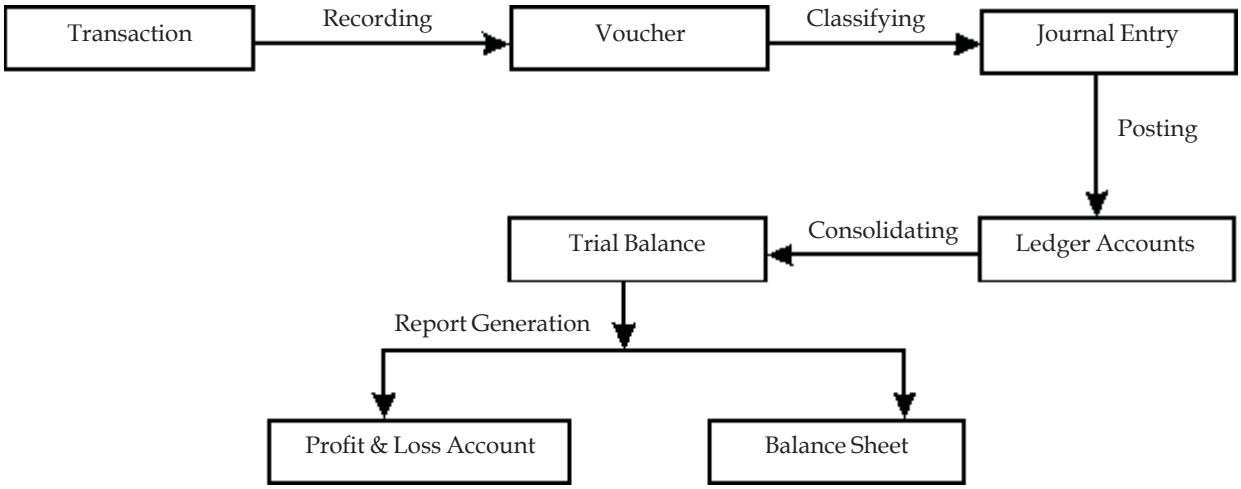


Fig. 1.4.1: Basic Steps in Accounting

Let us start with a payment transaction for example :

Paid cash Rs. 700 for Local Conveyance

(i) Voucher or Entry Document: The first document where the transaction is entered is called a Voucher. A voucher can exist in the form of an Expense Bill, Sales Bill, Receipt, Payment, and so on.

(ii) Journal Entry: The second step is the stage where we classify the transaction that is, to find out which are the accounts to be debited or credited. The transaction is now entered in the form of a journal entry in a book called a Journal Proper. A paper journal entry has a typical format. Given below is the journal entry for the Cash payment transaction above :

25.04.02	Electricity Charges	Dr.	1000	
	To Cash A/c			1000

The process of passing a journal entry such as the one above is based on the rules for recording transactions, discussed in the earlier section.

(iii) Ledger Posting and Balancing: Ledger posting and balancing is done to findout the payments receipt, income or expense through any Account.

For example, in the above case the Electricity Charges are posted to the Debit side of Electricity Charges ledger and the Cash A/c is Credited.

Thus the process of Posting is transfer of individual transaction amounts from the journal to the debit or credit side in a given Account.

A sample Cash Account is shown in next page with posting entries.

CASH ACCOUNT					
RECEIPTS			PAYMENTS		
DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
01.03.02	To Bal B/d	2500	02.03.02	By Electricity Charges	50
05.03.02	To Bank A/c	500	04.03.02	By Printing A/c	35
26.03.02	To Tour Advance A/c	1500	06.03.02	By Stationery A/c	55
	(Amount Refunded)		07.03.02	By Tour Advance A/c	460
			05.03.02	By Other Expenses A/c	100
			31.03.02	By Bal C/F	4400
31.03.02	Total	5000	31.03.02	Total	5000

Table 1.4.1

From the above we see that the total of payments (credit total, omitting the last entry) is different from the total of receipts on the left side. But in the manual system the total of both sides are matched. To get them matched, a new entry is passed on the right side (if the Debit Total is more than the credit total) or on the debit side (if the debit total is less than the credit side). This new entry is known as balancing entry and it will have the difference between the totals in the amount column. In the above cash account, the balancing entry is "By Balance Carried Forward" and the balance amount is 4400. This is the actual cash availability as at the end of March 2002. In other words, it is the closing balance as on March 31, 2002. The ledger accounts are usually posted every month.

(iv) Consolidating in Trial Balance: Once we get the closing balance of all accounts for the last month of the fiscal year (March), we are ready to prepare the reports. But first we get the consolidated list of such balances. The list is called the Trial Balance. The Trial Balance has three columns, namely Account Name, Debit Column and Credit Column. When an account has debit Balance (that is Debit Total more than Credit Total in Ledger), the amount appears in the debit column, otherwise in the credit column. A sample Trial Balance is shown below:

ACCOUNT NAME	DR	CR	Type of Account
Capital		500000	Liability
General Reserve		150000	Liability
Surplus in P&L Account		132500	Liability
Tax Deducted at source		21000	Liability
Expenses Payable		49000	Liability
Sales Tax Payable		10000	Liability
Furniture	227500		Asset
Land & Building	242500		Asset
Plant & Machinery	355000		Asset
State Bank of India	413000		Asset

Cash in Hand	3500		Asset
Fixed Deposits	250000		Asset
Opening Stock	140000		Expense
Material Purchased	382500		Expense
Stores Consumed	55500		Expense
Labour Charges	6300		Expense
Factory Electricity	11750		Expense
Salary & Wages	55000		Expense
Travelling Expenses	131500		Expense
Other Expenses	211500		Expense
Sales		1417500	Income
Interest Received		43000	Income
Other Income		126000	Income
Accounts Payable		322050	Liability
Accounts Receivable	285500		Asset
Total	2771050	2771050	

Table 1.4.2

The Trial Balance is a source for preparing the reports. As per double entry system, every transaction has debit and credit entries of equal sum in different accounts. Hence, the total of debit balances and credit balances should be equal in the trial balance. Preparation of this consolidated report reveals any manual or procedural errors in the earlier steps of accounts compilation.

There is one more input required before we go for preparing the P&L report and the balance sheet. That is the closing entry. Closing entry is given for stock value at the end of the year.

Closing stock is the value of stock available at the end of the year. The closing stock can be valued by any method such as LIFO, FIFO, Weighted Average and Moving Average.

The value of stock is shown as a current asset in the Balance Sheet.

The closing stock of finished goods is treated as an income in the Profit & Loss (P & L) statement.

1.5 PREPARING FINAL REPORTS

1.5.1 Profit & Loss Statement

This report depicts the operating profit/loss for a given period. In many organisations, this report is prepared in two steps - Trading Account and P & L Account.

The trading account is a list of all direct production-related expenses on one side and the direct source of income (usually income through sales and services) on the other side. The difference between their total is the Gross Profit or Gross Loss. Given below is a sample Trading Account showing the balances in the Trial balance above.

The closing stock of Finished goods is assumed as Rs. 25000 and the depreciation for the year is assumed as Rs. 37000.

Trading Account of ABC Company for the year ending 31 March, 2001

Expenses		Income	
Opening Stock	140000	Sales Turnover	1417500
Add Material Purchased	382500	Closing Stock	25000
	1045000		
Labour charges	6300		
Factory Power	11750		
Gross profit transferred to P & L Account	901950		
Total	**1442500**	**Total**	**1442500**

Table 1.5.1

The P & L Account is prepared by listing all other expenses, which were not included in the Trading Account, on one side and all other incomes on the other. Additionally, the Depreciation is included in the expense list. The first entry on the income side is the Gross profit taken from the Trading Account.

The Profit & Loss Account using the balances from the Trial Balance and the Closing Entries above is given below.

Profit & Loss Statement for ABC Co. For the year ending 31 March, 2001

Expenses	AMOUNT	Income	AMOUNT
Stores Consumed	55500	Gross Profit from trading A/c	901950
Salary & wages	55000	Interest earned of fixed Deposits	43000
Travelling Expenses	131500	Other Income	126000
Other Expenses	211500		
Depreciation for the year	37000		
Net Operating Profit	580450		
Total	**1070950**	**Total**	**1070950**

Table 1.5.2

1.5.2 Balance Sheet

The P & L statement depicts the operating profit earned or loss suffered by doing the business for the last one year. But the Balance sheet provides information about the financial status of the company as on a particular date. The balance sheet is prepared taking the asset and liability type accounts from the Trial Balance.

The balance Sheet of ABC Co. as at March 31, 2002 is given in next page. The values are taken from the Trial Balance and the Closing entries for Depreciation and Closing Stock.

Liabilities		Assets	
Share Capital	500000	Furniture	227500
General Reserve	150000	Land & Building	242500
Surplus in P&L Account	132500	Plant & Machinery	355000
Tax Deducted at Source	21000		
Expenses payable	49000		
Sales Tax Payable	10000	Less Depreciation	37000
Accounts Payable	322050		
Net profit from P&L A/c	580450	Net Fixed Assets	788000
		Bank Balance	413000
		Cash in Hand	3500
		Fixed Deposits	250000
		Accounts Receivable	285500
		Closing Stock	25000
Total Liabilities	1765000	Total Assets	1765000

Table 1.5.3

1.6 USE OF DAY BOOKS IN ACCOUNTING

We learnt that all the transactions are entered from vouchers to the Journal in a chronological order. Using this method, the Journal becomes a voluminous book and extracting entries for posting in Ledgers becomes a time-consuming job. Moreover, the debit and credit entries are written in the Journal and Ledger. This is a duplication of effort.

To avoid these disadvantages, the day books are used. Day books are specialised books, where transactions relating to a particular type, say Sales or Purchase, are entered directly from the voucher. They are not written into the journal. At intervals, say every month, the totals from these books are carried forward and used for posting in the Ledger. When the ledger is posted from the day books, there is only one entry written.

Thereby, we can get the details such as total sales or total purchase at a glance from the Ledger. If we want to know the details, we have to refer to the Day books using a reference number usually the folio number of the respective Day book. These books are also called Books of Original Entry.

1.7 ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts Receivable, also known as Bills Receivable, gives the details of the dues from the Customers. The details are maintained in a sub-ledger (called Debtors Ledger or Sundry Debtors). As the sum due from customers is our money blocked, we have to monitor the receivable closely. This also helps us keep a watch on our customers' credit worthiness and reliability. Many statements are prepared to monitor the Accounts receivable. Some of them are Analysis Statement, Ageing analysis Statement, Business Summary (month-wise or item-wise) and so on.

Account Payable, also known as Bills Payable, gives details of your dues to suppliers. The details are maintained in a sub ledger (called Creditors Ledger or Sundry Creditors). A close monitoring of Accounts Payable is also essential, because it helps us in our cash flow planning and knowing the Cash requirement at any time. Further, our credit worthiness toward our suppliers is also enhanced, which is again important.

1.8 BANK RECONCILIATION STATEMENT

When we maintain a bank account, we prepare a bank book. The bank gives us one book, which is called the pass book. The entries in the bank book are made by us. The Pass book entries are made by the bank authorities.

At any point of time, the final balance shown as per the Bank book and the Pass book should be the same. But most of the times it will not be so. This happens because of the following reasons :

When we make a cheque payment, we make the Bank book posting immediately, whereas our account will be adjusted only when the cheque is presented and honoured.

When we deposit a cheque from the customer, we post the same in our bank book. But our account with the bank is actually adjusted only when the amount is realised.

For any outstation cheque receipts or for overdrafts, the bank will deduct the service charges. This will be automatically debited to our account. But we will get the statement only after some time.

But to be sure that everything goes fine and no errors are committed, a statement is regularly prepared. This statement is called the Bank Reconciliation Statement.

Suppose we have the following entries in our Bank Book and Pass Book for one month ending 30.9.02.

Bank Book	**Dr.**	**Cr.**	**Pass Book**	**Dr.**	**Cr.**
Opening balance	20000		Opening balance	20000	
Payment By Cheque No. 489882		1500	Withdrawal as per Cheque No.2482		1500
Cheque deposited No. 2345	3500		Cheque presented and realised Cheque No. 48945	3500	
Arvind by Cheque No. 22328		3200	Purchase of Demand Draft by Cheque No. 22343		3200
Cheque Deposited No. 2434	3000		Service Charges		100
Total	26500	4700	**Total**	23500	
Balance as on 30.9.02	21800		Balance as on 30.9.02	18700	4800

Table 1.8.1

Now comparing the entries in both of the books, we prepare a Bank Reconciliation Statement which looks like the one below :

Bank Reconciliation Statement as on 30.9.02

	Dr.	Cr.
Balance as per Bank Book	21800	
Add Cheques issued but not presented	0	
Less Cheques Deposited but not presented Cheque No. 2434. Amount - Rs.3000		3000
Service Charges		100
Total	**21800**	**3100**
Balance as per pass Book (Bank Statement)		18700 Dr.

Table 1.8.2

CHAPTER 2

INTRODUCTION TO TALLY.ERP 9

LEARNING OBJECTIVES

- Understanding the concepts of computerized accounting
- Understanding ERP software
- Understanding the rules for efficient use of accounting software.

2.1 INTRODUCTION

With the advent of computers in India, people started developing software for various needs. Accounting activity was one of the most important activities which desperately needed automation for following reasons.

- Minimum accuracy level required is 100%
- Accounting activity consumes lot of time and energy.
- Timely delivery of Financial Statements and Reports
- Ratio Analysis

Accounting software is basically aimed at ensuring 100% arithmetical accuracy saving time and energy to a great extent and ensuring timely delivery of Financial Statements and Reports.

2.1.1 What is accounting software?

It is a system that automatically carries out "Mechanical Activities" in accounting process. Accounting being the back bone of any business, accounting software becomes the most important part of office automation activities.

Accounting process includes following seven activities.

Understanding the transaction
(*Details of transaction*)

Journal / Voucher Entry
(*Debiting and Crediting of Accounts*)

Ledger Posting
(Posting entries into individual ledgers)

Balancing of Ledger Accounts
(*DR & CR Balances in the accounts*)

Trial Balance
(List of DR & CR Balances for checking
arithmetical accuracy & cursory glance)

Profit & Loss Account
(*Income reduced by Expenses)*

Balance Sheet
(*Statement of Assets and Liabilities)*

In case of manual accounting, all the seven activities are carried out by human beings, i.e. accountants. But in case of accounting software, out of the above seven activities, following two activities only are performed by human beings, i.e.

- Understanding the Transactions
- Voucher Entry

Remaining five activities, i.e.

- Posting,
- Balancing,
- Trial Balance
- Profit & Loss Account
- Balance Sheet

are performed by software automatically. In some special cases, even Voucher Entry job can also be assigned to software without any human intervention.

E.g. interest calculation and application in banks is carried out by software on a specific assigned date, automatically.

2.1.2 Advantages of using accounting software :

Following are the major advantages of accounting software over manual accounting.

- Arithmetical accuracy
- Time saving
- Multiple reports on timely basis.

Apart from these advantages, there are many other advantages also. But at the same time, there are some disadvantages also.

> It is very easy to create data in electronic format, but it is ***extremely*** easy to loose the data stored in electronic format !

This must be kept in mind while using accounting software. As compared to manual accounting, unless and until proper controls are in place, it is extremely easy to loose ,the complete accounting data besides, tampering and fabrication of the data..

2.1.3 Accounting Structure for Accounting Software

As per any accounting software, there are only two types of ledger accounts, a. Accounts having debit balance, b. Accounts having credit balances. Zero balance ledgers are not considered in reporting hence ignored. If a ledger is having debit balance, it can be an Expense ledger or an Asset ledger. If a ledger is having a credit balance, it can be an Income ledger or a liability ledger. All income and expense ledger balances are taken to Profit & Loss Account. All Asset and Liability

ledger balances are taken to Balance Sheet and the difference between income and expenses is also taken to balance sheet. So ultimately, everything goes to Balance Sheet. Balance Sheet is the end point in accounting a mirror showing true and fair position of a concern.

Accounting is done keeping in mind two basic reports.

- Profit & Loss Account
- Balance Sheet

Accounting software is able to generate many other reports, but above two reports are the most important reports.

2.2 DATA STORAGE

2.2.1 How data is stored in Accounting Software ?

Accounting software stored **(stores)** data in two parts as under.

- Master Data
- Non Master Data

Master data is that data which is not expected to change frequently, which remain relatively permanent. E.g. Ledger heads, groups, names of stock items, stock groups, etc.

Non master data is the data expected to change frequently. E.g. Voucher recorded is the non master data.

Master data is stored independently, but storage of non master data requires link to master data.

2.2.2 Type of Master Data

As shown in chart above, there are four types of master data. There can be many other sub types under each category.

Accounting Master Data : ■ Ledgers ■ Groups ■ Cost Centres ■ Budgets ■ Scenarios ■ Voucher Types	**Payroll Master Data :** ■ Employees ■ Employee Groups ■ Unit (Work) ■ Attendance / Production Types ■ Pay Heads ■ Salary Details ■ Voucher Types
Inventory Master Data : ■ Stock Items ■ Stock Groups ■ Units of measure ■ Godowns ■ Categories ■ Reorder Levels ■ Voucher Types	**Statutory Master Data :** ■ VAT Classifications ■ Service Categories ■ TDS Nature of Payments ■ Deductee Types ■ Income Tax Classifications ■ Income Tax Slabs

2.2.3 Voucher Types :

One of the very important master data is Voucher Type. Voucher type typically means type of voucher. "Voucher" in manual accounting is the documentary proof of transaction. "Voucher" in computerized accounting means a place where transactions are recorded, a format used for inputting the data. Voucher types are used to enter variety of non master data, .i.e. transaction data. In Tally.ERP 9, there are different formats, e.g. voucher types for inputting the transaction data.

Sr. No.	Name of Voucher Type	Use
1	Attendance	For recording of employee attendance
2	Contra	For recording of four types of transactions as under. ■ Cash deposited in bank ■ Cash withdrawn from bank ■ Cash transferred from one location to another ■ Fund transfer from one bank account to another.
3	Credit Note	For issuing credit note to a party.
4	Debit Note	For issuing debit note to a party.
5	Delivery Note	For recording delivery of goods after sales order.
6	Job Work In Order	For recording of inward of job work order along with inventory.
7	Job Work Out Order	For recording of outward of job work order along with inventory.
8	Journal	For recording of non cash / bank financial transactions.
9	Material In	For recording of inward of stock items without financial impact.
10	Material Out	For recording of outward of stock items without financial impact.
11	Memorandum	For recording of financial transactions not affecting trial balance.
12	Payment	For recording of all types of payments, cash and bank.
13	Physical Stock	For recording of physical stock.
14	Payroll	For calculation of employee salary and recording of other salary related transactions.
15	Purchase	For recording of all types of trading purchases including cash purchases and credit purchases.
16	Purchase Order	For recording of all types purchase orders issued to suppliers.
17	Receipt	For recording of all types of financial receipts, cash and bank.
18	Receipt Note	For recording of inward of inventory after sales order.
19	Rejections In	For recording of inward of stock items after rejection from customer.
20	Rejections Out	For recording of outward of stock items after rejection.
21	Reversing Journal	For recording of temporary vouchers which will have effect till a particular date only. They will be automatically reversed after a particular date.
22	Sales	For recording of all types of trading sales transactions, including cash and credit sales.
23	Sales Order	For recording of any type of sales order for trading goods.
24	Stock Journal	For recording of movement of stock without any financial impact.

2.2.4 Type of Non Master Data :

As shown in chart above, there are four types of non master data. All types of transactions are recorded in any of the four types shown above only.

Following table shows division of various vouchers under the above categories.

Accounting Voucher : ■ Contra ■ Credit Note ■ Debit Note ■ Journal ■ Memorandum ■ Payment ■ Purchases ■ Receipt ■ Reversing Journals ■ Sales	**Inventory Vouchers :** ■ Delivery Note ■ Material In ■ Material Out ■ Physical Stock ■ Receipt Note ■ Rejections In ■ Rejections Out ■ Stock Journal
Order Vouchers : ■ Purchase Order ■ Sales Order ■ Job Work In order ■ Job Work Out Order	**Payroll Vouchers :** ■ Attendance ■ Payroll

By default there are twenty four voucher types in Tally.ERP 9. These voucher types are the formats used for recording of various types of transaction. Different voucher types are used for two purposes.

- Simplicity for user to input the data.
- Prevention of errors during data entry.

E.g.

- Debit ledger field in receipt voucher will accept ledgers grouped under Cash in hand, Bank Accounts or Bank OD/OCC only. As a receipt can be either in cash or though bank only, the debit ledger in receipt voucher must be either cash or bank only.
- Credit ledger field in payment voucher will accept ledgers grouped under Cash in hand, Bank Accounts or Bank OD/OCC only. As a payment can be either in cash or through bank only, the credit ledger in payment voucher must be either cash or bank only.
- In case of purchase transaction, credit ledger can be Cash, bank or a Party Ledger only.
- In case of sales transaction, debit ledger can be Cash, Bank or a Party Ledger only.

These types of controls can be placed by using different voucher types only.

2.3 ERP SOFTWARE

2.3.1 What is ERP Software ?

ERP stands for **E**nterprise **R**esource **P**lanning. Every business entity uses various types of resources to achieve its business objectives. Money, Material, Manpower, Machines, etc. are the resources generally used by any business entity. Managing these resources effectively is the major challenge before any organization. ERP software is the most effective tool to manage these resources for the utmost benefit of organization.

2.3.2 Basics Characteristics of ERP software :

Central database :

- There may be multiple users from multiple departments, located at multiple physical locations. All the users from all the departments use the same data. There is only one set of data for all the users.
- This system is used to avoid duplication of efforts in recording transactions and to save resources.

Inter and intra document connectivity :

- Inter document connectivity is the system of linking one document with another. E.g. Sales order processing where sales order is recorded first, then on the basis of Sales Order, Delivery Note is recorded and finally on the basis of Delivery Note, Sales Invoice is recorded.
- Data from sales order is automatically captured in delivery note and data from delivery note is automatically captured in sales invoice.
- Intra document connectivity is the system of linking of all the steps performed to generate a single document. E.g. for generation of a sales order, there may be steps as shown below.
  - Maintaining prospective list of buyers.
  - Sending quotations
  - Discussions
  - Price negotiations
  - Getting final order.
  - Maintaining database of orders procured by salesman for disbursement of commission/ incentive at a later date.

  All the above steps are recorded internally till generation of a sales order.

Real time updation of data :

- Real time updation of data means updating the data immediately after recording of any transaction or change in master data.
- Due to single set of data as central database, it is possible to update all the data for all the departments on real time basis.

Standardization for all the departments.

- Same software and same interface is used for all the modules of software.
- Standard software procedures are used across all the departments in an organization.

Basic issue with ERP software is handling of large size data on real time basis. An ERP software is supposed to cater to the needs of multiple users from multiple departments with different types of needs, data size goes on increasing everyday. Data size in a big organization may go to even

100 crore vouchers per year. Hence data handling capacity becomes a primary area of concern for any type of ERP software.

ERP software are designed and sold in modules. There are different departments in any business and ERP software is also designed according to the departments in business.

Following chart depicts a typical ERP scenario.

Let us discuss each aspect in brief.

Financial Accounting

This is basic activity that is expected to be handled by any accounting software. ERP software is also used as accounting software. All types of financial transactions like sales, purchase, receipt, payment, contra, journal, etc. are recorded to prepare Profit & Loss and Balance Sheet and many other accounting and MIS reports.

Inventory Accounting

This is an extension to financial accounting where recording of all types of inward and outward of stock items is done to calculate closing stock in quantity. This closing stock in quantity is multiplied with a rate factor to arrive at closing stock in value. Closing stock value is used to prepare trading account and balance sheet. Correctness of financial statements is largely dependant upon correct value of closing stock. Due large number of transactions, it is almost impossible to calculate correct value of closing stock in most of the cases. There is a direct co-relation between financial accounting and inventory accounting. Transactions like purchase, sales, purchase return, sales return are mixed transactions where financial and inventory accounting both are affected. There may be certain pure inventory transactions, i.e. transactions which affect inventory accounting only and does not affect financial accounting. E.g. transfer of goods from one godown to another, conversion of raw material in WIP, inward / outward of goods for temporary reasons like repair, etc.

Production Accounting

This is an extension to inventory accounting. Here all the transactions relating to manufacture activity are recorded. This may include steps as under.

- Submission of plan of production and requirement of material
- Issue of material from stores to shop floor
- Quality control and assurance
- Conversion of raw material into WIP
- Conversion of WIP into Finished Goods.
- Accounting for Cost control and analysis at each stage of production.

Human Resource Accounting

Human resource is a big resource and has to be managed very carefully. ERP software is also used to record all the transactions relating to human resource also. This may include.

- Recording of employee master data
- Recording of employee related transactions like leave, attendance advances, salary calculations, deductions,
- Employee job profile, working location, work allotment, etc.

Supply Chain Management

This is a concept introduced by ERP software to effectively utilize resources which may be lying

outside the organization. Process of supply chain management starts right from procurement of goods from supplier and ends on delivery of finished products at customer's place. Logistics management is the major part of supply chain management.

Project Management

Execution of big size projects may consume huge resources. ERP software is used to manage the execution of projects effectively at minimum possible cost.

Customer Relationship Management

This includes handling of all type data of all the customers, communication with them, their preferences, choices, likes and dislikes, purchase patterns, and many other things. Customer relationship management has got importance in recent past just because a satisfied customer is the sign of goodwill of the organization.

2.3.3 Installing Tally.ERP 9 :

As compared to other ERP installation, installing Tally.ERP 9 is comparatively very easy. Following are the simple steps that can be used to install Tally.ERP 9 software.

Downloading the installable software :

Go to www.tallysolutions.com and download the latest available release of Tally.ERP 9. Tally offers two options for downloading of Tally.ERP 9.

- Tally.ERP 9 for 32 bit operating system
- Tally.ERP 9 for 64 bit operating system

Any of the option can be selected for download as per need, with or without help file as shown in Fig. 2.3.1.

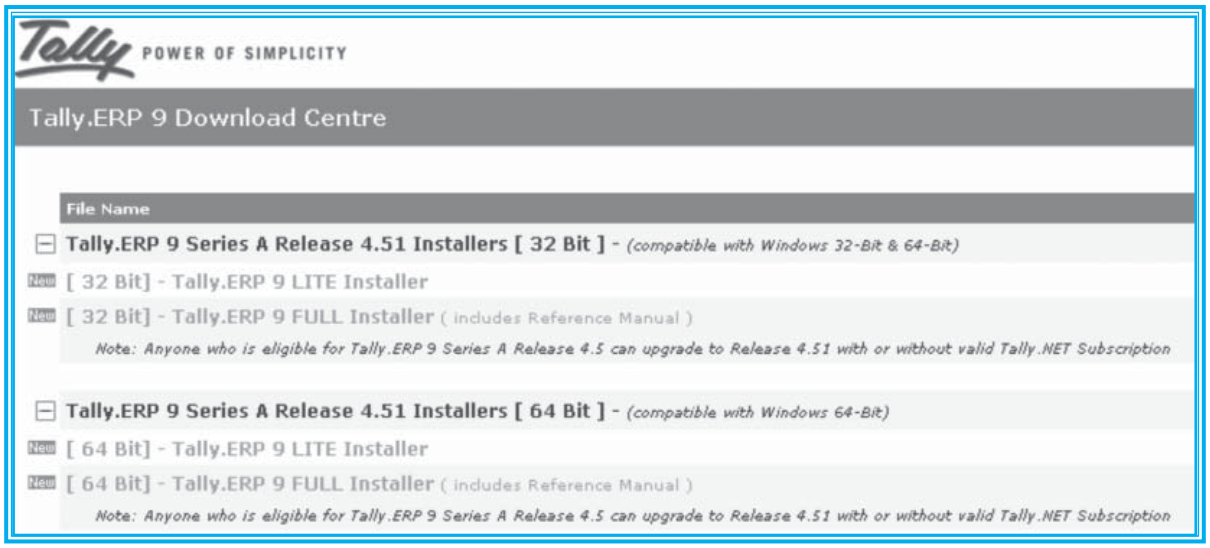


Fig 2.3.1 : Tally.ERP 9 Download Centre screen

Lite installer stands for installer file without help file and full installer stands for installer file with help file. At present, disc space for lite installer is around 30 MB and for full installer it is around 120 MB.

Anybody can freely download Tally.ERP 9 without any license key and use it for learning purpose.

Installing Tally.ERP 9 :

Tally.ERP 9 installation process can be started just by double clicking the installer file. During installation process, following options need to be selected.

- Edition : Tally.ERP 9 can be installed as a single user or multiuser software. Single user stands for installing tally license on one computer only. In case of multiuser tally, license can be installed on any number of computers.
- Application Directory : It is the location where tally installation files are stored. This can be any location on your hard disc.
- Data Directory It the location where you want to save data. It is suggested not to store Tally Data on the drive where operating system is stored. This will help to get the data back in case of problem in operating system.
- Configuration Directory : It is the location where configuration files are saved. It can be same as that of application directory.
- Language Directory : It is the location where language setting files are saved.
- License Directory : It is the location where Tally license is stored as shown in Fig. 2.3.2.

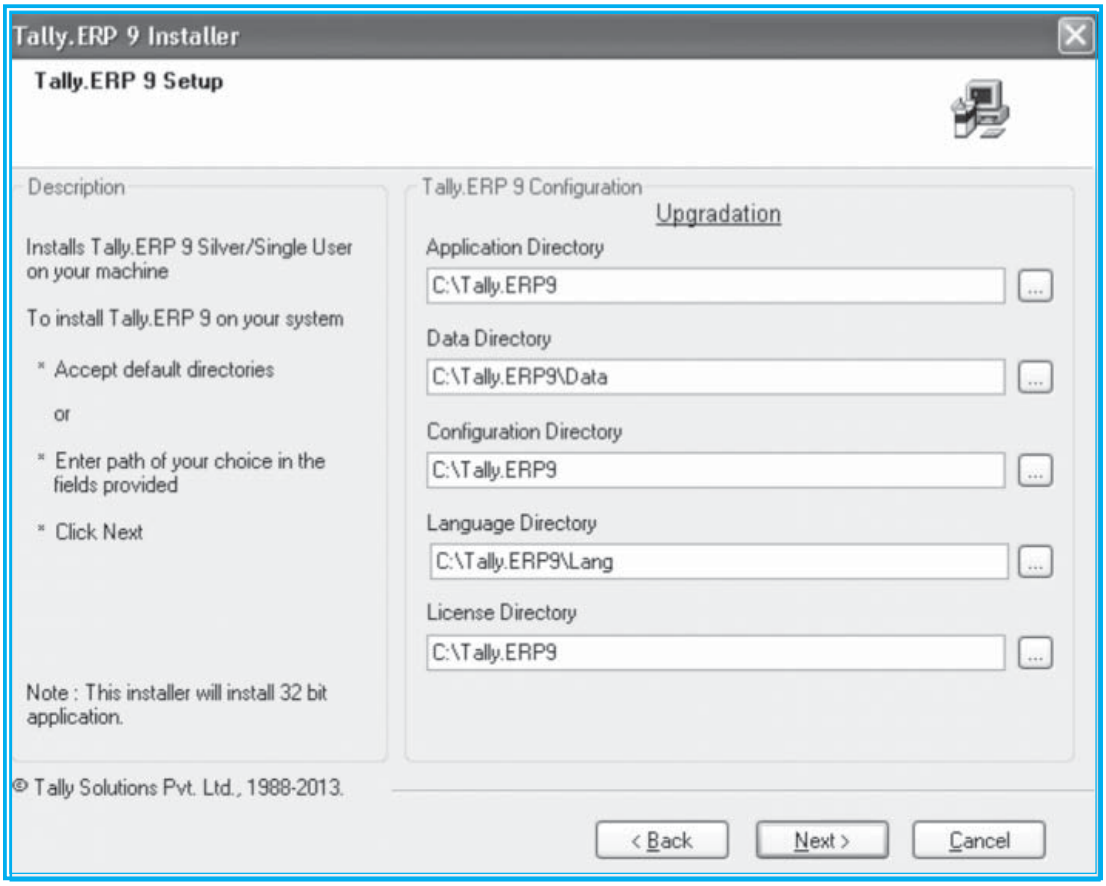


Fig 2.3.2 : Tally.ERP Installer screen

Note : Tally.ERP 9 is a Multilanguage software offering a choice of 15 languages. To use it as a Multilanguage software, it is necessary to install Windows Regional Language Pack. This pack has to be installed from windows CD. This pack has to be installed only once. If is already installed on the computer, it need not be installed again. This pack has to be installed on each computer separately. Without this pack, Multilanguage feature cannot be used.

Types of licenses

- Silver (Single User) : This license can be installed and used on a single computer only and costs Rs. 18,000 per license.
- Gold (Multiuser) : This license can be installed on a single computer and can be used on any number of computers connected in a single local area network. This license costs Rs. 54,000.
- Auditor (Multiuser) : This is a special facility given to firm of chartered accountants where Tally.ERP 9 Gold software is sold at 80% discount. This is multiuser software and can be used on any number of computers connected in a single local area network. This license costs Rs. 10,800.

After starting Tally.ERP 9 for the first time, the following "Startup" screen shall appear as shown in Fig. 2.3.3.

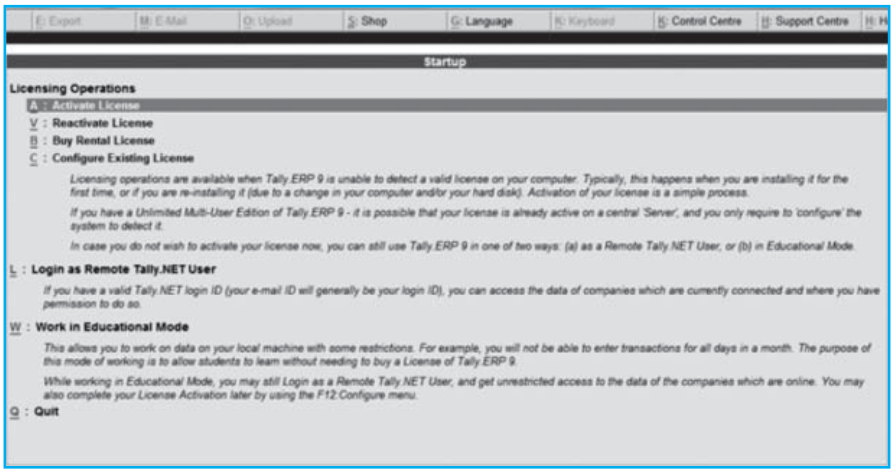


Fig 2.3.3 : Licensing Startup screen

Let us understand meaning of each menu option.

A : Activate License : This option has to be selected in case of activating Tally.ERP 9 for the first time after buying.

V : Reactivate License : This option has to be used in case of activating Tally.ERP 9 for reactivating, i.e. activating for anytime after first time. This is needed incase of shifting of tally license from one computer to another or incase of activating tally license on the same computer once again.

B : Buy Rental License : Tally.ERP 9 is available on rent also. Full functional Tally.ERP 9 can be used by paying monthly rental as Rs. 600 per month for single user and Rs. 1,800 per month for multiuser license. Select this option for hiring tally on rent. Rent has to be paid in advance. It can be paid by credit card, debit card or by using tally currency.

C : Configure Existing License : Use this if you want to configure existing license. License may be installed on some other computer and you may want to use it on a network computer. Tally will search license availability in network and will get connected to that particular license.

L : Login as Remote Tally.Net User : Use this option to get connected to the data stored on a remote location. Remote login in tally can be used without license also. Valid Tall.Net ID and permission is required to get access to the remote data.

W : Work in Educational Mode : This is a demo mode of tally. This option can be selected in case you want to use tally without license. This can be very well used for learning purpose. There are very few restrictions in Educational Mode. One of the major restrictions in education mode is date restriction. User is allowed to use only 1st, 2nd and 31st date of any of the month for recording a voucher or viewing a report. So in all out of 365 dates in a year, only 31 dates are be available for use in education mode of tally. Barring a very few other restriction, this is almost full functional software for educational purpose.

Q : Quit : This option is meant for quitting tally software.

2.3.4 Understanding Tally Screen :

After starting tally software, either in activated or in educational mode, following screen shall appear as shown in Fig. 2.3.4.

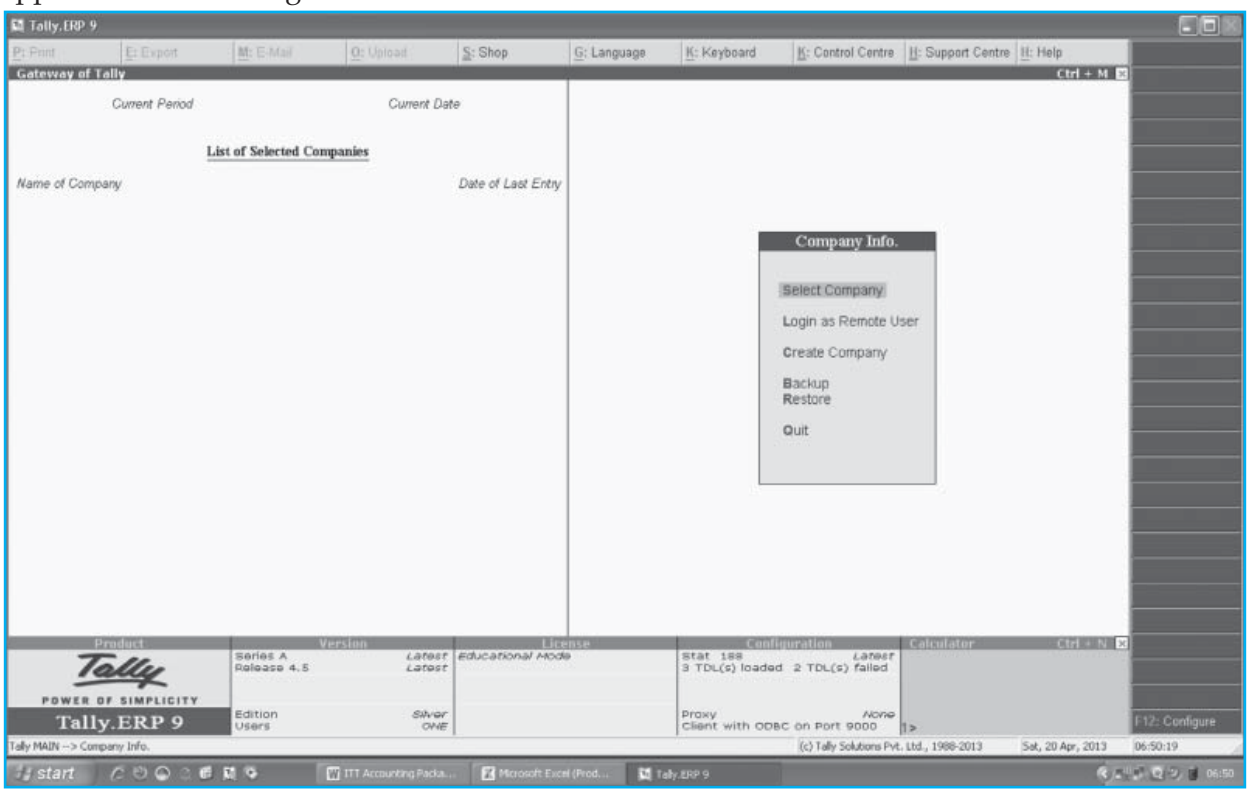


Fig 2.3.4 : Company info. screen

Contents of Tally Screen can be classified as under.

- **Horizontal Button Bar :** This button bar contains ten stationary buttons. These buttons will remain as it is through out all the tally screens. As shown in above figure, these buttons are :

Fig 2.3.5 : Horizontal Button Bar screen

- Print - To take printout of any report
- Export – To export any report in six different formats, e.g. ASCII, Excel, HTML, JPEG, PDF and XML.
- Email – To email any report directly from tally.
- Upload – To upload any tally report directly on a website.
- Shop – To purchase various add on packages available on tally shop
- Language – To select the language for accounting out of fifteen available languages.
- Keyboard – To select the keyboard layout out of seventeen available layouts according to languages.
- Control Centre - To manage admin and licensing issues about the software
- Support Centre – To obtain online support from Tally, to check status of your query.
- Help – To get help on tally software or tally add on packages.

- **Vertical Button Bar :** Button bar placed at right most part of tally screen is called as vertical button bar. Buttons on vertical button bar keeps on changing according to the screen / report you are viewing. Some buttons like "F2 : Date", are common in most of the screens and reports. User may keep a close watch on right hand side vertical button bar to understand tally functionality in better and quicker way.
- **Info Panel :** This is area at the bottom of the first screen. Info panel is divided in to five parts as under.

Fig 2.3.6 : Info Panel screen

- Product – This box is used to display the name of the software product, i.e. Tally.ERP 9. User can go to www.tallysolutions.com just by clicking on this box.
- Version – This box is used to display software details like version, release, edition that is being used currently. Latest available release is also displayed here.
- License – Information about software serial number, registered email ID with Tally, i.e. account ID and validity of Tally.Net Subscription is displayed in this box.
- Configuration – Software technical details like Statutory Master file version, TDLs, Proxy is displayed in this box.
- Calculator – Calculator can be used in Tally just by pressing "Ctrl + N" in any screen. Calculator box is also used for display many other type of information, e.g. import of data, query shooting, connectivity with Tally server at Bengaluru, etc.

- **Menu Area :** This area is used to display menu options in Tally. This area is located in the middle of screen as shown in Fig.2.3.7.

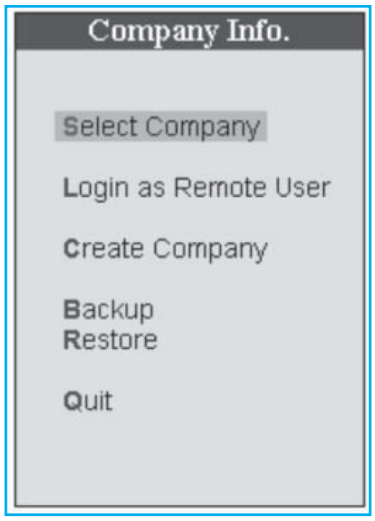


Fig 2.3.7 : Tally Menu option screen

- Select Company – To select the already created company.
- Login as Remote User – To access the data stored on a remote computer.
- Create Company – To create a new company
- Backup – To take data backup
- Restore – To restore the data backup to any specified location.
- Quit – To exit from tally software.

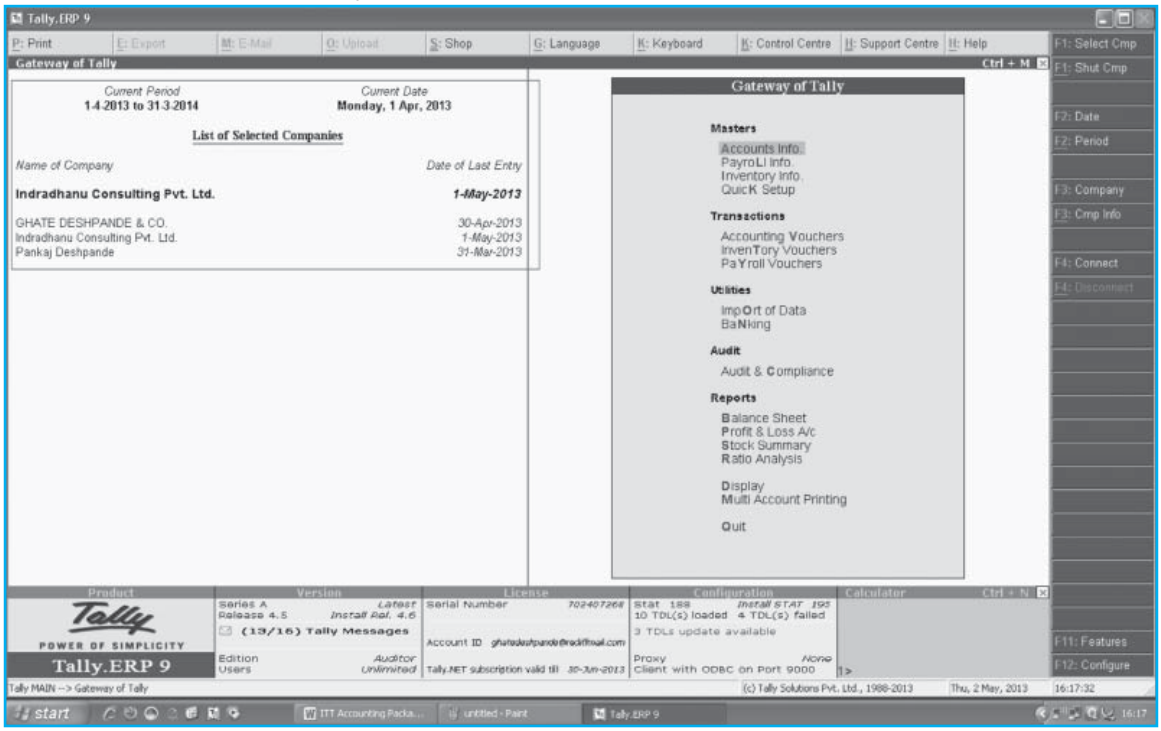


Fig 2.3.8 : Tally's first screen

Some other information is also displayed on Tally's first screen, which is explained below.

- **Current Period :** Currently set accounting period is displayed here. It can be anything from one day to multiple years. Current period can be changed by pressing Alt + F2.
- **Current Date :** It is the current accounting date, i.e. if a user records a transaction in any type of voucher without setting any date, it shall be recorded in current date.
- **Name of Company :** Name of currently selected and active company is displayed here. More than once companies can be opened. But only one company will be active at any point of time.
- **Date of Last Entry :** Date of last transaction is displayed here. Vouchers with post dated stamp are not considered here. Also, number of days for back dated voucher creation / alteration are calculated from this date.

2.4 SETTING UP A NEW COMPANY

2.4.1 Introduction

Company in Tally means any accounting unit. It may be a sole proprietorship, partnership firm, a limited company, a trust, society, etc. Creation of a company is the first step in using any accounting software. Company creation in Tally is very simple, but configuration of tally as ERP software takes some extra time. For creation of company, select "Create Company" menu on first screen of tally. Following screen shall appear as shown in Fig. 2.4.1.

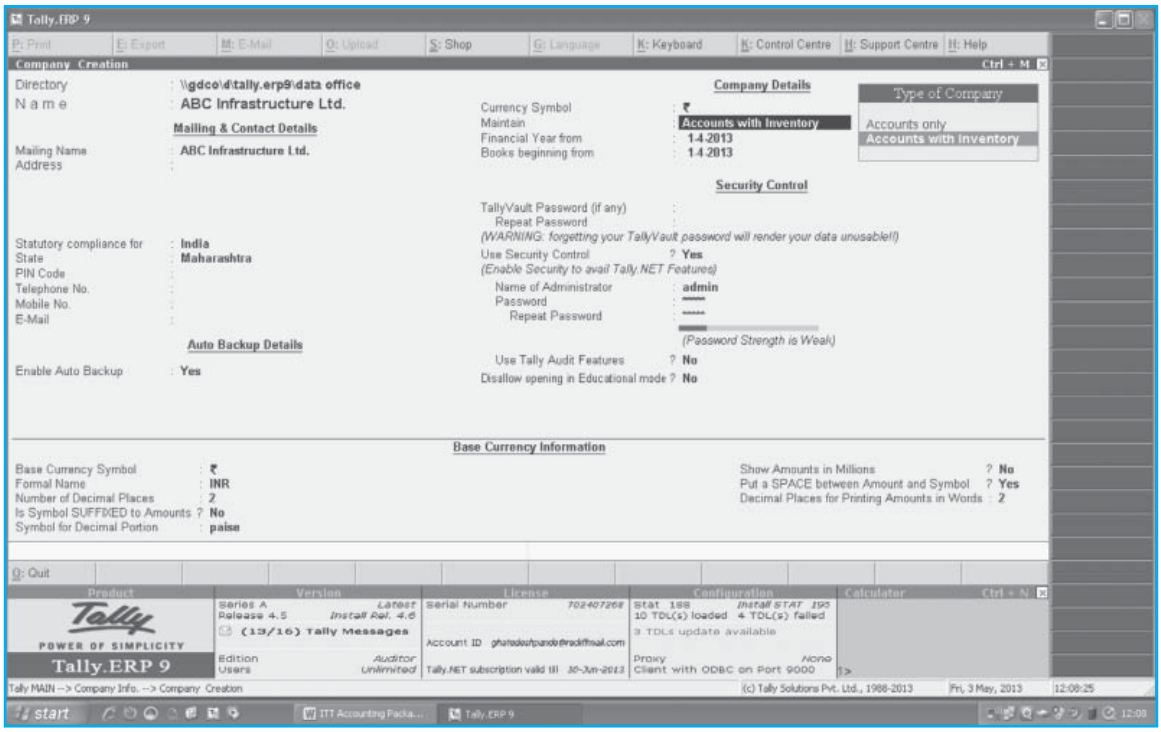


Fig 2.4.1 : Company Creation screen

Let us understand meaning and use of all the fields one by one.

- Directory : The location where user wants to save the company data. It can be internal hard disc drive of local computer or a network computer or any external drive also.
- Name : The name which you want to use for display on screen.

- Mailing Name : The name which a user wants to print in reports. It can be same as that of Name or can be a different name also.
- Address : The full address of the company should be written here. This will be used in all the reports while printing.
- Statutory compliance for : Tally.ERP 9, release 4.5 offers choice of 41 countries here. Any option can be selected as per requirement. Tally will apply all the statutory features for the selected country only.
- State : State option is available only if India is selected as a country. State selection is important for VAT compliance. VAT feature in tally will not work correctly if incorrect state is selected.
- Telephone No. : Type the landline telephone number here.
- Mobile No. : Type the mobile number here.
- E-mail : Type email address here.
- Enable Auto Backup : This option shall be no by default. If this option is made "Yes", tally will automatically take the backup of company data at the time of loading the company. The backup shall be stored at the same location and same folder where original data files are stored. The name of the auto backup file shall be "ABK.900". Auto backup feature may be of great help in case of loss of data, but please note :
  - Auto back up will consume heavy disc space. Sixty different copies of auto back up for sixty days shall be kept by Tally as backup. This will increase disc space consumption to a very big extent. File size of ABK.900 file may be more than 100 times of original data size.
  - Tally will create backup at the time of loading the company and not at the time of shutting the company.
- Currency Symbol : New rupee symbol has be introduced by Tally. This will be displayed with amount in many reports.
- Maintain : Two options are available. 1. Accounts only, 2. Accounts with Inventory. Any option can be selected as per need.
- Financial Year from : This is the starting date from which a user wants to start accounting year.
- Books beginning from : This is the starting date from which a user wants to start recording transactions.

Note : Alteration in Financial Year from and Books beginning from may result in total loss of data. As far as possible, do not try to change these dates.

- Tally Vault Password : Tally vault is the highest level of security provided by tally. It is a system of encrypting data. Tally vault password can be set while creation of company or it can be set later on also.
- Use Security Control : Set this option to "Yes" to enable the security and access control feature in a particular company. Multiple users IDs with different access rights can be created and used using this feature. Setting this option to "Yes" will prompt five new field in the same screen.
- Name of Administrator : Administrator is the user responsible to administer tally company. Administrator will be having total rights over all the facilities and features in the particular company. Other users rights can be controlled through administrator ID only.

- Password : Set the password for administrator here. Maximum allowed password length is 51 characters. It is suggested to use a password with alphabets, numbers and special characters.
- Use Tally Audit Features : Tally has got two types of audit features. One is quantitative audit and other is qualitative audit. Set this option to "Yes" to start quantitative audit feature. Here a user can track the changes made in vouchers and masters.
- Disallow opening in Educational mode : Setting this option to "Yes" will prevent a user from opening the company in educational mode. Company will get opened with licensed Tally only.
- Base Currency Information : This may be set as per need.

At the end, accept the screen by pressing "Enter" key or "Y" key to create the company.

After creation of Company, following screen shall appear.

2.4.2 Gateway of Tally Screen

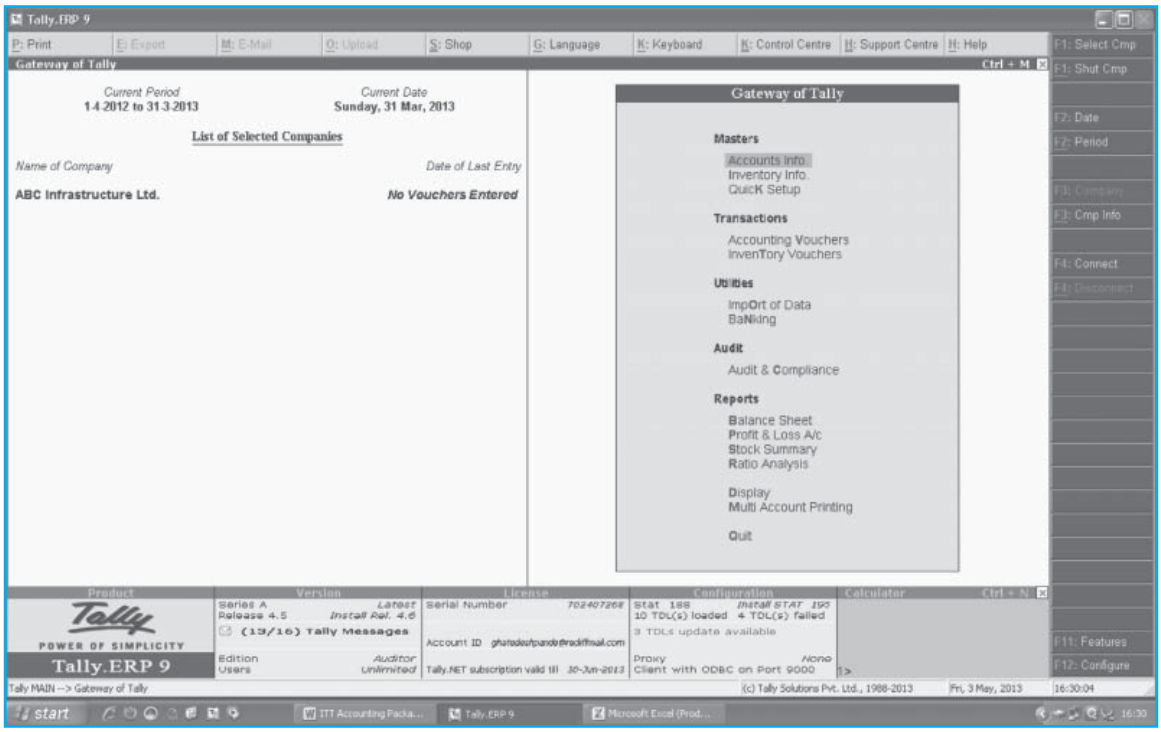


Fig 2.4.2 : Gateway of Tally screen

This screen is called as "Gateway of Tally". Let us try to understand menu options in this screen. There are five menu headings and relevant sub menus under each heading.

Masters :

- Accounts Info – To create/alter financial accounting masters like Ledger, Group, Voucher Type, etc.
- Inventory Info – To create/alter inventory accounting masters like Stock Item, Stock Group, Godowns, etc.
- Quick Setup – To quickly setup taxation and Tally.Net features.

Transactions :

- Accounting Voucher – To create financial transactions which affect trial balance
- Inventory Vouchers – To create pure inventory transactions that does not affect trial balance, e.g. transfer of stock from one location to another.

Utilities :

- Import of Data – To import data from another tally company
- Banking – To perform banking related activities like bank reconciliation, cheque printing and view bank transaction reports.

Audit :

- To analyze the data using various audit tools. Till release 3.6, this feature was available in Auditor Edition of Tally only. But from Release 3.6 onwards, this feature is made available to all the users.

Reports :

- Balance Sheet – To view balance sheet as on any particular date.
- Profit & Loss Account – To view Profit & Loss Account for any particular period.
- Stock Summary – To view stock position as on any particular date.
- Ratio Analysis – To view various ratio calculations.
- Multi Account Printing – To take printout of books of accounts in different ways. This option shall be available only if Tally is activated. This will not be available in educational mode.

Statutory Reports:

- Vat Reports
- Service Tax Reports
- TDS Reports

2.4.3 Setting of Features in New Company

Every newly created company needs to be configured according to the users needs. By default only financial accounting module is set to ON in tally. All other modules need to be ON and configured as per needs of every business.

There are two buttons on right hand side bottom corner.

F11 : Features – To set various features ON / OFF

F12 : Configure – To configure tally screens / reports

Note : Changes made by pressing "F11" are applicable to a particular company only, irrespective of individual computer settings. These changes shall be applicable no matter which computer is used to open the company and even in remote login also.

Changes made by pressing "F12" are applicable for all the companies opened on a particular computer. These changes shall not be applicable if computer is changed.

F11 changes are company specific, F12 changes are computer specific.

F11: Features button offers following options as shown in Fig. 2.4.3 :

- Accounting Features
- Inventory Features
- Statutory & Taxation
- Audit Features
- Tally.Net Features
- Add On Features

Accounting Features Screen

Company: **INDRADHANU CONSULTING PVT. LTD.**

Accounting Features

General

Integrate Accounts and Inventory ? **Yes**
Income/Expense Statement instead of P & L ? **No**
Allow Multi-Currency ? **No**

Outstandings Management

Maintain Bill-wise Details ? **Yes**
(for Non-Trading A/cs also) ? **No**
Activate Interest Calculation ? **No**
(use advanced parameters) ? **No**

Cost/Profit Centres Management

Maintain Payroll ? **Yes**
Maintain Cost Centres ? **Yes**
Use Cost Centre for Job Costing ? **No**
More than ONE Payroll / Cost Category ? **No**
Use Pre-defined Cost Centre Allocations during Entry ? **No**
Show Opening Balance for Revenue Items in Reports ? **No**

Invoicing

Allow Invoicing ? **Yes**
Enter Purchases in Invoice Format ? **No**
Use Debit/Credit Notes ? **No**
Use Invoice mode for Credit Notes ? **No**
Use Invoice mode for Debit Notes ? **No**

Budgets & Scenario Management

Maintain Budgets and Controls ? **Yes**
Use Reversing Journals & Optional Vouchers ? **Yes**

Other Features

Enable Cheque Printing ? **Yes**
(Use Banking Configuration in Bank Ledger Master for Cheque Printing Configuration)
Allow Zero valued entries ? **No**
Maintain Multiple Mailing Details for Company & Ledgers ? **No**
Set/Alter Company Mailing Details ? **No**
Enable Company Logo ? **No**

F1: Accounts F2: Inventory F3: Statutory F4: Tally.NET F5: Audit F6: Add-Ons

Fig 2.4.3 : Accounting Feattures screen

Inventory Features Screen

Company: **INDRADHANU CONSULTING PVT. LTD.**

Inventory Features

General

Integrate Accounts and Inventory	? **Yes**
Allow Zero valued entries	? **No**

Storage & Classification

Maintain Multiple Godowns	? **No**
Maintain Stock Categories	? **No**
Maintain Batch-wise Details	? **Yes**
(set Expiry Dates for Batches)	? **No**
Use different Actual & Billed Qty	? **No**

Order Processing

Allow Purchase Order Processing	? **No**
Allow Sales Order Processing	? **No**
Allow Job Order Processing	? **No**

(Note : Enables Maintain Multiple Godowns and Use Material In/Out)

Invoicing

Allow Invoicing	? **Yes**
Enter Purchases in Invoice Format	? **No**
Use Debit/Credit Notes	? **No**
Use Invoice mode for Credit Notes	? **No**
Use Invoice mode for Debit Notes	? **No**
Separate Discount column on Invoices	? **No**

Purchase Management

Track additional costs of Purchase	? **No**

Sales Management

Use Multiple Price Levels	? **No**

Other Features

Use Tracking Numbers (Delivery/Receipt Notes)	? **No**
Use Rejection Inward/Outward Notes	? **No**
Use Material In/Out	? **No**
Use Cost Tracking for Stock Item	? **No**

F1: Accounts F2: Inventory F3: Statutory F4: Tally.NET F5: Audit F6: Add-Ons

Fig 2.4.4 : Inventory Features screen

Statutory & Taxation Feature Screen

Company: **INDRADHANU CONSULTING PVT. LTD.**

Statutory & Taxation

Enable Excise	? **No**	Enable Tax Deducted at Source (TDS)	? **Yes**
Set/Alter Excise Details	? **No**	Set/Alter TDS Details	? **No**
(Note : 'Enable Maintain Multiple Godowns' for Multiple Excise Units)		Enable Tax Collected at Source (TCS)	? **No**
		Set/Alter TCS Details	? **No**
Follow Excise rules for Invoicing	? **No**	Enable Fringe Benefit Tax (FBT)	? **No**
Enable Value Added Tax (VAT)	? **Yes**	Set/Alter FBT Details	? **No**
Set/Alter VAT Details	? **No**	Enable Payroll Statutory	? **Yes**
Enable Service Tax	? **Yes**	Set/Alter Payroll Statutory Details	? **No**
Set/Alter Service Tax Details	? **No**	Enable MCA Reports	? **No**

Tax Information

VAT TIN (Composition)	:
VAT TIN (Regular)	: **27654378090V**
Local Sales Tax Number	:
Inter-state Sales Tax Number	: **27654378090C**
PAN / Income - Tax No.	: **AAEFG7654C**

F1: Accounts F2: Inventory F3: Statutory F4: Tally.NET F5: Audit F6: Add-Ons

Fig 2.4.5 : Statutory & Taxation Features screen

Audit Features Screen

Company: INDRADHANU CONSULTING PVT. LTD.

Tax Audit Rules

Inadmissible Cash Payments U/s 40A (3)

Show Aggregate for the Day ? No
Show Aggregate Amounting more than : 0
Ignore Vouchers having Amount less than : 0

Statutory Audit

Audit Documentation

Enable Audit Working Paper ? No
Enable Audit Priorities and Categories ? No

Statutory Payment Due Dates

Value Added Tax & Central Sales Tax

Value Added Tax : 15 of next Months
Central Sales Tax : 15 of next Months

Service Tax

Payment Period : 5 of next Months

Fringe Benefit Tax

Each Quarter : 15 of last Months

Tax Deducted at Source & Tax Collected at Source

Tax Deducted at Source : 7 of next Months
Tax Collected at Source : 7 of next Months

Payroll

Provident Fund : 15 of next Months
Employee State Insurance : 21 of next Months
Professional Tax : 25 of next Months

F1: Accounts F2: Inventory F3: Statutory F4: Tally.NET F5: Audit F6: Add-Ons

Fig 2.4.6 : Audit Features screen

Tally.Net Features Screen :

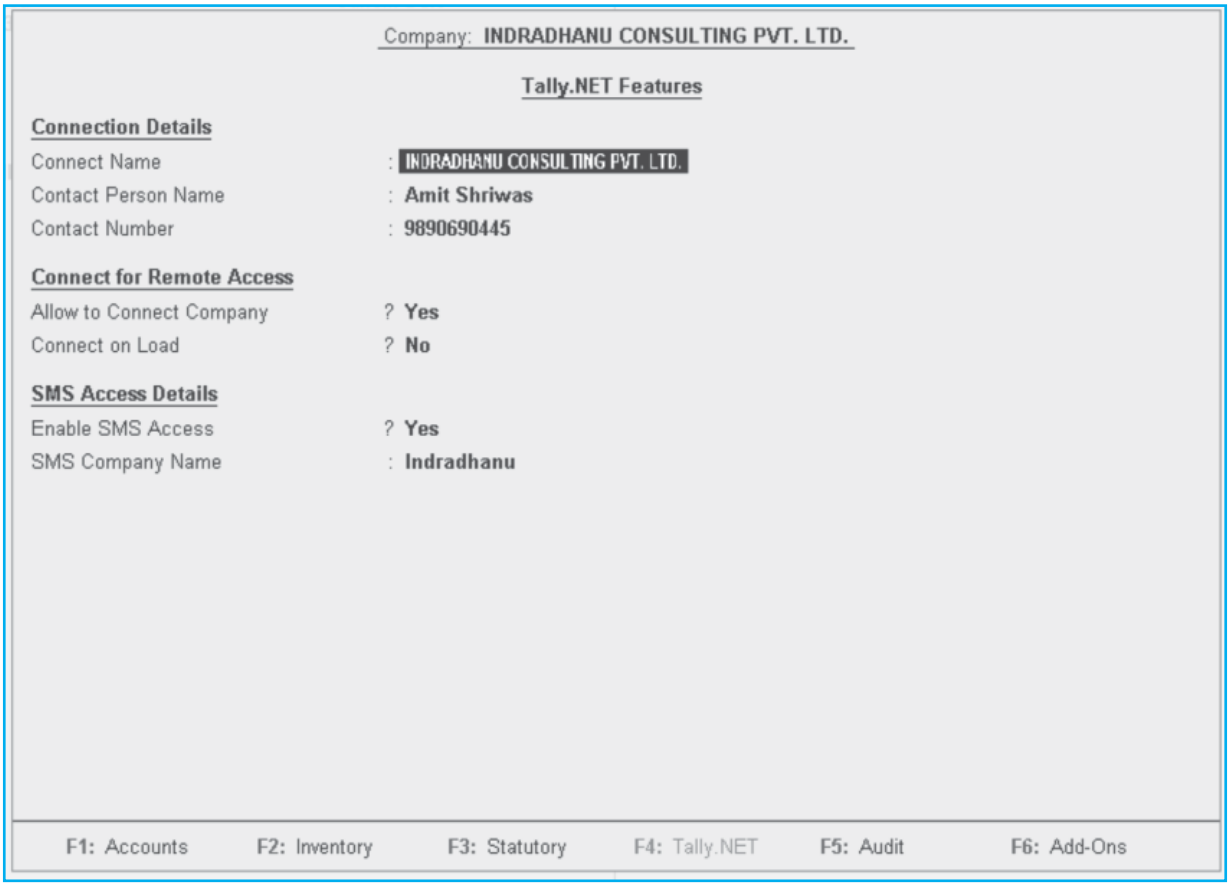


Fig 2.4.7 : Tally.Net Features screen

Tally Add On Features screen may vary according to the add on used.

2.5 USER ADMIN & MANAGEMENT

2.5.1 Introduction

In ERP environment, there shall be multiple users of software. Hence, every user shall have his/her own user ID and password. Before we start using the software, it is necessary to create users with respective access rights.

Tally.ERP 9 data can be accessed using two ways.

- Local Data – Accessing data stored on local computer or using Local Area Network
- Remote Data – Accessing data stored on a remote location using internet.

Hence tally users can be classified in two categories as

- Local Users
- Remote Users

There can be two more types of classification of users as –

- Admin User – person having total rights over software
- Non Admin User – any user other than admin user.

2.5.2 Creating Admin User

Admin user can be created during creation of company itself. If not created while creating the company, it can be created later on also. Go to company alteration screen of particular company by following the path as under as shown in Fig. 2.5.1.

Gateway of Tally > Alt + F3 > Alter > Enter

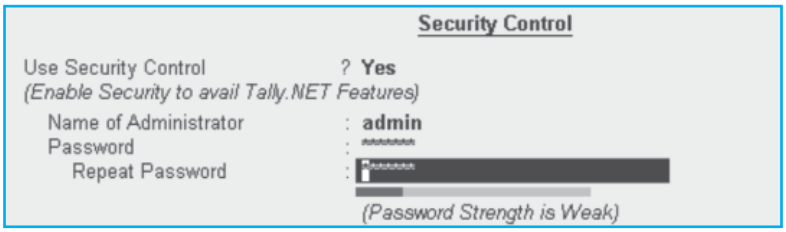


Fig 2.5.1 : Creating Admin User screen

2.5.3 Creating non admin users

Administrator shall have total rights over software, but for other users, it is necessary to define their respective rights in Tally. It is suggested to create a chart of users along with access rights on a paper first and then to define it in software.

Step 1 : Define security levels

Step 2 : Create users with respective security levels.

Step 1 : Define security levels

Path : Gateway of Tally > Alt+F3 > Security Control > Types of Security

Following screen shall appear as shown in Fig. 2.5.2.

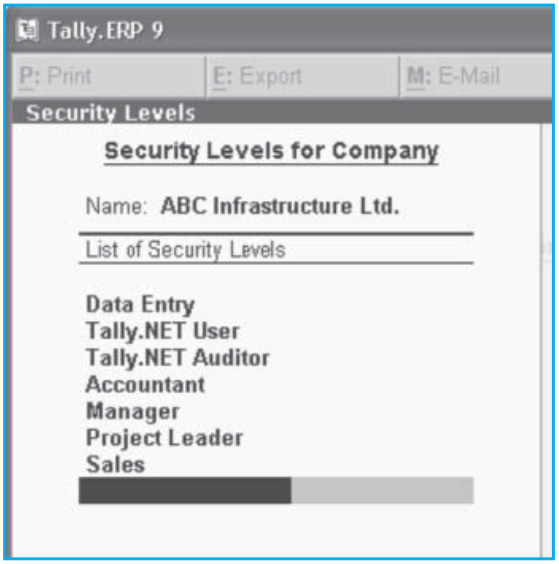


Fig 2.5.2 : Security Levels screen

By default, there are only three security levels, e.g. Data Entry, Tally.Net User and Tally.Net Auditor, are created in a tally company. Any number of security levels can be created as per requirement.

Let us set a security level for Accountant.

Path : Gateway of Tally > Alt+F3 > Security Control > Types of Security >

- **Use Basic Facilities of :** Appropriate security level should be selected here from the list of available security levels. This is the upper limit of facilities allowed to this particular security level.
- **Days allowed for Back Dated vouchers :** Days allowed for backdated voucher entry for the particular security level can be set in this field. Tally will calculate back days from the date of last entry (Date of last entry is displayed on Gateway of Tally Screen). Post dated vouchers are ignored while considering date of last entry.
- **Cut-off date for Back Dated vouchers :** This date is the date beyond which a user will be allowed to create / alter any voucher irrespective of back dated voucher access.

  E.g. User 1 is an accountant with back dated access for 30 days

  Date of last entry in tally company is 15.05.2013

  Cut-off date for back dated vouchers is 30.04.2013

  Question : Can User1 record a transaction on 29.04.2013 because he is having 30 days back dated access ?

  Answer : No. As the cut-off date for back dated vouchers is 30.04.13, User1 will not be able to record a voucher on 29.04.13 even is he/she is having backdated access for 30 days.

  "Cut-off date for back dated vouchers" can be effectively used where there is a system of finalizing books of accounts on periodic basis. This field has an overriding effect on "Days allowed for Back Dated vouchers"
- **Set/Alter rules for Print Before Save :** This field can be used to allow or disallow facilities like print / export / email / upload of every individual voucher of a particular voucher type, before it is saved. Normally, no voucher shall be allowed to be printed / exported / emailed / uploaded before it is saved in system. Any voucher type can be selected here for allowing / disallowing.
- **Allow to Connect Company :** This option is used for allowing / disallowing a user to connect a particular company to Tally server at Bangalore. This is necessary for using remote login feature. Remote login can be used only if a tally company is connected with Tally server.
- **Use Tally.Net Authentication :** Setting this option to "Yes" allows the security level for remote login use. If this option is set to "No" security level shall be useful for local data only.
- **Disallow the following Facilities :** This section is used for disallowing certain reports / facilities. There are two parts in this section.
  - Type of Access : There are seven different types of access available here as under.
    - Alter – Alteration shall be disallowed
    - Create – Create shall be disallowed
    - Create / Alter – Both shall be disallowed
    - Display – Display shall be disallowed
    - Display / Print – Both shall be disallowed
    - Full Access – None of the above shall be allowed
    - Print – Print shall be disallowed.

    Any option may be selected as per choice.
  - List of Reports : In Tally.ERP9 release 4.5, there are in all 124 options available here for controlling the access. Multiple permutations and combinations are possible with these

reports and facilities. Type of access selected for a particular report shall be disallowed here. E.g. Display/Print – Balance Sheet can be disallowed for accountants.

- **Allow the following Facilities :** Opposite to disallow, here the required facilities can be allowed to a group of users. Here also the system is similar to disallowing the facilities.

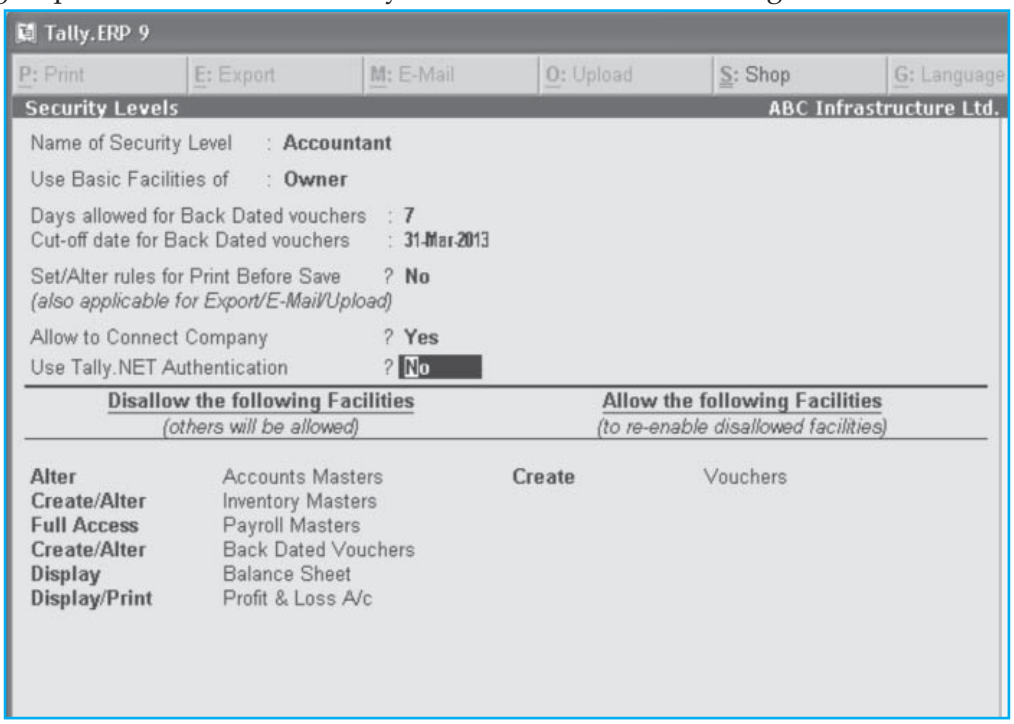


Fig 2.5.3 : Allow Facilities to User screen

Creation of Users and allocation of security level

Path : Gateway of Tally > Alt + F3 > Security Control > Users & Password

Here, two types of users can be created.

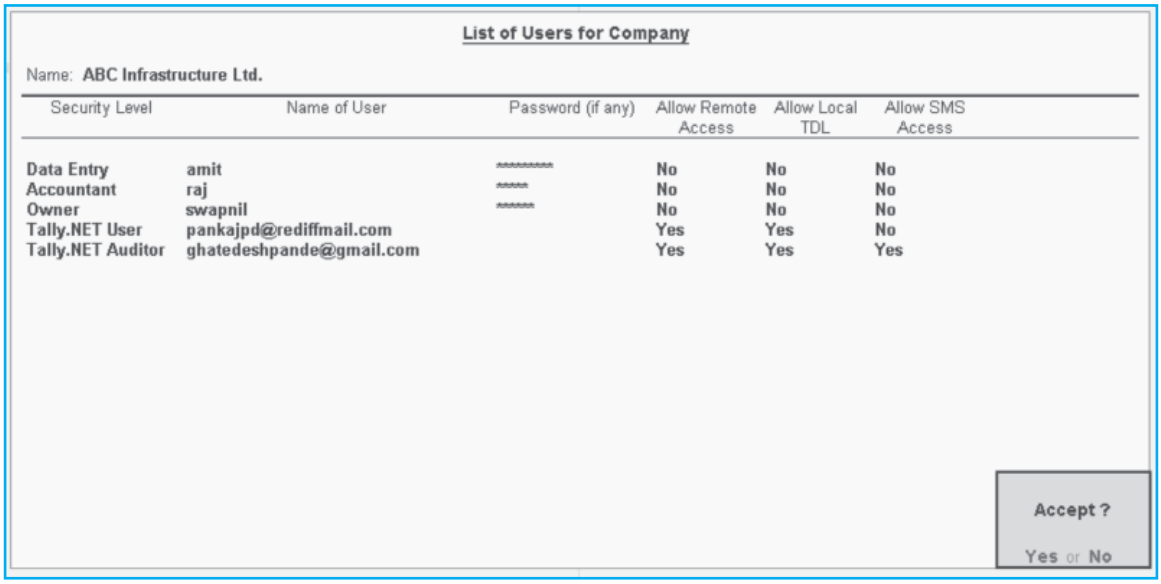
- Local User – For creation of a local user, security level selected must contain "Use Tally.Net Authentication – No". Any security level can be selected as per need.
- Remote User – For creation of remote user, two security levels are available by default. Any number of additional security levels can be created as per requirement.

Let us understand the fields for creation of user and allocation of security level.

- **Security Level :** Select the existing security level from the list. If not created earlier, it can be created from "Types of Securities" menu.
- **Name of User :** For local user creation, any name can be typed here as per convenience. It is suggested to keep it as short as possible. For remote user, the user name must be a valid and operational email ID only. It cannot be anything else.
- **Password (if any) :** Password can be set here for local user creation only. For remote users, cursor will not stop here as password shall be created by tally and sent to respective user through email. Password is optional for local user.
- **Allow Remote Access :** This has to be set to "Yes" to enable a remote user to access data remotely.

- **Allow Local TDL :** Tally Definition Language (TDL) is the language used for Tally programming. Additional add on packages can be developed and attached with original software to enhance its functionality. These additional add on packages can be stored on web or on local computer. Even a remote user can use the TDL stored on local computer by setting "Allow Local TDL" to "Yes"
- **Allow SMS Access :** Data stored in Tally can be accessed through SMS also. E.g. If a user who is not in office, wants to know current cash balance, he/she can send the request using his/her mobile phone to the designated number as "cash balance". This request shall be processed by Tally server and a reply containing the required information shall be sent to the same mobile number within few seconds. Some settings need to be done to start using SMS facility. Setting "Allow SMS Access" to "Yes" is one of the parts of SMS settings.

Note : Allow Remote Access, Allow Local TDL and Allow SMS Access, these three options are available only if the security level selected is a remote security level. These options are not available to local users.



List of Users for Company

Name: ABC Infrastructure Ltd.

Security Level	Name of User	Password (if any)	Allow Remote Access	Allow Local TDL	Allow SMS Access
Data Entry	amit	*********	No	No	No
Accountant	raj	*****	No	No	No
Owner	swapnil	******	No	No	No
Tally.NET User	pankajpd@rediffmail.com		Yes	Yes	No
Tally.NET Auditor	ghatedeshpande@gmail.com		Yes	Yes	Yes

Accept ?

Yes or No

Fig 2.5.4 : Display list of Users for Company

2.5.4 Password Policy :

This feature has been introduced by tally from release 3.6, where some additional features about password can be set conveniently.

Path : Gateway of Tally > Alt+F3 > Security Control > Password Policy

Following screen gives us the idea about features available in password policy. Using password policy enhances the security control in software as shown in Fig. 2.5.5.

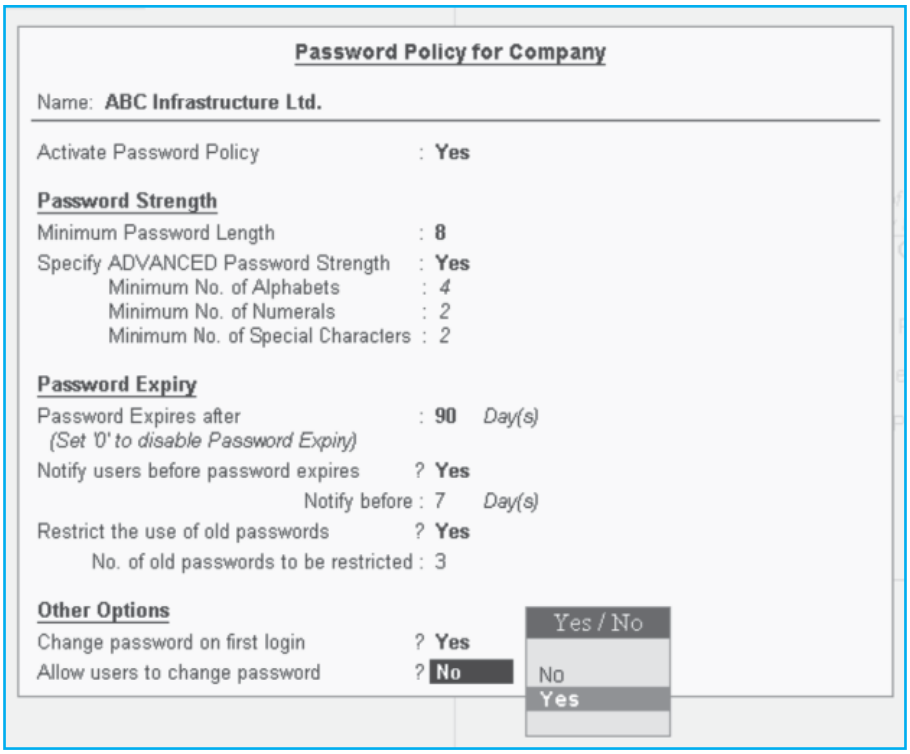


Fig 2.5.5 : Password Policy for Company screen

2.5.5 Creating/altering Remote Users using Tally website :

Remote users can be created using tally website as under.

- Log on to www.tally.solutions.com
- Enter your account ID and password.
- Click on User Management link on left side panel
- Click on "List of Users" to view / alter existing users or click on "Create Users" to create a new one. List of existing users will be shown as under as shown in Fig. 2.5.6.

2.5.6 User Maintenance from Control Centre

Remote users can be created from Tally website also. At the time of registration / activation of tally software for the first time, one email ID needs to be given, which acts as account ID, which is considered as unique identification for each tally serial number. This account ID is displayed on tally info panel under the heading "License".

"Control Centre" button on horizontal button bar can be pressed to open control centre.

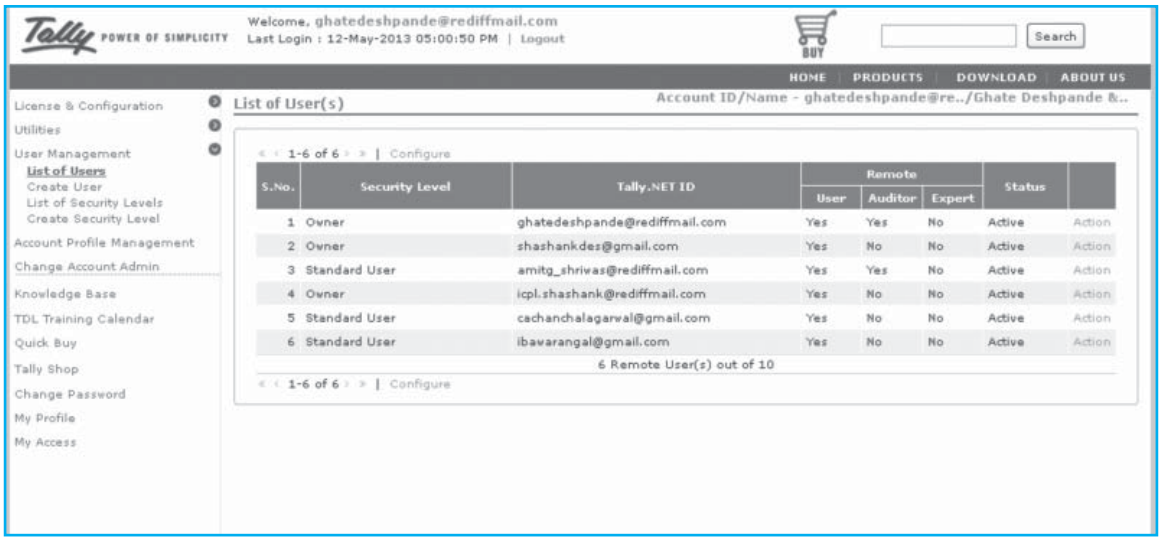


Fig 2.5.7 : Show Control Centre

Entry into control centre requires valid User ID and Password. Account ID registered with Tally shall be entered as user ID along with Tally.Net password. Internet must be connected to enter into Control Centre.

Fig 2.5.8 : Login As Remote Tally.Net User screen

After successful login, following screen shall appear as shown in Fig. 2.5.9.

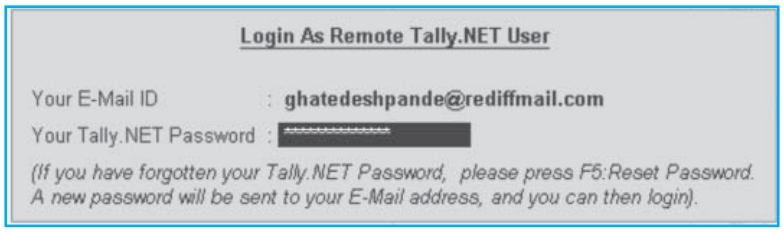


Fig 2.5.9 : Screen after successful login

Press Alt + U to go to user management menu. Remote users can be created using this menu. Access control for handling facilities at Control Centre can also set by pressing F8 button.

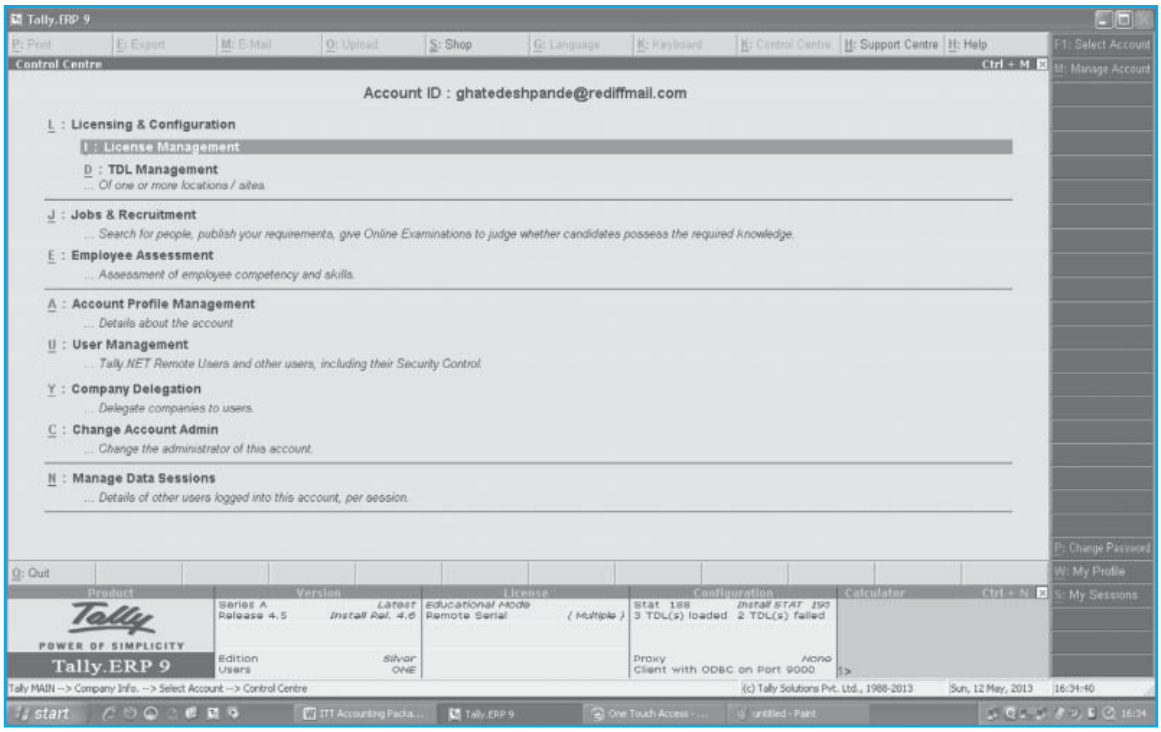


Fig 2.5.10 : User Management menu screen

Access Control Screen for Standard User as shown in Fig. 2.5.11 :

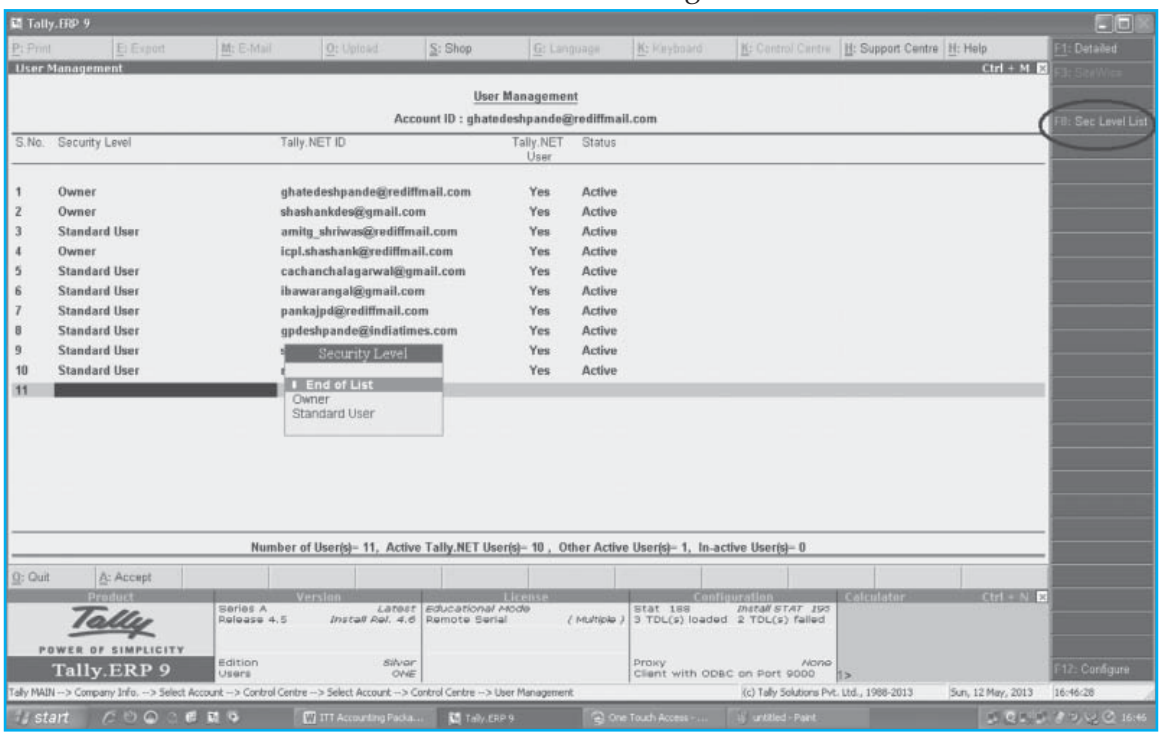


Fig 2.5.11 : Access Control screen

CHAPTER 3

VOUCHER ENTRY IN TALLY.ERP 9

Tally.ERP 9 allows us to record all business transactions through the appropriate Vouchers available in Tally.ERP 9. To configure Voucher entry, press F12: Configure and enable the required options.

3.1 VOUCHER TYPES IN TALLY.ERP 9

Tally.ERP 9 comprises of the following predefined Vouchers, to suit different business requirements for recording various transactions. Tally.ERP 9 also allows us to create user-defined Vouchers (Voucher Types) as per your requirements.

3.1.1 Predefined Vouchers in Tally.ERP 9

Tally.ERP 9 comprises of the following predefined Accounting Vouchers:

- Contra Voucher
- Payment Voucher
- Receipt Voucher
- Journal voucher
- Sales Voucher/Invoice
- Debit Note Voucher
- Credit Note Voucher
- Purchase Voucher/Invoice

3.1.2 Creating Voucher Type

Tally.ERP 9 allows us to create different types of vouchers and record, classify and segregate vouchers as per our requirements. For example, we can further classify payment vouchers by creating voucher types with the names **Bank Payment** and **Cash Payment.**

To create a new Voucher Type:

(i) Go to **Gateway of Tally > Accounts Info. > Voucher Type > Create**.

(ii) **Enter** the Voucher name.

(iii) Specify the **Type of Voucher**.

(iv) Specify the **Method of Voucher Numbering**.

(v) Activate or deactivate other functions as required.

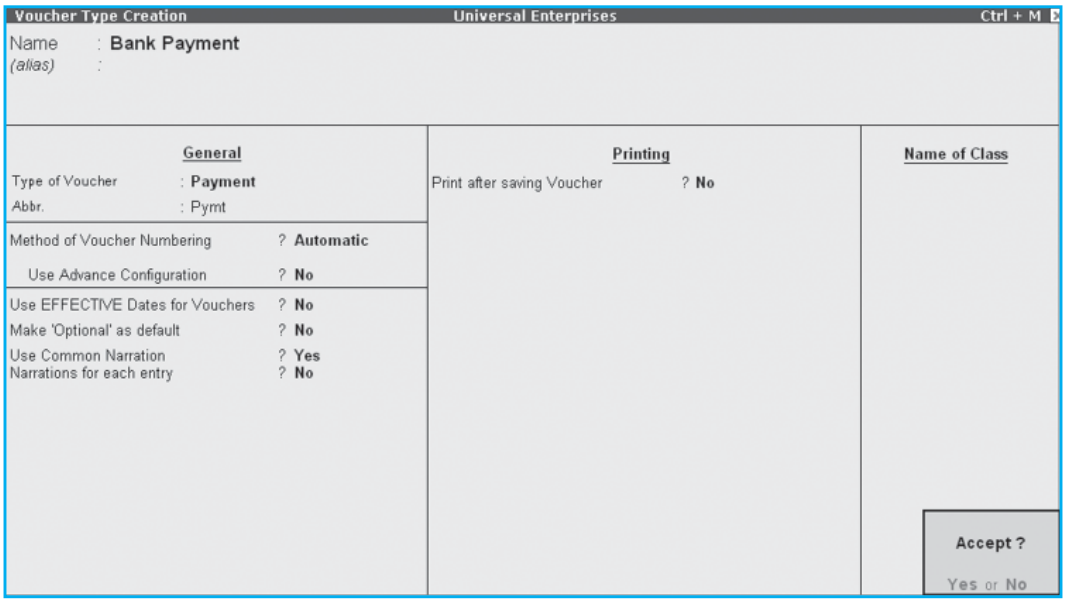


Fig. 3.1.1: Voucher Type Creation

(vi) Press **Enter** and save.

3.2 ENTERING TRANSACTIONS IN TALLY.ERP 9

3.2.1 Purchase Voucher

In **Tally.ERP 9**, the **Purchase voucher** can be passed in **Voucher mode** or the **Invoice mode** where the calculations can be automated and expedite voucher entry.

To create a **Purchase Voucher**

(i) Go to **Gateway of Tally > Accounting Vouchers**.

(ii) Press **F9 or select F9: Purchase** on the Button bar.

(iii) Select the **Party's A/c Name**.

(iv) Select the **Stock Items, Qty** and **Rate** details.

(v) Select the **Tax Ledger** and the tax amount is automatically computed.

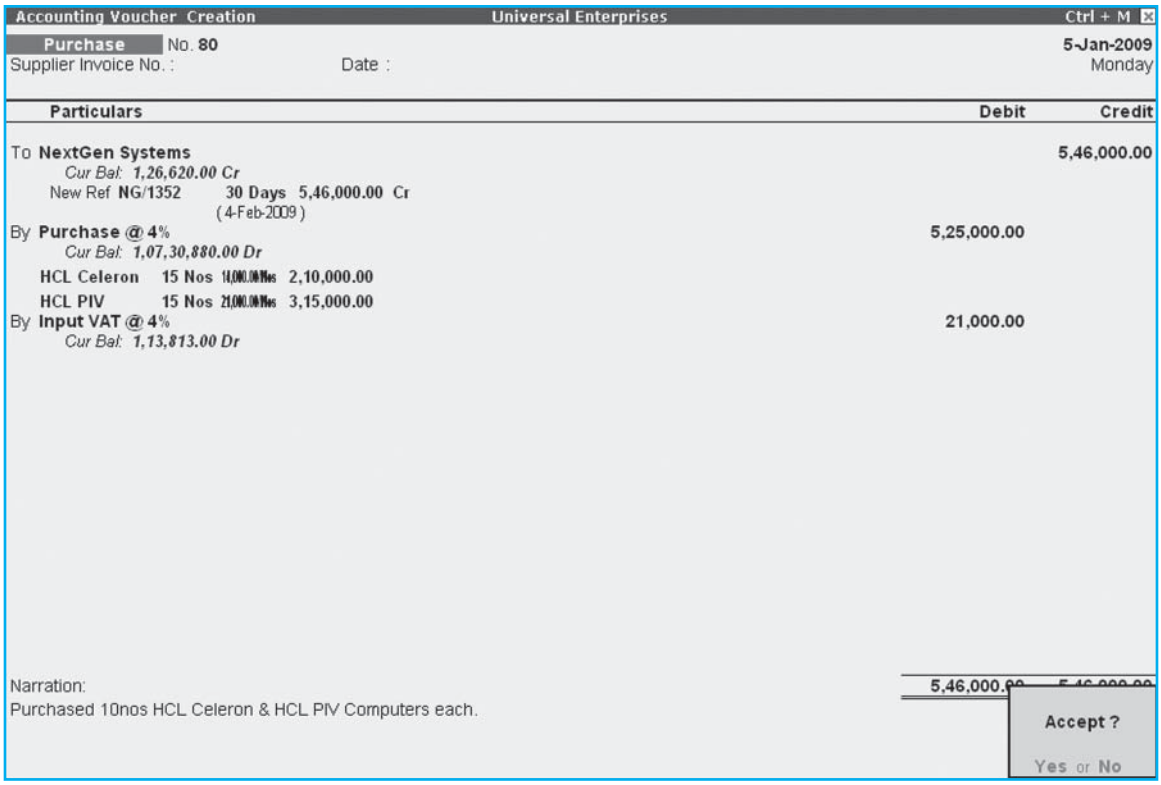


Fig. 3.2.1: Purchase Voucher

(vi) Enter all other required details.

(vii) Press **Enter** and save.

During Voucher Entry, we can pre-fill the voucher narration for a specific ledger/ voucher entry, by pressing

(i) **Alt+R,** to recall the last narration saved for the first ledger in the voucher, irrespective of the voucher type.

(ii) **Ctrl+R, to r**ecall the last narration saved for a specific voucher type, irrespective of the ledger.

3.2.2 Sales Voucher

In **Tally.ERP 9**, the **Sales Voucher** can be passed in **Voucher Mode** or the **Invoice Mode** where, the calculations can be automated and expedite voucher entry.

To create a **Sales Voucher**:

(i) *Go to **Gateway of Tally > Accounting Vouchers**.*

(ii) Press **F8 or select F8:Sales** on the Button bar.

(iii) Select the **Party Name** in the **By** field and specify the amount.

(iv) Select the **Sales Ledger** in the **To** field and specify the amount.

(v) Select the **Tax Ledger** in the **To** field and specify the amount.

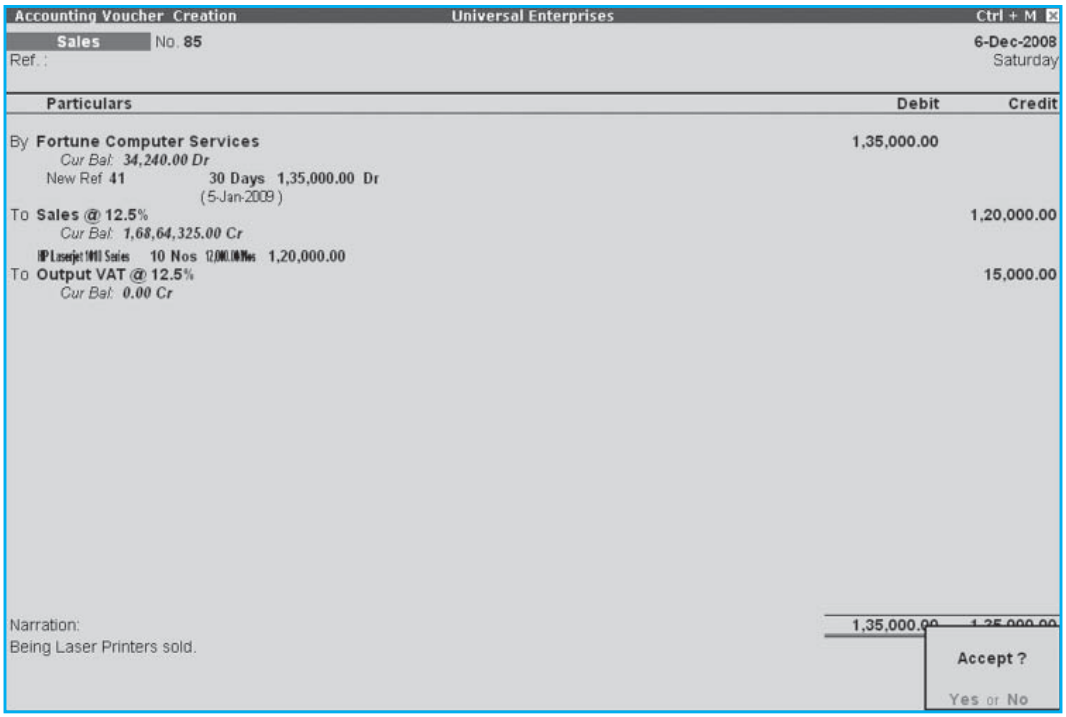


Fig. 3.2.2(A): Sales Voucher

(vi) Press **Enter** and save.

Sales Invoice

To create **Sales Invoice** in **Tally.ERP 9:**

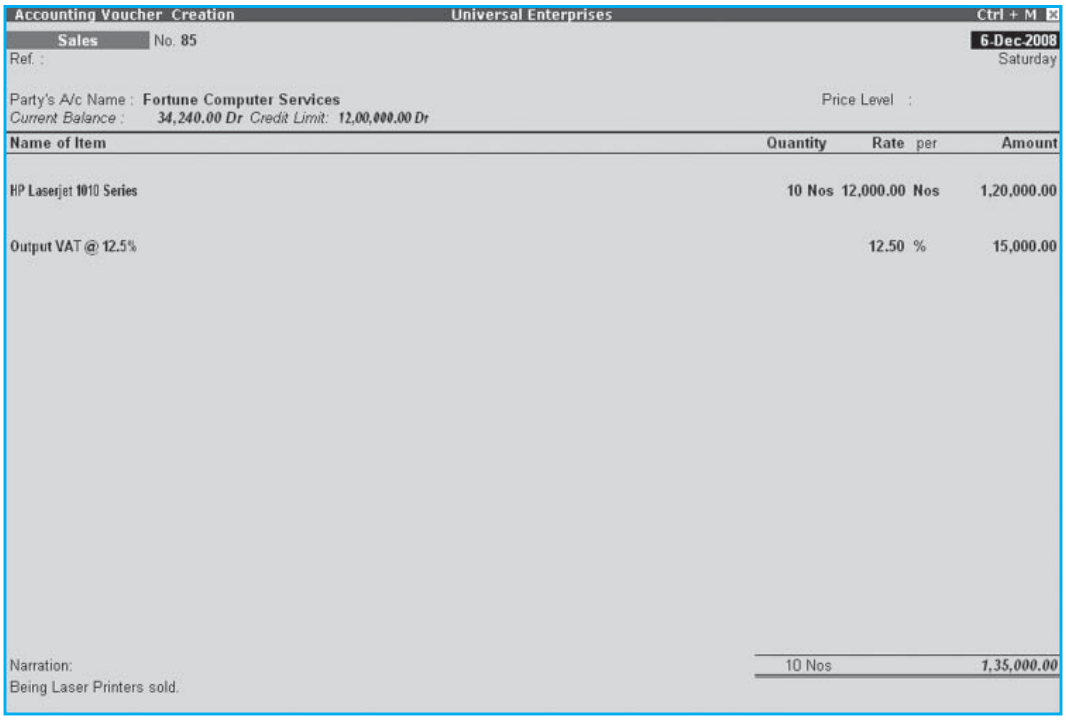
(i) Press **F11: Inventory Features** and set **Allow Invoicing** to **Yes**.

(ii) In the **Sales entry** screen, click **Ctrl+V (As Invoice)** button.

(iii) Select the **Party's A/c Name**.

(iv) Select the **Stock Items, Qty** and **Rate** details.

(v) Select the **Tax Ledger** and the tax amount is automatically computed.


Accounting Voucher Creation Universal Enterprises Ctrl + M

Sales No. 85 6-Dec-2008
Ref. : Saturday

Party's A/c Name : Fortune Computer Services Price Level :
Current Balance : 34,240.00 Dr Credit Limit: 12,00,000.00 Dr

Name of Item	Quantity	Rate	per	Amount
HP Laserjet 1010 Series	10 Nos	12,000.00	Nos	1,20,000.00
Output VAT @ 12.5%		12.50	%	15,000.00
	10 Nos			1,35,000.00

Narration:
Being Laser Printers sold.

Fig. 3.2.2(B): Sales Invoice

(vi) Enter all other required details.

(vii) Press **Enter** and save.

3.2.3 Receipt Voucher

In **Tally.ERP 9**, we can record any money received from debtors against sales Invoices or on Account and for all transactions where money is received, using the **Receipt Voucher**.

To create the **Receipt Voucher**,

(i) Go to **Gateway of Tally > Accounting Vouchers**.

(ii) Press **F6 or s**elect **F6: Receipt** from the button bar.

(iii) Select the **Party Name** in the **To** field and specify the amount.

(iv) Select the **Bill references** in the **Bill Wise Details** for screen.

(v) Select the **Bank Ledger** in the **By** field and press **Enter** to accept the amount.

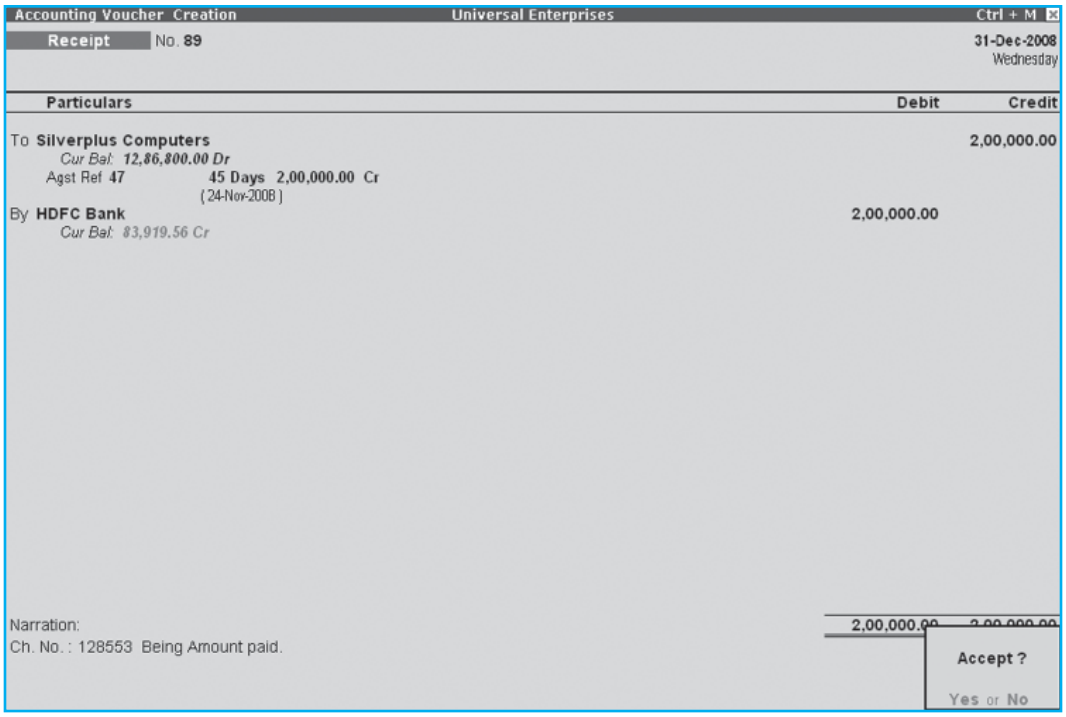


Fig. 3.2.3: Receipt Voucher

(vi) Press **Enter** and save.

We can also pass the above **Receipt Voucher** in **Single Entry Mode**, by pressing **F12: Configure** and setting **Use Single Entry mode for Pymt/Rcpt/Contra** to **Yes**.

3.2.4 Payment Voucher

In Tally.ERP 9, we can pass the payment voucher in **Single Entry** or **Double Entry mode.**

To create **Payment Voucher**:

(i) Go to **Gateway of Tally > Accounting Vouchers**.

(ii) Press **F5 or s**elect **F5: Payment** from the button bar.

(iii) Select the **Party Name** in the **By** field and specify the amount.

(iv) Select the **Bill references** in the **Bill Wise Details** for screen.

(v) Select the **Bank Ledger** in the **To** field and press **Enter** to accept the amount.

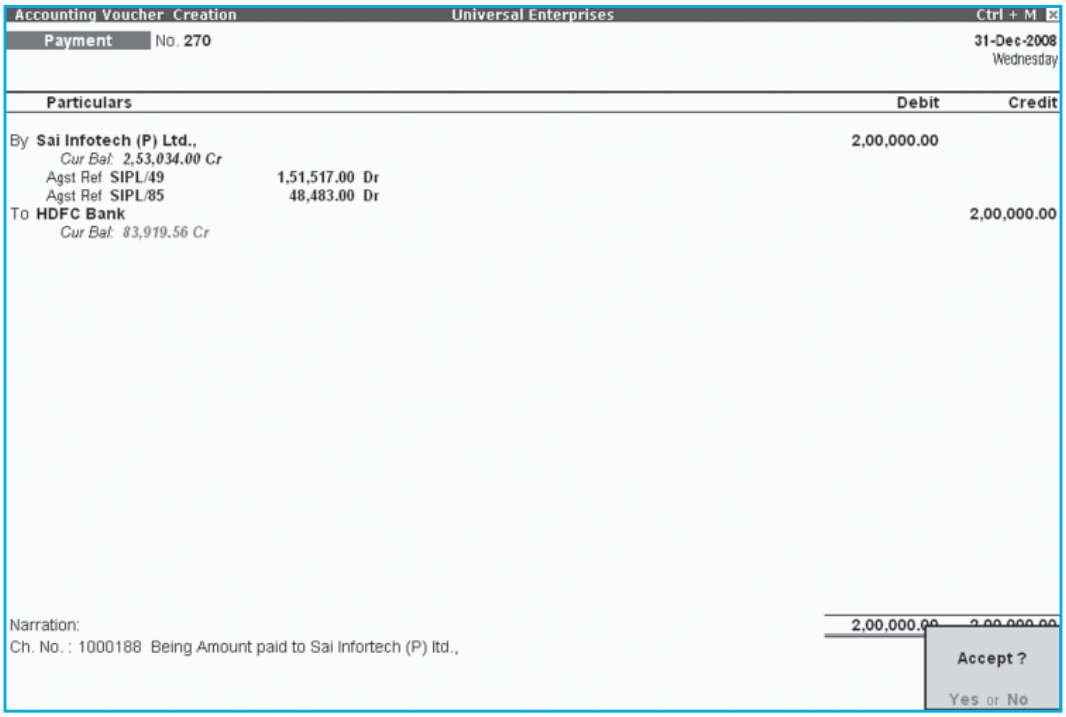


Fig. 3.2.4: Payment Voucher

(vi) Press **Enter** and save.

We can also pass the above **Payment Voucher** in **Single Entry Mode**, by pressing **F12: Configure** and setting **Use Single Entry mode for Pymt/Rcpt/Contra** to **Yes**.

3.2.5 Contra Voucher

In **Tally.ERP 9**, we can pass the Contra Voucher in Single Entry or Double Entry mode.

To create **Contra Voucher**:

(i) *Go to **Gateway of Tally > Accounting Vouchers***.

(ii) Press **F4** or Select **F4: Contra** on the Button bar.

(iii) Select the **Cash/Bank** ledger in **To** and **By** fields, as required.

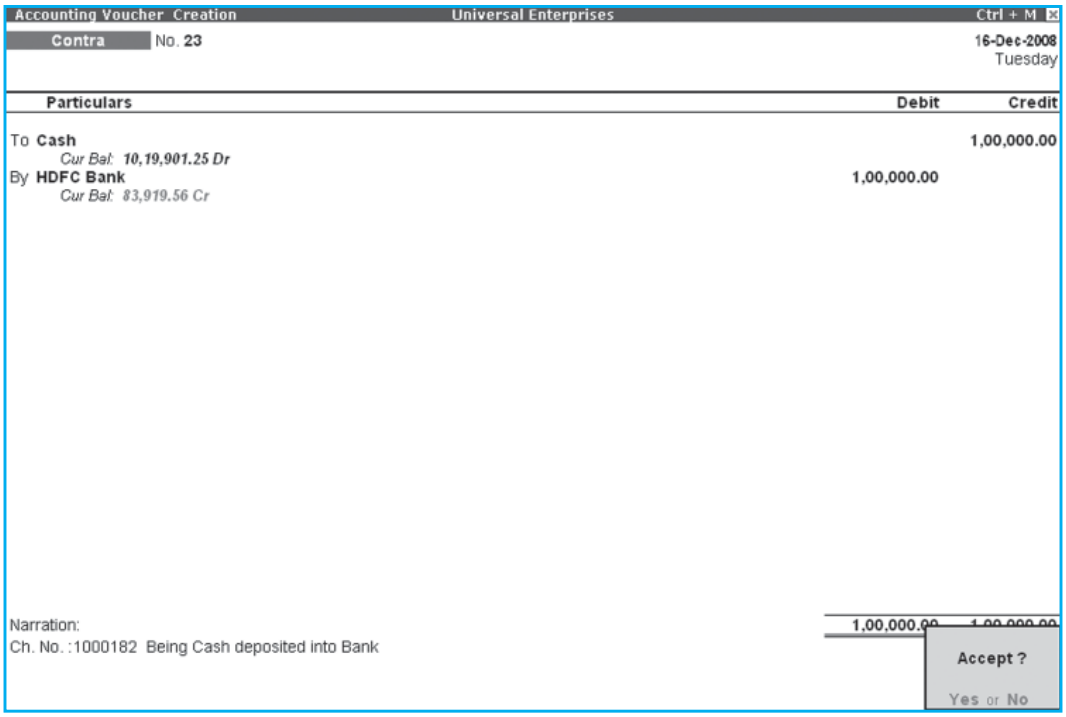


Fig. 3.2.5: Contra Voucher screen

(iv) Press **Enter** and save.

3.2.6 Journal Voucher

In Tally.ERP 9, we can create Journal Vouchers for adjustments with respect to debit and credit amounts without involving the cash or bank accounts.

To create **Journal Voucher:**

(i) Go to **Gateway of Tally > Accounting Vouchers**.

(ii) Press **F7 or select F7: Journal** on the Button Bar.

(iii) Enter the required details.

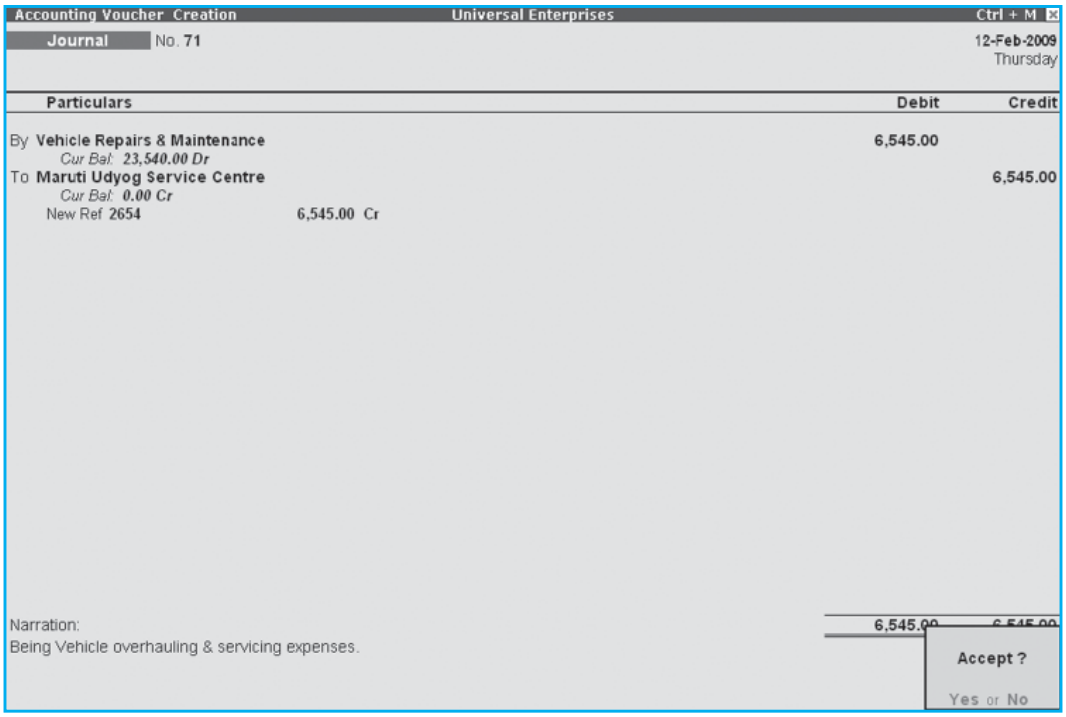


Fig. 3.2.6: Journal Voucher screen

(iv) Press **Enter** and save.

3.2.7 Debit Note Voucher

In **Tally.ERP 9**, we can pass **Debit Note** for any kind of Purchase Returns, Escalation/ De-escalation in price or any other expenses incurred by us on behalf of the party, etc.

To enable Debit Notes, press **F11: Inventory Features** and set **Use Debit/ Credit Notes** to **Yes**.

To create **Debit Note Entry:**

(i) Go to **Gateway of Tally > Accounting Vouchers**.

(ii) Press **Ctrl+F9** or select **Ctrl+F9: Debit Note** on the Button Bar.

(iii) Enter the required details.

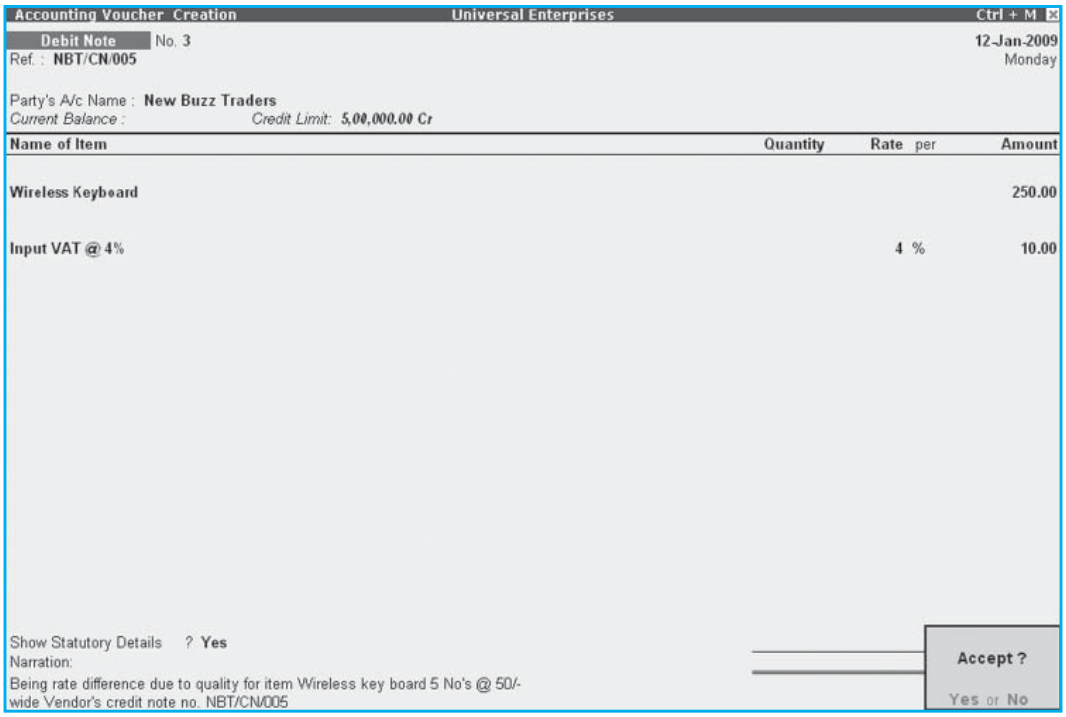


Fig. 3.2.7: Debit Note Voucher

(iv) Press **Enter** and save.

We can enter the above entry in Invoice mode, by enabling **Use Invoice Mode for Debit Notes** to **Yes** and entering the transaction in **Invoice Mode (Ctrl+V)**.

3.2.8 Credit Note Voucher

In **Tally.ERP 9**, we can pass **Credit Note** for any kind of Sales Returns, Escalation/ De-escalation in price, etc.

To enable Credit Notes, press **F11: Inventory Features** and set **Use Debit/Credit Notes** to **Yes**.

To create **Credit Note Entry:**

(i) Go to **Gateway of Tally > Accounting Vouchers**.

(ii) Press **Ctrl+F8 or** Select the button **Ctrl+F8: Credit Note** on the Button Bar.

(iii) Enter the required details.

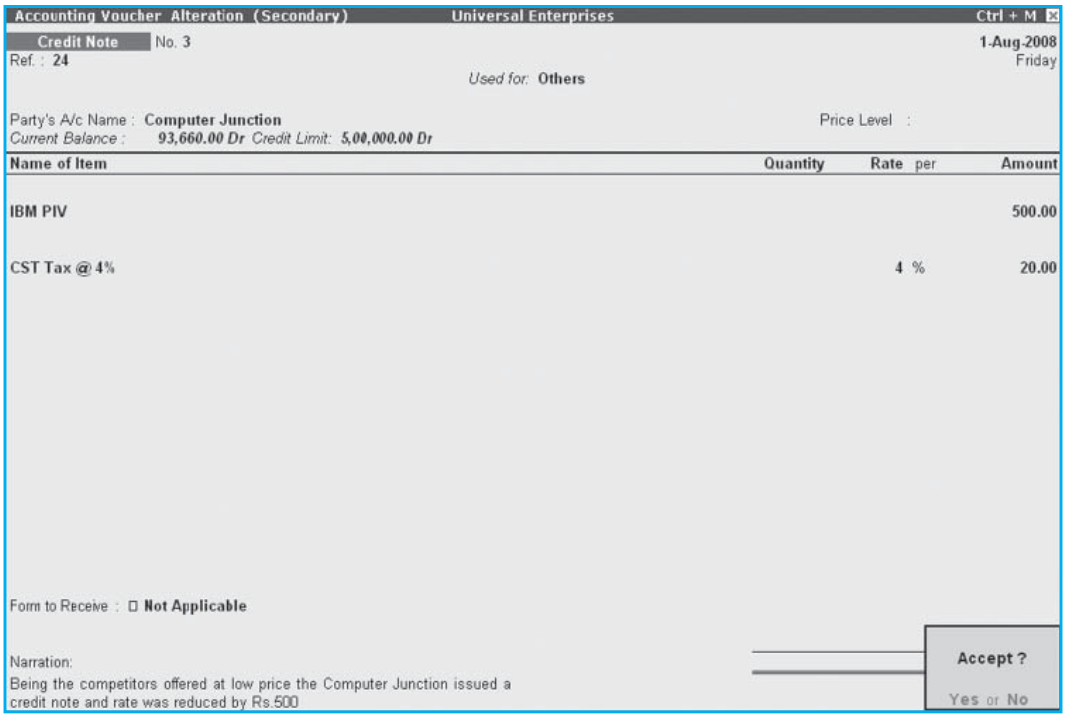


Fig. 3.2.8: Credit Note Voucher

(iv) Press **Enter** and save.

We can enter the above entry in Invoice mode, by enabling **Use Invoice Mode for Credit Notes** to **Yes** and entering the transaction in **Invoice Mode (Ctrl+V)**.

3.2.9 Stock Journal

In **Tally.ERP 9**, we can pass **Stock Journals** for all types of **Stock Adjustments** viz., Inter-Godown Transfer, Manufacturing Process and so on.

To create **Stock Journal Voucher**:

(i) *Go to **Gateway of Tally > Inventory Vouchers***.

(ii) Press **Alt + F7** or select the button **F7: Stk Jrnl** from the button bar.

(iii) Specify the **Stock Items**, **Godown**, **Qty** details in the **Source** section.

(iv) Specify the **Stock Items**, **Godown**, **Qty** details in the **consumption** section.

Inventory Voucher Creation — Universal Enterprises — Ctrl + M

Stock Journal No. 2 — 1-May-2008 Thursday

Transfer of Materials

Source (Consumption)					Destination (Production)				
Name of Item	Godown	Quantity	Rate	Amount	Name of Item	Godown	Quantity	Rate	Amount
CDROM Disks 10s	Stores	1-0 Box	265.00/Box	265.00	CDROM Disks 10s	Defective Goods Stores	1-0 Box	120.00/Box	120.00
		1-0 Box		265.00			1-0 Box		

Narration: Defective 1 BOX of CDROM 10s replaced with Free 1 box CDROM Disks 10s

Accept ? Yes or No

Fig. 3.2.9: Stock Journal

(v) Press **Enter** and save.

3.2.10 Physical Stock Journal

In Tally.ERP 9, we can pass Physical Stock Voucher for recording the actual stock which is verified or counted. We may also configure to ignore or not ignore physical stock differences recorded in Physical Stock vouchers.

To create **Physical Stock Voucher**:

(i) Go to **Gateway of Tally > Inventory Vouchers**.

(ii) Press **Alt+F10** or select the button **F10: Phys Stk** on the Button Bar.

(iii) Enter the **Physical counts** (Quantity) of the **Stock Items**.

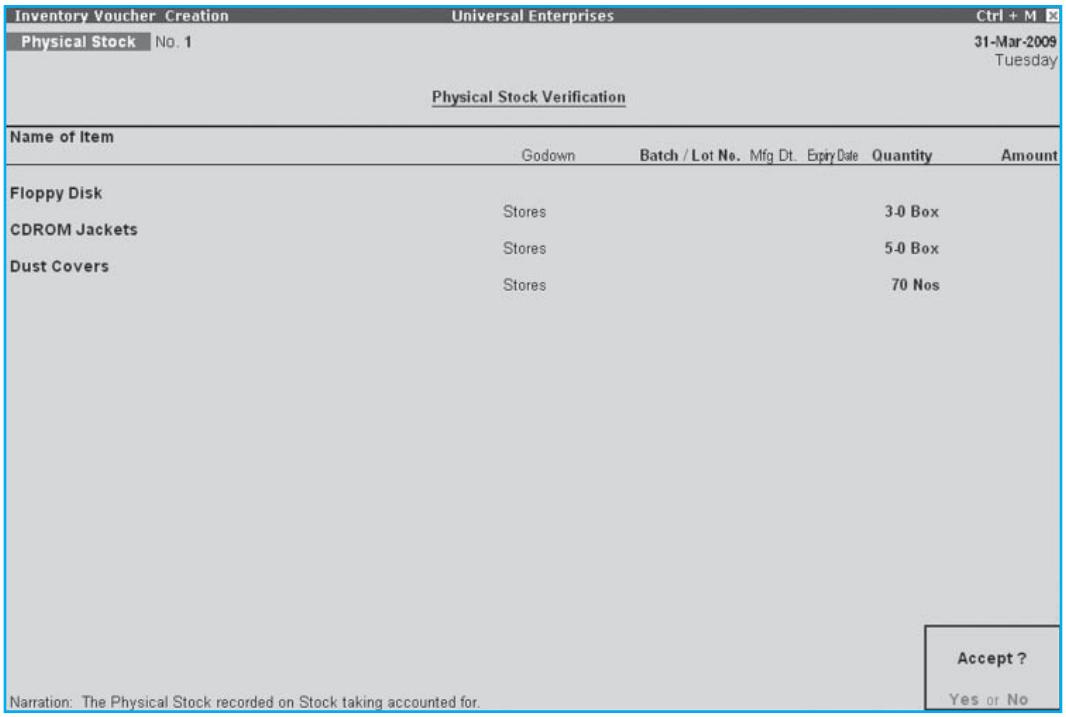


Fig. 3.2.10: Physical Stock Voucher

(iv) Press **Enter** and save.

CHAPTER

4 GENERATING REPORTS IN TALLY.ERP 9

4.1 INTRODUCTION

Tally.ERP 9 provides us the capability to generate various financial statements and Management Information system reports, thereby facilitating better management, effective control and well-informed decisions.

Following are some of the broad categories of reports available in Tally.ERP 9

- Financial Statements
- Books & Registers
- Statement of Accounts

4.2 FINANCIAL STATEMENTS

Financial Statements summarise the individual transactions to show totals, ratios and statistics required by the users to analyze the company's financial data in a wide variety of ways.

Broadly, the financial statements are classified into three major statements, which form part of the statutory requirements in most countries:

- Balance Sheet
- Profit & Loss A/c
- Trial Balance

4.2.1 Balance Sheet

A **Balance Sheet** is a financial statement that reports a firm's financial position at a specific time. It shows a balance between the assets and liabilities of a firm and the owner's funds (i.e., Assets = Liabilities + Owner's Equity).

To view **Balance Sheet**:

- Go to ***Gateway of Tally > Balance Sheet.***

Balance Sheet — Universal Enterprises — Ctrl + M

Liabilities	Universal Enterprises as at 31-Mar-2009		Assets	Universal Enterprises as at 31-Mar-2009	
Capital Account		**55,00,000.00**	**Fixed Assets**		**34,62,489.68**
Current A/c			Accumulated Depreciation on Fixed Assets	(-)6,02,622.20	
Balasubramanian's Share Capital A/c	7,13,000.00		Land & Building	14,00,000.00	
Kavitha's Share Capital A/c	2,76,500.00		Plant & Machinery	15,25,000.00	
Mohan's Share Capital A/c	15,00,000.00		Airconditioner	21,500.00	
Priya Ganesh's Share Capital A/c	5,66,500.00		Computers & Peripherals	90,460.00	
Sathish's Share Capital A/c	14,00,000.00		Furniture & Fixtures	1,22,420.00	
Suresh's Share Capital A/c	4,76,500.00		Motor Car - Hyundai GLX	9,05,731.88	
Vijayakumar's Share Capital A/c	5,68,500.00		**Investments**		**5,00,000.00**
Loans (Liability)		**4,63,216.03**	Investments	5,00,000.00	
Unsecured Loans	4,43,316.03		NSC		
HDFC Silver Credit Card	19,900.00		**Current Assets**		**1,36,79,562.33**
Current Liabilities		**54,41,340.51**	Closing Stock	13,58,831.73	
Duties & Taxes	66,706.54		Loans & Advances (Asset)	15,99,000.00	
Provisions	91,618.38		Sundry Debtors	66,16,336.68	
Sundry Creditors	50,76,720.00		Cash-in-hand	10,19,901.25	
EDLI Admin Charges @ 0.01%			Bank Accounts	29,36,492.67	
EDLI Contribution @ 0.5%			Advance Tax	2,50,000.00	
Employee's ESI Contribution @ 1.75%					
Employee's PF Contribution @ 12%					
ESI Payable	210.00				
Interest on Car Loan A/c	1,56,275.59				
PF Admin Charges @ 1.10%					
PF Payable					
Professional Tax					
Salary Payable	49,810.00				
Profit & Loss A/c		**62,37,491.92**			
Opening Balance					
		2 more ...			
Total		**1,76,42,052.01**	**Total**		**1,76,42,052.01**

Fig. 4.2.1: Balance Sheet screen

Select **F1: Detailed/Condensed** to explode the summarized information. Press **F12: Configuration** and set the required parameters to display the Balance Sheet according to our preferences.

4.2.2 Profit & Loss A/c

Profit and Loss Account or Income Statement is a periodic statement, which shows the net result of business operations for a specified period. In Tally.ERP 9, Profit and Loss account displays the information based on the default primary groups and is updated instantly with every transaction/ voucher that is entered and saved.

To view **Profit & Loss Account**:

- Go to ***Gateway of Tally > Profit & Loss A/c***
- Click **F1: Detailed**, to view the **Profit & Loss** Account in detailed format.

Profit & Loss A/c — Universal Enterprises — Ctrl + M

Particulars	Universal Enterprises 1-Apr-2008 to 31-Mar-2009		Particulars	Universal Enterprises 1-Apr-2008 to 31-Mar-2009	
Opening Stock			**Sales Accounts**		**3,15,70,847.50**
Accessories			CST Sales	60,30,125.00	
Components			Local Sales	2,46,85,830.00	
Defective Items			Sales @ 20%	2,88,000.00	
Dot Matrix Printers			Sales - Advertising Services	56,550.00	
Laser Jet Printers			Sales AMC for Computers	65,000.00	
IMFL			Sales - Exports	70,342.50	
Timber			**Sales Bills to Make**	**3,75,000.00**	
Timber - OTFL			**Closing Stock**		**13,58,831.73**
Purchase Accounts		**2,42,00,197.50**	Accessories	15,792.76	
CST 4% on Purchases			Components	2,573.22	
Purchase @ 12.5%	1,31,95,812.50		Defective Items	600.00	
Purchase @ 20%	2,00,000.00		Dot Matrix Printers	14,000.00	
Purchase @ 4%	1,07,30,880.00		Laser Jet Printers	17,400.00	
Purchase - Courier Charges	18,170.00		IMFL	8,000.00	
Purchase - Interstate	40,560.00		Timber	12,72,965.75	
Purchase - Telephone Services	14,775.00		Timber - OTFL	27,500.00	
TCS @ 2.5% on Purchases					
Purchase Bills to Come					
Direct Expenses		**33,240.00**			
Assembling Charges	18,240.00				
Carriage Inwards	15,000.00				
Gross Profit c/o		**86,96,241.73**			
		3,29,29,679.23			**3,29,29,679.23**
Indirect Expenses		**24,58,749.81**	**Gross Profit b/f**		**86,96,241.73**
Depreciation on Fixed Assets	6,02,622.20		**Indirect Incomes**		
Interest & Finance Charges	55,519.37				
		12 more ...			
Total		**86,96,241.73**	**Total**		**86,96,241.73**

Fig. 4.2.2: Profit & Loss A/c screen

Press **F2: Period** to change the period as required. Press **F12: Configuration** and set the required parameters to display the Profit & Loss A/c according to our preferences.

4.2.3 Trial Balance

A Trial Balance is a summary of all ledger balances to check whether the figures are correct and balanced. In Tally.ERP 9, all the ledgers appear with their ledger balances.

To view the **Trial Balance**:

- Go to ***Gateway of Tally > Display > Trial Balance.***

Trial Balance — Universal Enterprises — Ctrl + M

Particulars	Universal Enterprises 1-Apr-2008 to 31-Mar-2009 Closing Balance Debit	Credit
Capital Account		**55,00,000.00**
Loans (Liability)		4,63,216.03
Current Liabilities	1,34,269.86	55,75,610.37
Fixed Assets	40,65,111.88	6,02,622.20
Investments	5,00,000.00	
Current Assets	1,24,09,735.66	89,005.06
Sales Accounts		3,15,70,847.50
Purchase Accounts	2,42,00,197.50	
Direct Expenses	33,240.00	
Indirect Expenses	24,62,249.81	3,500.00
Unadjusted Forex Gain/Loss		3.55
Grand Total	4,38,04,804.71	4,38,04,804.71

Fig. 4.2.3: Trial Balance screen

Tally.ERP 9 shows group wise Trial Balance. Press **Shift+Enter** to view details of all groups, except for groups behaving like sub-ledgers. Press **F1: Detailed** to detail the grouped information for further detail. Press **F5: Led-wise** to list all ledgers and their closing balances.

4.3 BOOKS & REGISTERS

Tally.ERP 9 provides us capability to generate various books and registers for any specific period viz., month, date, and year and as on date. In Tally.ERP 9, once voucher entry is made, the transactions are automatically & immediately posted in the Day Book and other Books of Accounts without any additional effort. Tally.ERP 9 allows us to maintain and generate all primary books of accounts and registers like

- Cash Book
- Bank Book
- Purchase Register
- Sales Register
- Journal Register

- Debit Note Register
- Credit Note Register

4.3.1 Cash Book

To generate **Cash Book**:

Go to ***Gateway of Tally > Display > Account Books > Cash/Bank Book(s).***

- Select the required **Cash** Ledger Account.
- Press **Enter** on the required month to view Cash transactions for a month.

Ledger Vouchers — Universal Enterprises — Ctrl + M

Ledger: **Cash** — 1-Feb-2009 to 28-Feb-2009

Date	Particulars	Vch Type	Vch No.	Debit	Credit
2-2-2009	Step-in Computers	Receipt	102	15,000.00	
5-2-2009	Travelling & Conveyance	Payment	312		2,103.00
6-2-2009	Staff Welfare Expenses	Payment	314		620.00
15-2-2009	Repairs & Maintenance - Guest Accomd.	Payment	320		300.00
21-2-2009	Janata Timbers	Receipt	105	30,000.00	
23-2-2009	Repairs & Maintenance - Guest Accomd.	Payment	326		3,110.00
26-2-2009	Subscriptions	Payment	329		420.00
27-2-2009	Canara Bank	Contra	28	1,00,000.00	
28-2-2009	Postage & Telegraph	Payment	330		350.00
		Opening Balance :		11,33,544.25	
		Current Total :		1,45,000.00	6,903.00
		Closing Balance :		12,71,641.25	

Fig. 4.3.1: Cash Book screen

4.3.2 Bank Book

To generate **Bank Book**:

- *Go to* ***Gateway of Tally > Display > Account Books > Cash/Bank Book(s).***
- Select the required **Bank Account.**
- **Press Enter** on the required month to view **Bank transactions** for a month.

Ledger Vouchers — Universal Enterprises — Ctrl + M

Ledger: HDFC Bank — 1-Jul-2008 to 31-Jul-2008

Date	Particulars	Vch Type	Vch No.	Debit	Credit
2-7-2008	Challenger Systems	Payment	83		1,00,000.00
6-7-2008	HDFC Silver Credit Card	Payment	86		10,770.00
8-7-2008	Jet Roadways (P) Ltd.,	Payment	89		5,000.00
12-7-2008	Jain Realtors	Payment	91		2,00,000.00
15-7-2008	Worldwide Computers	Receipt	30	1,00,000.00	
17-7-2008	Computer Point	Payment	95		90,460.00
17-7-2008	Soft Stop	Receipt	32	50,000.00	
18-7-2008	Investments	Payment	97		5,00,000.00
23-7-2008	Arvind Kumar	Receipt	33	3,920.00	
25-7-2008	(as per details)	Payment	101		19,603.66
	Cholamandalam Auto Finance Corp., 17,621.27 Dr				
	Interest on Car Loan A/c 1,982.39 Dr				
27-7-2008	Canara Bank	Contra	8		3,00,000.00
27-7-2008	Fast Couriers	Payment	102		1,179.78
28-7-2008	Infinite Infosolutions	Payment	103		1,10,000.00
28-7-2008	Modern Advertisers	Receipt	35	7,865.20	
29-7-2008	Canara Bank	Contra	9		1,80,000.00
30-7-2008	TVS Electronics (I) Ltd.,	Payment	106		2,00,000.00
30-7-2008	Step-in Computers	Receipt	36	25,000.00	
30-7-2008	Telephone Link Ltd.,	Payment	107		1,460.68
31-7-2008	NextGen Systems	Payment	108		25,500.00
31-7-2008	Sai Infotech (P) Ltd.,	Payment	109		50,000.00
31-7-2008	Assembling Charges	Payment	111		1,520.00
31-7-2008	Bank Charges	Payment	112		310.00
31-7-2008	Silverplus Computers	Receipt	37	10,00,000.00	
31-7-2008	(as per details)	Payment	114		1,377.00
	ESI Payable 1,006.00 Dr				
					9 more ...
		Opening Balance :		26,11,264.33	
		Current Total :		11,86,785.20	19,17,040.22
		Closing Balance :		18,81,009.31	

Fig. 4.3.2: Bank Book screen

4.3.3 Purchase Register

To generate **Purchase Register**:

- *Go to **Gateway of Tally > Display > Account Books > Purchase Register.***
- Press **Enter** on the required month to view **Purchase Transactions** for a month.

Voucher Register — Universal Enterprises — Ctrl + M

List of All Purchase Vouchers — 1-Apr-2008 to 30-Apr-2008

Date	Particulars	Vch Type	Vch No.	Debit Amount	Credit Amount
2-4-2008	NextGen Systems	Purchase	1		98,800.00
2-4-2008	Simco Machinery Co.,	Purchase	2		10,40,000.00
2-4-2008	Cash	Purchase	3		832.00
3-4-2008	Cash	Purchase	4		12,480.00
3-4-2008	HP India Ltd.,	Purchase	5		1,03,500.00
5-4-2008	NextGen Systems	Purchase	6		72,800.00
6-4-2008	Chandra Timbers	Purchase	7		12,10,781.00
7-4-2008	Vinayaga Trading Corporation	Purchase	8		2,05,785.00
10-4-2008	New Era Computers	Purchase	9		10,920.00
12-4-2008	NextGen Systems	Purchase	10		4,680.00
16-4-2008	Fast Couriers	Purchase	11		1,683.60
17-4-2008	New Buzz Traders	Purchase	12		9,360.00
17-4-2008	Magnum Breweries	Purchase	13		2,40,000.00
20-4-2008	TVS Electronics (I) Ltd.,	Purchase	14		7,87,500.00
21-4-2008	Top Computers	Purchase	15		3,80,474.00
24-4-2008	N.C.Jain	Purchase	16		468.00
24-4-2008	Navin Traders	Purchase	17		2,153.00
25-4-2008	Telephone Link Ltd.,	Purchase	18		1,346.88
26-4-2008	New Era Computers	Purchase	19		4,680.00
			Total:		41,88,243.48

Fig. 4.3.3: Purchase Register screen

4.3.4 Sales Register

To generate **Sales Register**:

- *Go to **Gateway of Tally > Display > Account Books > Sales Register.***
- Press **Enter** on the required month to view **Sales Transactions** for a month.

Voucher Register — Universal Enterprises — Ctrl + M

List of All Sales Vouchers — 1-Nov-2008 to 30-Nov-2008

Date	Particulars	Vch Type	Vch No.	Debit Amount	Credit Amount
5-11-2008	Manjunath Systems	Sales	72	28,080.00	
6-11-2008	Nirmaan Timbers	Sales	73	11,58,298.88	
10-11-2008	Worldwide Computers	Sales	74	3,45,700.00	
12-11-2008	AVT Computers	Sales	75	4,888.00	
16-11-2008	Bright Traders	Sales	76	3,47,640.00	
22-11-2008	AVT Computers	Sales	77	1,03,500.00	
25-11-2008	Hindustan Timbers	Sales	78	5,66,865.00	
26-11-2008	Global Traders	Sales	79	1,56,000.00	
26-11-2008	Silverplus Computers	Sales	80	5,22,500.00	
27-11-2008	Futura Systems	Sales	81	67,500.00	
30-11-2008	Modern Advertisers	Sales	82	7,303.40	
			Total:	33,08,275.28	

Fig. 4.3.4: Sales Register screen

4.3.5 Journal Register

To generate **Journal Register**:

- Go to ***Gateway of Tally > Display > Account Books > Journal Register > Journal Register.***
- Press **Enter** on the required month to view Journal Entries for a month.

Voucher Register — Universal Enterprises — Ctrl + M

List of All Journal Vouchers — 1-Feb-2009 to 28-Feb-2009

Date	Particulars	Vch Type	Vch No.	Debit Amount	Credit Amount
12-2-2009	Vehicle Repairs & Maintenance	Journal	71	6,545.00	
15-2-2009	Commission Paid	Journal	72	15,000.00	
18-2-2009	Fuzitsy Systems	Journal	73		1,283.75
18-2-2009	Training & Orientation Expenses	Journal	74	9,300.00	
25-2-2009	Miscellaneous Expenses	Journal	75	2,580.00	
28-2-2009	Petrol Expenses	Journal	76	2,670.00	
28-2-2009	Carriage Inwards	Journal	77	1,250.00	
28-2-2009	Transportation & Packaging	Journal	78	5,000.00	
28-2-2009	Output VAT @ 12.5%	Journal	79	2,44,227.25	
28-2-2009	PF Admin Expense	Journal	80	331.90	
28-2-2009	VAT Adjustment A/c	Journal	81	72,071.25	

Fig. 4.3.5: Journal Register screen

4.3.6 Debit Note Register

To generate **Debit Note Register**:

- Go to ***Gateway of Tally > Display > Account Books > Journal Register > Debit Note Register.***
- Press **Enter** on the required month to view Debit Notes for a month.

Voucher Register — Universal Enterprises — Ctrl + M

List of All Debit Note Vouchers — 1-Jan-2009 to 31-Jan-2009

Date	Particulars	Vch Type	Vch No.	Debit Amount	Credit Amount
12-1-2009	New Buzz Traders	Debit Note	3	260.00	
14-1-2009	Top Computers	Debit Note	4	364.00	

Fig. 4.3.6: Debit Note Register screen

4.3.7 Credit Note Register

To generate **Credit Note Register**:

- Go to ***Gateway of Tally > Display > Account Books > Journal Register > Credit Note Register.***
- Press **Enter** on the required month to view **Credit Notes** for a month or press **F2** and specify the period.

Voucher Register — Universal Enterprises — Ctrl + M

List of All Credit Note Vouchers — 1-Apr-2008 to 31-Mar-2009

Date	Particulars	Vch Type	Vch No.	Debit Amount	Credit Amount
30-4-2008	Global Traders	Credit Note	1		624.00
3-5-2008	Computer Junction	Credit Note	2		24,960.00
1-8-2008	Computer Junction	Credit Note	3		520.00

Fig. 4.3.7: Credit Note Register screen

4.3.8 Day Book

To generate **Day Book**:

- *Go to* ***Gateway of Tally > Display > Day Book.***
- Specify the required period to view transactions entered for that particular day, week and year or for any specified period.

Day Book — Universal Enterprises — Ctrl + M

Day Book — 1-Apr-2008 to 31-Mar-2009

Date	Particulars	Vch Type	Vch No.	Debit Amount / Inwards Qty	Credit Amount / Outwards Qty
2-4-2008	HDFC Bank	Contra	1		20,000.00
2-4-2008	Computer Junction	Receipt	1		50,440.00
2-4-2008	Mohan's Share Capital A/c	Receipt	2		15,00,000.00
2-4-2008	Computer Junction	Sales	1	51,420.00	
2-4-2008	InfoSoft Solutions	Sales	2	32,937.60	
2-4-2008	NextGen Systems	Purchase	1		98,800.00
2-4-2008	Simco Machinery Co.,	Purchase	2		10,40,000.00
2-4-2008	Cash	Purchase	3		832.00
3-4-2008	Computer Junction	Receipt	3		49,920.00
3-4-2008	Cash	Purchase	4		12,480.00
3-4-2008	HP India Ltd.,	Purchase	5		1,03,500.00
5-4-2008	HDFC Bank	Contra	2		50,000.00
5-4-2008	InfoSoft Solutions	Receipt	4		32,937.60
5-4-2008	Computer Junction	Sales	3	14,560.00	
5-4-2008	NextGen Systems	Purchase	6		72,800.00
5-4-2008	Vinayaga Trading Corporation	Purchase Order	1		1,97,870.00
6-4-2008	Travelling & Conveyance	Payment	1	1,500.00	
6-4-2008	Chandra Timbers	Purchase	7		12,10,781.00
7-4-2008	Vinayaga Trading Corporation	Purchase	8		2,05,785.00
7-4-2008	Wireless Mouse	Receipt Note	1	10 Nos	
8-4-2008	Janata Timbers	Sales	4	4,90,437.00	
9-4-2008	NextGen Systems	Payment	2	28,000.00	
9-4-2008	Arvind Kumar	Receipt	5		15,000.00
9-4-2008	Arvind Kumar	Sales	5	26,000.00	
9-4-2008	Assembled PIV	Delivery Note	5		10 Nos
9-4-2008	Assembled PIV	Mfg Journal	1	10 Nos	
10-4-2008	New Era Computers	Payment	3	2,920.00	
10-4-2008	Universal Systems	Sales	6	2,31,300.00	
10-4-2008	New Era Computers	Purchase	9		10,920.00
12-4-2008	Arvind Kumar	Receipt	6		10,000.00
					971 more ... ↓

Fig. 4.3.8: Day Book screen

4.3.9 Stock Summary

To view **Stock Summary**:

- *Go to **Gateway of Tally > Stock Summary.***
- Press **F12: Configure**, set **Show Opening balance**, **Goods Inwards**, **Goods Outwards** and **Closing Balance** to **Yes.**

Stock Summary — Universal Enterprises — Ctrl + M

Universal Enterprises, 1-Apr-2008 to 31-Mar-2009

Particulars	Opening Balance Quantity	Opening Balance Value	Inwards Quantity	Inwards Value	Outwards Quantity	Outwards Value	Closing Balance Quantity	Closing Balance Value
Accessories			**9,600 Nos**	**67,370.00**	**8,805 Nos**	**87,252.00**	**795 Nos**	**15,792.76**
CDROM Disks 100s			*20 Box*	*9,000.00*	*15 Box*	*10,500.00*	*5 Box*	*2,250.00*
CDROM Disks 10s			*49 Box*	*7,940.00*	*46 Box*	*9,765.00*	*3 Box*	*231.25*
CDROM Jackets			*500 Box*	*7,500.00*	*495 Box*	*10,995.00*	*5 Box*	*75.00*
Dust Covers			*615 Nos*	*22,733.00*	*540 Nos*	*35,930.90*	*75 Nos*	*2,772.32*
Floppy Disk			*10 Box*	*1,000.00*	*6 Box*	*750.00*	*4 Box*	*400.00*
KeyBoard			*10 Nos*	*5,500.00*			*10 Nos*	*5,500.00*
Mouse			*10 Nos*	*4,000.00*			*10 Nos*	*4,000.00*
Mouse Pad			*1,375 Nos*	*9,697.00*	*1,295 Nos*	*19,311.10*	*80 Nos*	*564.19*
Components				**79,01,690.00**		**80,03,602.10**		**2,573.22**
USB Pen Drives 64 MB			*442 Nos*	*6,73,920.00*	*441 Nos*	*6,72,273.50*	*1 Nos*	*1,524.71*
Wireless Keyboard			*534 Nos*	*3,69,770.00*	*533 Nos*	*4,26,194.65*	*1 Nos*	*692.45*
Wireless Mouse			*619 Nos*	*2,20,400.00*	*618 Nos*	*2,87,187.20*	*1 Nos*	*356.06*
Computers			**532 Nos**	**95,28,493.70**	**531 Nos**	**1,21,75,500.00**	**1 Nos**	
IBM			13 Nos	2,24,000.00	12 Nos	2,99,500.00	1 Nos	
Defective Items				**600.00**				**600.00**
CDROM Disks 10s - Defective			*5 Box*	*600.00*			*5 Box*	*600.00*
Dot Matrix Printers				**5,38,000.00**		**7,16,200.00**		**14,000.00**
TVS MSP 245 132 Col Printer			*30 Nos*	*2,43,000.00*	*29 Nos*	*3,29,000.00*	*1 Nos*	*8,100.00*
TVS MSP 245 80 Col Printer			*50 Nos*	*2,95,000.00*	*49 Nos*	*3,87,200.00*	*1 Nos*	*5,900.00*
Laser Jet Printers				**8,80,000.00**		**10,91,500.00**		**17,400.00**
HP Laserjet 1010 Series			*60 Nos*	*5,52,000.00*	*59 Nos*	*7,05,000.00*	*1 Nos*	*9,200.00*
Samsung Laserjet 1500			*40 Nos*	*3,28,000.00*	*39 Nos*	*3,86,500.00*	*1 Nos*	*8,200.00*
IMFL			500 Lts	2,00,000.00	480 Lts	2,88,000.00	20 Lts	8,000.00
Main Location			500 Lts	2,00,000.00	480 Lts	2,88,000.00	20 Lts	8,000.00
								4 more ... ↓
Grand Total				**3,12,81,966.20**		**3,85,07,054.10**		**13,58,831.73**

Fig. 4.3.9: Stock Summary screen

4.4 STATEMENTS OF ACCOUNTS

Tally.ERP 9 provides us the capability to generate, print, mail or upload various statements and reports viz., Receivables, Payable statements, Ageing Analysis Report and so on.

4.4.1 Receivables and Payables

Accounts Receivables refer to amounts to be received from the sundry debtors while Accounts Payables are the amounts to be paid to sundry creditors. Tally.ERP 9 provides complete bill-wise information of amounts receivable as well as payable on party wise, group wise or Bill-wise.

To view **Outstandings**:

- Set **Maintain Bill-wise Details** to **Yes** in **F11: Accounting Features.**
- Create a **Party (Ledger A/c)** under **Sundry Debtors / Sundry Creditors** group.
- Set **Maintain balances bill by bill** to **Yes** for the parties during ledger creation.
- Go to **Gateway of Tally > Accounting Vouchers > Sales (F8) or Purchase (F9)** accordingly and enter the transaction by specifying a **Bill reference No.** along with **due dates** for the amount to be received or paid in the **Bill Allocations for** screen.

To view **Receivables / Payables Reports**:

- *Go to **Gateway of Tally > Display > Statement of Accounts > Outstandings > Receivables.***

Bills Outstanding — Universal Enterprises — Ctrl + M

Bills Receivable — 1-Apr-2008 to 31-Mar-2009

Date	Ref. No.	Partys' Name	Pending Amount	Due on	Overdue by days
5-Apr-2008	2	Computer Junction	14,560.00	4-Jun-2008	300
24-Apr-2008	071	Global Traders	1,50,356.00	1-May-2008	334
25-Apr-2008	8	Amar Computer Peripherals	15,000.00	25-Apr-2008	340
30-Apr-2008	9	Supreme Computers Peripherals	12,656.25	15-May-2008	320
1-May-2008	8	Horizon Systems	42,736.00	31-May-2008	304
5-May-2008	1254	Adview Consultants	12,000.00	5-May-2008	330
5-May-2008	10	Arvind Kumar	14,852.00	4-Jun-2008	300
5-May-2008	9	Computer Junction	52,000.00	4-Jun-2008	300
25-May-2008	20	Hindustan Timbers	5,97,724.88	25-May-2008	310
5-Jun-2008	23	Janata Timbers	5,76,061.00	5-Jun-2008	299
28-Jun-2008	32	S.V.S Computers	89,437.50	28-Jun-2008	276
2-Jul-2008	24	Computer Junction	79,040.00	1-Aug-2008	242
7-Jul-2008	22	Prism Softlinks	16,875.00	6-Aug-2008	237
19-Jul-2008	23	Venkateshwara Softwares	59,725.00	19-Jul-2008	255
26-Jul-2008	25	Step-in Computers	32,500.00	26-Jul-2008	248
27-Aug-2008	27	Sterling Business Solutions	14,062.50	27-Aug-2008	216
3-Sep-2008	29	Futura Systems	90.00	3-Sep-2008	209
5-Sep-2008	NEC/INV/0043	New Era Computers	707.00	5-Oct-2008	177
15-Sep-2008	30	Amar Computer Peripherals	4,680.00	15-Sep-2008	197
21-Sep-2008	31	Office Automation Systems	79,750.00	21-Sep-2008	191
8-Oct-2008	33	Gaitonde Traders	53,125.00	8-Oct-2008	174
18-Oct-2008	1397	Adview Consultants	3,000.00	18-Oct-2008	164
25-Oct-2008	35	Prism Softlinks	9,659.50	25-Oct-2008	157
25-Oct-2008	51	Universal Systems	2,600.00	9-Dec-2008	112
6-Nov-2008	70	Nirmaan Timbers	11,58,298.88	6-Nov-2008	145
22-Nov-2008	52	AVT Computers	58,388.00	22-Nov-2008	129
25-Nov-2008	74	Hindustan Timbers	5,66,865.00	25-Nov-2008	126
27-Nov-2008	38	Futura Systems	67,500.00	27-Nov-2008	124
					19 more ...
			93,18,106.02		

Fig. 4.4.1: Bills Outstanding Report - Bills Receivables screen

The report displays bill-by-bill outstanding for all the parties with the pending amount along with the due date.

To view amounts payable by the company, select **Payables** in the **Outstandings** menu. We can also toggle between **Payables** or **Receivables** reports, by clicking **F4**.

4.4.2 Ledgerwise outstanding

To view individual Party wise outstanding:

- *Go to **Gateway of Tally > Display > Statement of Accounts > Outstandings > Ledger.***

Ledger Outstandings — Universal Enterprises — Ctrl + M

Ledger : **Zen Enterprises** — **1-Apr-2008 to 31-Mar-2009**

Date	Ref. No.	Opening Amount	Pending Amount	Due on	Overdue by days
12-Jun-2008	ZE/3571b	5,200.00 Cr	**4,144.00 Cr**	27-Jul-2008	247
21-Jun-2008	ZE/542	3,640.00 Cr	**3,640.00 Cr**	5-Aug-2008	238
21-Jan-2009	13	3,744.00 Dr	**3,744.00 Dr**	7-Mar-2009	24
		5,096.00 Cr	**4,040.00 Cr**		

Fig. 4.4.2: Ledger Outstandings Report screen

Tally.ERP 9 provides a report displaying bill-by-bill details of all outstanding for the selected party ledger with the total outstanding amount. To view details of cleared bills, press **F12: Configure** and enable the required options.

4.4.3 Groupwise Outstanding

To view **Group Outstanding Reports**:

- Select **Group** in the **Outstandings** menu and then select the specific **group** or **sub group**.

Group Outstandings — Universal Enterprises — Ctrl + M

South Debtors
Universal Enterprises
1-Apr-2008 to 31-Mar-2009

	Pending Bills	
	Debit	Credit
All India Computer Institute	25,320.00	
Amar Computer Peripherals	19,680.00	
Arvind Kumar	40,852.00	41,360.00
AVT Computers	58,388.00	
Computer Junction	1,45,600.00	51,940.00
Fortune Computer Services	34,240.00	
Futura Systems	67,590.00	
Gaitonde Traders	53,125.00	
Global Traders	3,17,918.00	
Horizon Systems	42,736.00	
Office Automation Systems	79,750.00	
Prism Softlinks	26,534.50	
Silverplus Computers	12,86,800.00	
Step-in Computers	32,500.00	
Sterling Business Solutions	14,062.50	
Supreme Computers Peripherals	12,656.25	
S.V.S Computers	89,437.50	93,015.00
Venkateshwara Softwares	59,725.00	
	24,06,914.75	**1,86,315.00**

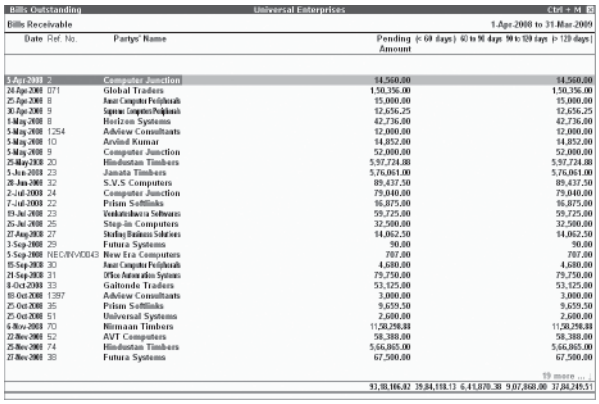
Fig. 4.4.3: Group Outstandings Report

4.4.4 Ageing Analysis Report

Tally.ERP 9 facilitates generation of **Ageing Analysis** reports for Outstandings. We can define various range of periods and view outstanding across the specified periods viz., we can specify 0 to 30 days, 30 to 45 days and 45 to 75 days and so on.

To view **Ageing Analysis Report**:

- Go to ***Gateway of Tally > Display > Outstandings > Receivables or Payables.***
- Select **F6 (Age wise).**
- Specify **Ageing Methods** and the **Periods.**



Bills Outstanding — Universal Enterprises — Ctrl + M

Bills Receivable — 1-Apr-2008 to 31-Mar-2009

Date	Ref. No.	Parties' Name	Pending Amount	(< 60 days)	60 to 90 days	90 to 120 days	(> 120 days)
1-Apr-2008	B	Computer Junction	14,560.00				14,560.00
24-Apr-2008	071	Global Traders	1,50,356.00				1,50,356.00
25-Apr-2008	8	Anar Computer Peripherals	15,000.00				15,000.00
30-Apr-2008	9	Sigma Computer Peripherals	12,656.25				12,656.25
5-May-2008	8	Horizon Systems	42,736.00				42,736.00
5-May-2008	1254	Advview Consultants	12,000.00				12,000.00
5-May-2008	10	Arvind Kumar	14,852.00				14,852.00
5-May-2008	9	Computer Junction	52,000.00				52,000.00
25-May-2008	20	Hindustan Timbers	5,97,724.00				5,97,724.00
5-Jun-2008	23	Jamata Timbers	5,76,061.00				5,76,061.00
28-Jun-2008	32	S.V.S Computers	89,437.50				89,437.50
2-Jul-2008	24	Computer Junction	79,040.00				79,040.00
7-Jul-2008	22	Prism Softlinks	96,875.00				96,875.00
19-Jul-2008	23	Venkateshwara Softwares	59,725.00				59,725.00
25-Jul-2008	25	Step-in Computers	32,500.00				32,500.00
27-Aug-2008	27	Sudhaj Business Solutions	14,062.50				14,062.50
3-Sep-2008	29	Futura Systems	90.00				90.00
5-Sep-2008	NEC/INV/0043	New Era Computers	707.00				707.00
15-Sep-2008	30	Anar Computer Peripherals	4,680.00				4,680.00
21-Sep-2008	31	Office Automation Systems	79,750.00				79,750.00
8-Oct-2008	33	Gaitonde Traders	53,125.00				53,125.00
18-Oct-2008	1397	Advview Consultants	3,000.00				3,000.00
25-Oct-2008	35	Prism Softlinks	9,659.50				9,659.50
25-Oct-2008	61	Universal Systems	2,600.00				2,600.00
6-Nov-2008	70	Himaan Timbers	11,58,298.88				11,58,298.88
22-Nov-2008	52	AVT Computers	58,388.00				58,388.00
25-Nov-2008	74	Hindustan Timbers	5,66,865.00				5,66,865.00
27-Nov-2008	39	Futura Systems	67,500.00				67,500.00
							19 more ...
			93,38,106.82	39,84,118.13	6,41,870.30	9,07,868.00	37,84,249.51

Fig. 4.4.4: Ageing Analysis Report

We may also view the **Ageing Analysis** report by **due date** or by **bill date**.

CHAPTER 5

FINANCIAL ANALYSIS TOOLS IN TALLY.ERP 9

5.1 INTRODUCTION

Tally.ERP 9 provides us the capability to generate numerous advanced and critical Management Information System Reports and analytical tools, thereby facilitating better management, effective control and well-informed decisions.

Following are the some of analytical reports in **Tally.ERP 9**:

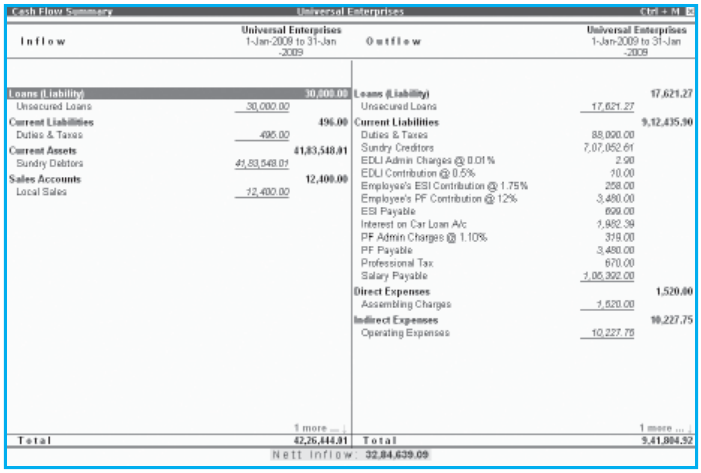
- Cash Flow Statement
- Fund Flow Statement
- Ratio Analysis
- Budgeting & Controls
- Bank Reconciliation Statement

5.2 CASH FLOW STATEMENT

Tally.ERP 9 facilitates generation of Cash flow statement, which displays the movement of cash flow viz., cash inflows and cash outflows (both, cash and bank) for a given period. The report also displays the net flow for any period.

To view **Cash Flow Summary**:

- *Go to **Gateway of Tally > Display > Cash/Funds Flow > Cash Flow.***
- Select a **month** and press **Enter.**



Cash Flow Summary — Universal Enterprises — Ctrl + M

Inflow	Universal Enterprises 1-Jan-2009 to 31-Jan-2009	Outflow	Universal Enterprises 1-Jan-2009 to 31-Jan-2009
Loans (Liability)	**30,000.00**	**Loans (Liability)**	**17,621.27**
Unsecured Loans	30,000.00	Unsecured Loans	17,621.27
Current Liabilities	**496.00**	**Current Liabilities**	**9,12,435.30**
Duties & Taxes	496.00	Duties & Taxes	88,000.00
Current Assets	**41,83,548.01**	Sundry Creditors	7,07,052.61
Sundry Debtors	41,83,548.01	EDLI Admin Charges @ 0.01%	2.90
Sales Accounts	**12,400.00**	EDLI Contribution @ 0.5%	10.00
Local Sales	12,400.00	Employee's ESI Contribution @ 1.75%	258.00
		Employee's PF Contribution @ 12%	3,480.00
		ESI Payable	699.00
		Interest on Car Loan A/c	1,982.39
		PF Admin Charges @ 1.10%	319.00
		PF Payable	3,480.00
		Professional Tax	670.00
		Salary Payable	1,06,392.00
		Direct Expenses	**1,520.00**
		Assembling Charges	1,520.00
		Indirect Expenses	**10,227.75**
		Operating Expenses	10,227.75
1 more ...		1 more ...	
Total	**42,26,444.01**	**Total**	**9,41,804.32**

Net Inflow : 32,84,639.69

Fig. 5.2.1: Cash Flow Statement screen

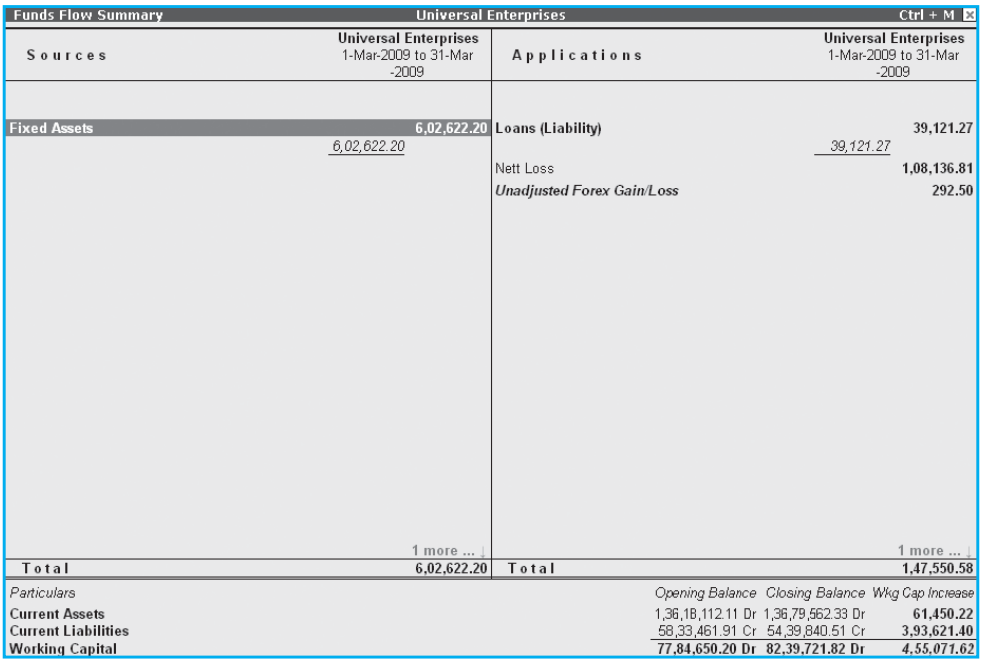
To generate **Daily Cash Flow Statement**, press **F4**. To view information on the **average cash inflow /out flow** for any period, activate **Show Average Details** in **F12: Configure**.

5.3 FUND FLOW STATEMENT

Tally.ERP 9 facilitates generation of Fund Flow Statement, which displays the sources of the Funds and their applications. This report clearly indicates the movement in sources and application of funds impacting the business's working capital and cash position. It includes operational funds, increase and decrease in inventories, creditors/ debtors.

To view **Fund Flow Statement**:

- *Go to **Gateway of Tally > Display > Cash/Funds Flow > Funds Flow.***
- Select any **month** and press **Enter.**



Funds Flow Summary — Universal Enterprises — Ctrl + M

Sources	Universal Enterprises 1-Mar-2009 to 31-Mar-2009	Applications	Universal Enterprises 1-Mar-2009 to 31-Mar-2009
Fixed Assets	6,02,622.20	Loans (Liability)	39,121.27
	6,02,622.20		39,121.27
		Nett Loss	1,08,136.81
		Unadjusted Forex Gain/Loss	292.50
	1 more ... ↓		1 more ... ↓
Total	6,02,622.20	Total	1,47,550.58

Particulars	Opening Balance	Closing Balance	Wkg Cap Increase
Current Assets	1,36,1B,112.11 Dr	1,36,79,562.33 Dr	61,450.22
Current Liabilities	58,33,461.91 Cr	54,39,840.51 Cr	3,93,621.40
Working Capital	77,84,650.20 Dr	82,39,721.82 Dr	4,55,071.62

Fig. 5.3.1: Fund Flow Statement screen

5.4 RATIO ANALYSIS

Ratio Analysis is an indicator of the operating performance of a business. In Tally.ERP 9, we can generate Ratio Analysis report providing information on critical ratios (viz., operating cost percentage, return on working capital and so on) in a single report.

To view **Ratio Analysis Report**:

- *Go to **Gateway of Tally > Ratio Analysis.***

Ratio Analysis — Universal Enterprises — Ctrl + M

Principal Groups	Universal Enterprises 1-Apr-2008 to 31-Mar-2009	Principal Ratios	Universal Enterprises 1-Apr-2008 to 31-Mar-2009
Working Capital	82,39,721.82 Dr	**Current Ratio**	2.51 : 1
(Current Assets-Current Liabilities)		*(Current Assets : Current Liabilities)*	
Cash-in-hand	10,19,901.25 Dr	**Quick Ratio**	2.26 : 1
Bank Accounts	29,35,492.67 Dr	*(Current Assets-Stock-in-hand : Current Liabilities)*	
Bank OD A/c		**Debt/Equity Ratio**	0.04 : 1
		(Loans (Liability) : Capital Account + Nett Profit)	
Sundry Debtors	65,16,336.68 Dr		
(due till today)	**73,00,627.27 Dr**	**Gross Profit %**	27.55 %
Sundry Creditors	50,76,720.00 Cr	**Nett Profit %**	19.76 %
(due till today)	**48,62,156.00 Cr**	**Operating Cost %**	80.24 %
		(as percentage of Sales Accounts)	
Sales Accounts	3,15,70,847.50 Cr		
Purchase Accounts	2,41,98,697.50 Dr	**Recv. Turnover in days**	68.20 days
Stock-in-hand	13,58,831.73 Dr	*(payment performance of Debtors)*	
Nett Profit	62,38,991.92 Cr		
		Return on Investment %	53.15 %
Wkg. Capital Turnover	3.83	*(Nett Profit / Capital Account + Nett Profit)*	
(Sales Accounts / Working Capital)		**Return on Wkg. Capital %**	75.72 %
Inventory Turnover	23.23	*(Nett Profit / Working Capital) %*	
(Sales Accounts / Closing Stock)			

Fig. 5.4.1: Ratio Analysis Report screen

5.5 BUDGETING & CONTROLS

Tally.ERP 9 helps us to create Budgets for different periods and compare the actual financial performance vs budgeted figures and generate variance reports. We can define budget values for each Group as well as for Ledgers.

To enable **Budgets**:

- *Go to **Gateway of Tally > F11: Features > F1: Accounting Features.***
- Set **Maintain Budgets and Controls** to **Yes.**

To create **Budgets**:

- *Go to **Gateway of Tally > Accounts Info. > Budgets > Create.***
- Specify **Name** for the **Budget.**
- Specify **Date** range for the budget.
- Set **Yes** to **Groups'/ Ledgers** and assign budget to selected groups/ledgers.

To view **Budget Reports**:

- Select any report (i.e., Balance Sheet or Profit and Loss A/c or Trial Balance).
- Press **Alt + C (New Column).**
- Specify details for **period**, **Currency** and **Method of Stock Valuation**.
- Select the created **budget name** for **Types of Value to show.**
- Set **Show Variance** to **No.**

Profit & Loss A/c — Universal Enterprises — Ctrl + M

Particulars	Universal Enterprises Actuals 1-Apr-2008 to 31-Mar -2009	Universal Enterprises Expenditure Budget 1-Apr-2008 to 31-Mar -2009
↑ ... 28 more		
Profit on Sale of Assets		
Profit on Sale of Fixed Assets		
	86,97,741.73	24,000.00
Indirect Expenses	**24,58,749.81**	**2,50,000.00**
Depreciation on Fixed Assets	6,02,622.20	
Interest & Finance Charges	55,519.37	
Operating Expenses	3,33,568.75	1,24,000.00
Salaries & Remuneration Paid	12,79,165.00	7,00,000.00
Selling & Distribution Expenses	19,400.00	5,000.00
Employer ESI Contributions	8,668.00	
Employer PF Contributions	44,596.49	
Bonus	50,000.00	
Business Promotion Expenses	25,500.00	10,000.00
Depreciation		
Discount		
Insurance Premium		
Interest Due		
Interest & Finance Charges		
Interest on Partner's Capital A/c		
Legal Fees	16,500.00	
Miscellaneous Expenses	13,210.00	8,000.00
PF Employers		
Repairs & Maintenance		3,000.00
Research & Development Expenses	10,000.00	
Rounding Off		
Nett Profit :	**62,38,991.92**	**(-)2,74,000.00**

Fig. 5.5.1: Budgeted Vs Actual Figures screen

Variance Analysis

In **Tally.ERP 9**, we can view **Variance Analysis** Report which provides information on the difference between the actual vs the budgeted figures.

To view **Variance Analysis report**, set **Show Variance** to **Yes** from the above **Insert Column (Alt+C)** screen or follow the steps given below:

- *Go to **Gateway of Tally > Display > Trial Balance/Account Books (Group Summary)**.*
- Select **Budget Variance (Alt + B)**.
- Select the **Type of budget** and press **Enter**.

Trial Balance — Universal Enterprises — Ctrl + M

Particulars	Universal Enterprises 1-Apr-2008 to 31-Mar -2009 Expenditure Budget Closing Balance		Universal Enterprises 1-Apr-2008 to 31-Mar-2009 Actuals Closing Balance				Universal Enterprises 1-Apr-2008 to 31-Mar-2009 Expenditure Budget Variance Closing Balance			
	Debit	Credit	Debit		Credit		Debit		Credit	
Capital Account					55,00,000.00					
Loans (Liability)					4,63,216.03					
Current Liabilities			1,35,769.86		55,75,610.37					
Fixed Assets			40,65,111.88		6,02,622.20					
Investments			5,00,000.00							
Current Assets			1,24,09,735.66		89,005.06					
Sales Accounts		10,000.00			3,15,70,847.50	3,15,70,847.50			3,15,60,847.50	3,15,60,847.50
Purchase Accounts			2,41,92,697.50							
Direct Expenses	34,000.00		33,240.00	97.76%			760.00	2.235%		
Indirect Expenses	2,50,000.00		24,62,249.81	984.90%	3,500.00		(-)22,12,249.81	(-)884.990%		
Profit & Loss A/c		2,74,000.00							(-)2,74,000.00	(-)100%
Grand Total	2,84,000.00	2,84,000.00	4,38,04,804.71	15,424.23%	4,38,04,801.16	15,424.23%	(-)22,11,489.81		3,12,86,847.50	

Fig. 5.5.2: Budget Variance Report screen

5.6 BANK RECONCILIATION STATEMENT

Tally.ERP 9 provides us the facility to reconcile the transactions of the company's Bank Book with the Bank Statement and instantly displays the Balance at Bank and as per the company's Bank Book.

To view **Bank Reconciliation Statement**:

- *Go to **Gateway of Tally > Display > Account Books > Cash/Bank Book**.*
- Select the required **Bank Account** and press **Enter** on the required month.
- Press **F5: Reconcile**.
- **Enter** the date of clearing (**Bank Date**), date on which the transaction is being debited/ credited, from the Bank Statement.

Bank Reconciliation — Universal Enterprises — Ctrl + M

Ledger: HDFC Bank — 1-Jun-2008 to 30-Jun-2008

(Reconciliation - All Vouchers)

Date	Particulars	Vch Type	Bank Date	Debit	Credit
↑ ... 22 more					
2-4-2008	Cash	Contra	2-4-2009		20,000.00
2-4-2008	Capital	Receipt	2-4-2009	55,00,000.00	
5-4-2008	Cash	Contra	2-4-2009		50,000.00
2-4-2008	Computer Junction	Receipt	5-4-2009	50,440.00	
9-4-2008	NextGen Systems	Payment	15-4-2009		28,000.00
13-4-2008	NextGen Systems	Payment	17-4-2009		4,680.00
18-4-2008	New Buzz Traders	Payment	22-4-2009		4,500.00
26-4-2008	Hyundai Motors (I) Pvt. Ltd.,	Payment	30-4-2009		2,00,000.00
30-4-2008	Travelling & Conveyance	Payment	3-5-2009		21,650.00
30-4-2008	Assembling Charges	Payment	3-5-2009		1,520.00
3-5-2008	Canara Bank	Contra	3-5-2009		2,00,000.00
8-5-2008	Jet Roadways (P) Ltd.,	Payment	12-5-2009		8,000.00
17-5-2008	Canara Bank	Contra	17-5-2009		3,00,000.00
15-5-2008	Office Automation Systems	Receipt	20-5-2009	1,00,000.00	
25-5-2008	Cholamandalam Auto Finance Coy.,	Payment	30-5-2009		19,603.66
30-5-2008	Cash	Contra	30-5-2009		1,00,000.00
29-5-2008	D R D O, Bangalore	Receipt	3-6-2009	1,00,000.00	
31-5-2008	Assembling Charges	Payment	4-6-2009		1,520.00
31-5-2008	D R D O, Bangalore	Receipt	4-6-2009	2,31,300.00	
6-6-2008	Jain Realtors	Payment	12-6-2009		4,00,000.00
8-6-2008	Jet Roadways (P) Ltd.,	Payment	15-6-2009		8,500.00
18-6-2008	Top Computers	Payment	22-6-2009		3,65,840.00
22-6-2008	TVS Electronics (I) Ltd.,	Payment	26-6-2009		2,00,000.00
29-6-2008	Cash	Contra	29-6-2009		1,00,000.00
25-6-2008	Cholamandalam Auto Finance Coy.,	Payment	30-6-2009		19,603.66
30-6-2008	Assembling Charges	Payment	3-7-2009		1,520.00
30-6-2008	D R D O, Bangalore	Receipt	4-7-2009	5,00,000.00	
30-6-2008	D R D O, Bangalore	Receipt	4-7-2009	2,00,000.00	
		Balance as per Company Books :		26,11,264.33	
		Amounts not reflected in Bank :		66,94,992.48	37,83,728.15
		Balance as per Bank :			3,00,000.00

Fig. 5.6.1: Bank Reconciliation Report screen

We can predefine the date of reconciliation for transactions starting from where we want to reconcile, by specifying the **Effective Date of Reconciliation** in the **Bank Ledger Master**.

CHAPTER 6

E-FILING PROCESS

LEARNING OBJECTIVES

- What is e-filing?
- Understanding the procedure of e-filing
- Special points about e-filing process
- Overview on GST

6.1 INTRODUCTION

E-filing of tax returns and other documents is a major change in Indian tax administration scenario. In this era of information technology, everything is changing to "electronic" format. Change in tax administration was much awaited and expected. Today, all major tax administration matters are converted to electronic format. This has proved to be a big step towards increasing transparency and efficiency in tax administration.

6.2 WHAT IS E-FILING?

In simple words, it is giving information to tax authorities in electronic format. Giving information in electronic format is much easies for assesse as well as tax authorities.

Difference between e-filing and paper filing :

Sr.	Particulars	E-filing	Paper Filing
1	Convenience	Can be filed during any time of day. There is no concept called as office working hours.	To be filed during office working hours only.
2	Place of filing	Can be filed from anywhere in the world. No concept of office place for filing.	To be filed at a particular office only.
3	Possibility of errors	Very less as all possible electronic checks and controls are there.	Very high as there can not be any control or check before filing of return.
4	Processing of returns	Very fast	Very slow

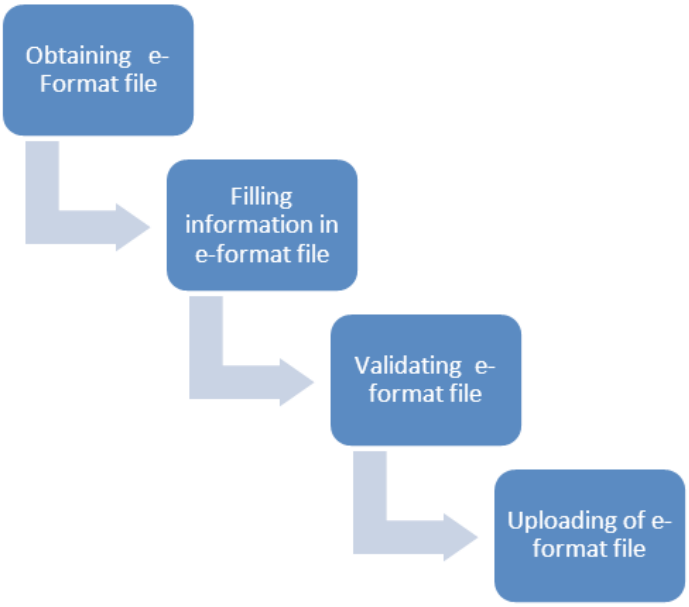
5	Obtaining information from tax authorities	Status of return processing, status of refund, etc. can be obtained within minutes as all the information is stored on the website only. Also, it is possible to obtain the information without any human intervention.	It is very difficult and time consuming to obtain any type of information.
6	Chances of Malpractices	Low	High
7.	Access to past records	The documents filed with tax authorities can be retrieved at later date for further use like obtaining loans, preparation for tax assessments, verification of historical records	Majority of documents were filed in physical form will require individual to retain these documents in secure form. Where original copies get mutilated, lost, destroyed will cause lots of problems to the assessee.

6.3 TYPES OF E-FLING

1. E-filing for Income Tax
2. E-filing for Service Tax
3. E-filing for Company Law
4. E-filing for GST

6.3.1 Common E-filing process:

By and large e-filing process is mostly common. In some cases it may differ to some extent. Following flow chart gives a broad idea of e-filing process.



(a) **Obtaining e-format file :**

This is the first step in e-filing process. In some cases, this step may not be needed. File formats are designed by tax authorities for filing of e-returns. The tax authorities each year at the beginning of the year notified tax returns format including the efiling format in excel and other java based format for filing. These file formats have to be obtained first. E.g. for filing of income tax return of a practicing chartered accountant, the appropriate return form is ITR-3. This is an excel file and this file can be downloaded from www.incometaxindiaefiling.gov.in, the official website for efiling of tax returns with income tax department. Similarly, various other formats are available on websites of different tax authorities for filing of returns. Assessee has to select and download the correct format for e-filing.

(b) Filling information in e-format file :

This is the next step after obtaining the e-format file. Information relating to tax compliance has to be filled in in this file. There are two ways of doing it.

(a) Filling the information manually

(b) Using some software for filling of information.

In some cases, due to typical file format, it is not possible for any human being to fill the information manually. In such cases, some software has to be used for filling of information in e-file format.

(c) Validating e-format file :

This is a process where e-file format is checked for mistakes/errors. Different types of errors can be committed while filling the information. E.g. Calculation of tax payable on taxable income, Interest payable on late payment of advance tax or setoff of carried forward losses by the assessee, date of filing return may not be a current date, PAN details of assessee may not be filled correctly, etc. These types of mistakes can be easily detected in the process of file validation. In some cases, file validation utility is built in in the e-file format itself. In some cases, it may be used externally. File validation utility is software, which checks for mistakes in the file. Once the file get validated the utility program showing errors and once these have been removed the efiling file will be generated specified format as per tax authorities.

Uploading e-format file :

Once the file is validated and % error free, it can be uploaded on the website of respective tax authority. This is actual submission of information. It is just like attaching the file to an email. There are two types of uploading.

(a) Uploading by assesse directly.

(b) Uploading by agent of tax authority.

E.g. Income tax return has to be uploaded by the assessee directly, but TDS return can be uploaded by the assessee or through an tax intermediary. It has to be given to authorize TIN Facilitation Centre only.

After successful uploading of any tax return, acknowledgement is generated automatically. This can be printed immediately or later on also.

6.3.2 Income Tax E-Filing

Introduction:

Income tax return has to be filed by every assessee every year. For e-filing of income tax returns all the assesses are classified in two parts.

Individual / HUF

Firm, Association of Persons, Body of Individuals, Local Authority, Company, Trust,

ITR Forms for Individual, HUF :

Sr	Source of Income		Individual, HUF		
		ITR-1	ITR-2	ITR-3	ITR-4S
1	Income from Salary/Pension	•	•	•	•
2	Income from Other Sources (only Interest Income or Family Pension)	•	•	•	•
3	Income/Loss from Other Sources		•	•	•
4	Income/Loss from House Property		•	•	•
5	Capital Gains/Loss on sale of investments/ property		•	•	
6	Partner in a Partnership Firm		•	•	
7	Income from Proprietary Business/Profession			•	
8	Income from presumptive Business			•	

Table 6.3.1 (A): ITR Forms for Individual, HUF

ITR Forms for Firms, Associations of Persons (AOP), Body of Individuals (BOI), Local Authority, Companies, Trusts, Fringe Benefit Tax (FBT) Return

Sr.	Source of Income			Trusts	Only FBT
		ITR4/ ITR-5	ITR-6	ITR-7	ITR-8 #See Note
1	Income / Loss from Other Sources	•	•	•	
2	Income / Loss from House Property	•	•	•	
3	Capital Gains / Loss on sale of Investments / Property	•	•	•	
4	Income / Loss from Business	•	•	•	
5	Fringe Benefit Tax	•	•	•	•

Table 6.3.1 (B): ITR Forms for Firms, AOP,BOI,Trust,FBT

#Note: ITR-8 is discontinued for e-Filing from AY 2010-11 onwards, still continued for AY 2007-08, 2008-09, 2009-10.

List of Income Tax Returns:

List of ITRs		
Return Type	**Who can use this Return Form**	**Who cannot use this Return Form**
ITR 1 (Sahaj)	1. This Return Form is to be used by an Individual whose Total Income for the assessment year 2017-18 includes - • Income from Salary/ Pension; or • Income from One House Property (excluding cases where loss is brought forward from previous years); or • Income from Other Sources (excluding winning from lottery and income from Race Horses, Income taxable under section 115BBDA or Income of the nature referred to in section 115BBE) Note: Further, in a case where the Income from another person like Spouse, Minor Child, etc. is to be clubbed with the income of the assessee, these Return Form can be used only if the Income being clubbed falls under the above categories	This Return Form should not be used by an Individual whose Total Income for the assessment year 2017-18 includes • Income from more than one house property; or • Income from winnings from lottery or income from Race horses; or • Income taxable under section 115BBDA; or • Income of the nature referred to in section 115BBE; or • Income under the head "Capital Gains" e.g., short-term capital gains or long-term capital gains from sale of house, plot, shares etc.; or • Agricultural income in excess of ₹5,000; or • Income from Business or Profession; or • Loss under the head 'Income from other sources'; or • Person claiming relief under section 90 and/ or 91; or • Any resident having any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India; or • Any resident having income from any source outside India.
ITR 2	This Return Form is to be used by an individual or an Hindu Undivided Family who is not eligible to file Sahaj ITR-1 and whose income chargeable to income-tax under the head "Profits or gains of business or profession" is in the nature of interest, salary, bonus, commission or remuneration, by whatever name called, due to, or received by him from a partnership firm.	This Return Form should not be used by an individual whose total income for the assessment year 2017-18 includes Income from Business or Profession under any proprietorship.

	Note: In a case where the Income from another person like spouse, minor child, etc. is to be clubbed with the income of the assessee, these Return Form can be used where such income falls in any of the above categories	
ITR 3	This Return Form is to be used by an individual or a Hindu Undivided Family who is carrying out a proprietary business or profession.	
ITR 4	This Return Form is to be used by an individual/ HUF/ Partnership Firm whose total income for the assessment year 2017-18 includes:- ● Business income where such income is computed in accordance with special provisions referred to in sections 44AD and 44AE of the Act for computation of business income; or ● Income from Profession where such income is computed in accordance with special provisions referred to in sections 44ADA; or ● Salary/ Pension; or ● Income from One House Property (excluding cases where loss is brought forward from previous years); or ● Income from Other Sources (excluding Winning from Lottery and Income from Race Horses). Note 1: The income computed shall be presumed to have been computed after giving full effect to every loss, allowance, depreciation or deduction under the Income-tax Act.	This form cannot be used in following cases ● Income from more than one house property; or ● Income from Winnings from lottery or income from Race horses; or ● Income under the head "Capital Gains", e.g. Short-term capital gains or long-term capital gains from sale of house, plot, shares etc.; or ● Income taxable under section 115BBDA; or ● Income of the nature referred to in section 115BBE; or ● Agricultural income in excess of ₹5,000; or ● Income from Speculative Business and other special incomes; or ● Income from an agency business or income in the nature of commission or brokerage; ● Person claiming relief of foreign tax paid under section 90, 90A or 91; or ● Any resident having any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India; or ● Any resident having income from any source outside India.

	Note 2: Further, in a case where the income of another person like spouse, minor child, etc. is to be clubbed with the income of the assessee, this Return Form can be used only if the income being clubbed falls into the above income categories.	
ITR 5	This Form can be used by a person being a firm, LLPs, AOP, BOI, artificial juridical person referred to in section 2(31)(vii), persons referred to in section 160(1)(iii) or (iv), cooperative society, registered societies and local authority.	A person who is required to file the return of income under section 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4F) shall not use this form
ITR 6	This Return Form can be used by a Company	A Company claiming exemption under section 11 shall not use this Form
ITR 7	This Form can be used by persons including Companies who are required to furnish return under section 139(4A) or 139(4B) or 139(4C) or 139(4D).	
ITR 8	This Form is applicable in case of a person who is not required to furnish the return of income but is required to furnish the return of fringe benefits. **Note:** This Form is applicable from assessment year 2006-07 to 2009-10	

Table 6.3.1 (C): List of Income Tax Returns

Source : www.incometaxindiaefiling.gov.in

6.4 OVERVIEW OF E-FILING WEBSITE:

E-filing website of income tax department has been upgraded recently.

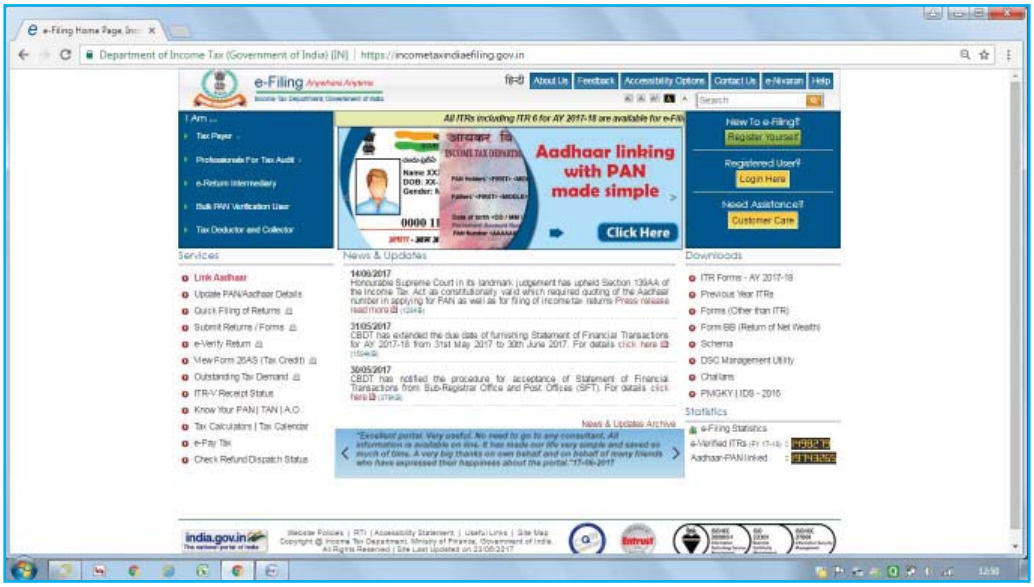


Fig. 6.4.1 E-filing website

E-filing website has become much more user friendly now. So many new features are added for increasing transparency. The first step for using income tax e-filing website is to register with it. Registration process is simple process just like creating an email account.

To register for the first time,

- Click on the "Register Yourself" button located on top right part of the website home screen.
- Select the user type, e.g. Individual, HUF, Company, etc.
- Fill in the required information like PAN, Name, Email ID, Mobile No, etc.
- Save the information.
- Linking of Aadhar of the assessee is not made mandatory w.e.f 1 July, 2017 onward

This is a one time activity only. Once registration is over, a user is allowed to enter into his/her own account and do lot of activities including uploading of his/her income tax return.

Some activities can be carried out on website without registration also.

Services offered by e-filing website:

Following are the services offered by e-filing website.

- Submit returns/ forms
- View Form 26AS (Tax Credit)
- Check the details of outstanding tax demand
- Check ITR-V receipt status

- Check CPC Refund Status
- Check rectification status
- Know your jurisdictional A.O.
- Know your PAN
- Know your TAN
- Apply online for PAN / TAN
- E-pay taxes
- Request for Reissue of Refund
- Changes in the address, bank details, Email-ID and Contact details

6.4.1 e-Filing Statstics:

Following two tables shows the figures relating status of e-filing till 31.05.2017.

Form Wise receipt of e-Returns:

	Form	FY 2015-16 (From 01/04/2015 to 31/03/2016)	FY 2016-17 (From 01/04/2016 to 31/03/2017)	FY 2017-18 (From 01/04/2017 to 31/05/2017)
1	ITR-1	1,79,46,687	2,14,55,515	8,98,887
2	ITR-2(OLD)	22,36,078	21,89,065	46,121
3	ITR-2(NEW)	-	-	78,538
4	ITR-2A	11,74,205	16,72,759	37,317
5	ITR-3(OLD)	8,88,598	9,66,823	27,406
6	ITR-3(NEW)	-	-	1,52,725
7	ITR-4S	81,35,210	1,18,57,709	5,57,798
8	ITR-4(OLD)	1,06,46,974	1,23,90,871	4,99,376
9	ITR-4(NEW)	-	-	3,85,679
10	ITR-5	12,52,465	12,61,922	38,007
11	ITR-6	7,78,069	8,01,115	18,407
12	ITR-7	2,85,451	2,72,258	10,764
Grand Total		4,33,43,737	5,28,68,037	27,51,025

Table 6.4.1 (A): Status of e-filing till 31.5.2017

Income Range & Status Wise e-Filing Returns (FY 2017-18 From 01/04/2017 to 31/05/2017)

Income Range	Up to 5,00,000	5,00,001 - 10,00,000	10,00,001 -20,00,000	20,00,001 -50,00,000	50,00,001-	Above
Association Of Persons	6,961	139	70	37	13	32
Body Of Individuals	273	8	2	1	-	2
Company	13,990	677	568	651	404	1,237
Firm	30,110	910	526	372	130	202
Government	5	-	-	-	-	-
Hindu Un-divided Family	30,488	2,925	671	167	37	13
Artificial Juridical Person	546	8	-	3	2	2
Local Authority	134	1	-	1	-	3
Individual	23,03,862	1,73,910	37,964	10,769	2,175	1,155
Trust	9,410	193	53	26	8	13
Grand Total	23,95,779	1,78,771	39,854	12,027	2,769	2,659

Table 6.4.1 (B): Income range & Status wise of e-filing till 31.5.2017

Highlights of e-Filing

No of Registered Users as on 31/05/2017	6,32,49,130
Percentage of returns filed using Utility provided by Department	47.62%
Percentage of returns received outside office hours	47.29%

Table 6.4.1 (C): Highlights of e-filing

What is digital signature certificate?

- Technically, a digital signature is a mathematical scheme for demonstrating the authenticity of a digital message or document. A valid digital signature gives a recipient reason to believe that the message was created by a known sender, such that the sender cannot deny having sent the message (authentication and non-repudiation) and that the message was not altered in transit (integrity). Digital signatures are commonly used for software distribution, financial transactions, and in other cases where it is important to detect forgery or tampering.
- Digital Signature Certificates (DSC) are the digital equivalent (that is electronic format) of physical or paper certificates. Examples of physical certificates are drivers' licenses, passports or membership cards. Certificates serve as proof of identity of an individual for a certain purpose; for example, a driver's license identifies someone who can legally drive in a particular country. Likewise, a digital certificate can be presented electronically to prove your identity, to access information or services on the Internet or to sign certain documents digitally.
- Like physical documents are signed manually, electronic documents, for example e-forms are required to be signed digitally using a Digital Signature Certificate.

- A licensed Certifying Authority (CA) issues the digital signature. Certifying Authority (CA) means a person who has been granted a license to issue a digital signature certificate under Section 24 of the Indian IT-Act 2000.
- The different types of Digital Signature Certificates are: Class 2: Here, the identity of a person is verified against a trusted, pre-verified database.
- Class 3: This is the highest level where the person needs to present himself or herself in front of a Registration Authority (RA) and prove his/ her identity.
- The Certifying Authorities are authorized to issue a Digital Signature Certificate with a validity of one or two years.
- Digital Signatures are legally admissible in a Court of Law, as provided under the provisions of IT
- Price of a digital signature may vary from vendor to vendor. It includes the cost of medium (a UBS token which is a one time cost), the cost of issuance of DSC and the renewal cost after the period of validity. The company representatives and professionals required to obtain DSCs are free to procure the same from any one of the approved Certification Agencies as per the web site. The issuance costs in respect of each Agency vary and are market driven. However, for the guidance of stakeholders, a suggestive list showing costs of issuance of DSCs at the consumer end from the Certification Agencies is given as under.

Sr.	Name of Certification Agency (CA)	Cost of USB Cryptotoken	Cost of DSC with one year validity	Renewal Charges for DSC with one year validity	Cost of DSC with two year validity	Support charges
1.	MTNL CA	Reference of USB crypto token which the user can procure is provided on www. mtnltrustline.com.	Rs. 300/- (for MTNL phone subscriber) and Rs. 450/- for others (Taxes extra)	Rs. 300/- (for MTNL phone subscriber) and Rs. 450/- for others (Taxes extra)	Rs. 400/- (for MTNL phone subscriber) and Rs. 600/- for others (Taxes extra)	Inclusive
2.	TCS	Rs. 750 (Inclusive of 4% Sales Tax). Any other applicable Taxes Extra.	Rs. 1245 (Inclusive of 12.24% Sales Tax.) Any other applicable Taxes Extra.	Rs. 1000/- (Inclusive of 12.24% Sales Tax) Any other applicable Taxes Extra	Rs. 1900/- (Inclusive of 12.24% Sales Tax) Any other applicable taxes Extra	Not Provided by CA
3.	IDBRT	Not provided by the CA. The user can procure the token from market directly and get his DSC loaded into it	Rs. 750/- (Rs. 500/- towards	Rs. 750/-	Rs. 1500/-	Inclusive

4.		Rs. 1000/- Taxes extra	Rs. 995/- (No service tax applicable)	Rs. 995/- (No service tax applicable)	Rs. 1650/- (No service tax applicable)	Rs. 500/- per site visit payable directly to the Authorised Partner.
5.	nCODE Solutions	Rs. 900/- (Inclusive of VAT/ Sales Tax)	Rs. 1090/- (No service tax applicable)	Not Finalised	Rs. 1650/- (No service tax applicable)	Inclusive
6.	NIC	Certificate provided in Smart card. Cost of Card Rs. 400/-. For DSCs on USB token, the subscribers have to bring NICCA approved USB token	All certificates provided with 2 years validity	NIL	NIL for Government Rs. 150/- for PSU, Autonomous & Statutory Bodies	Training Charges: Rs. 500/- per participant (optional)
7.	Central Excise & Customs	Does not issue DSCs to person other than those from the Department				
8.	e-Mudhra (3i Infotech Consumer Services Limited)	Rs 700/- • Exclusive of VAT / Sales Tax / Courier charges	Rs. 899/- • Service tax not applicable	Rs. 899/- • Service tax not applicable	Rs. 1149/- • Service tax not applicable	Inclusive of Telephonic or Web support

Table 6.4.1: Name of Certification agencies

What is Electronic Verification Code (EVC) ?

Now w.e.f from Assessment Year 2015-16 the taxpayer can file verify their income return using Electronic verification code and thereafter they need not required to furnish physical copy of the ITRV to the CPC Bangalore within 120 days from the date of Income tax return filed online.

The verification of the ITR by the taxpayer would be possible by submitting an Electronic Verification Code (EVC) which can be generated presently by any of the following modes:

(a) Internet Banking –

In this process a person (with a PAN validated by the bank) can log in to his Net-banking account with a bank registered for this purpose with the Department and will be redirected to the E-filing website (by selecting appropriate option) where he can generate a EVC.

(b) Aadhaar One-Time Password (Aadhaar OTP) –

In this process, the Aadhaar number and the data of name, gender and Date of birth of the person as per the Permanent Account Number (PAN) database would be authenticated against the data of Aadhaar maintained by the Unique Identification Authority (UIDAI). On confirmation UIDAI would send an OTP to the Aadhaar registered mobile number of the person.

(c) Bank Account Validation –

In this process the taxpayer would submit his bank account particulars which would be instantly validated with the bank electronically to confirm the PAN of taxpayer submitted during KYC done by the bank after which taxpayer would be able to generate a EVC for submission of the return.

(d) Demat Account Validation –

In this process the taxpayer would submit his demat account particulars which would be instantly validated with NSDL/CDSL depositories electronically to confirm the PAN of taxpayer submitted during KYC done by the depository after which taxpayer would be able to generate a EVC for submission of the return.

(e) EVC through ATM –

In this process the taxpayer would log in to account in the ATM using his debit card and select the option to generate EVC.

(f) E-filing One Time Password (OTP)-

A person having total income as per the Income Tax Return of Rs. 5 lakhs or below without any refund claim, can generate an EVC on the Efiling website that will be sent to the Registered Email ID and Mobile Number of person with E-filing Website.

6.4.2 Steps for e-filing of income tax returns:

Before we discuss about the steps for e-filing of income tax returns, it is necessary to understand for whom it is mandatory and for whom it is optional.

E-filing of income tax returns / forms has been made mandatory for –

- Individual/HUF having total income of Rupees 5 Lakhs and above for AY 2015-16 and subsequent Assessment years.
- Individual/HUF, being resident, having assets located outside India for AY 2012-13 and subsequent Assessment years.
- He is not ordinary resident and has assets (including financial interest in any entity) located outside India or signing authority in any account located outside India or any income outside India.
- Individual/HUF/Firm auditable u/s 44AB of the IT Act, 1961 for AY 2011-12 and subsequent Assessment years.
- All companies/partnership form/Limited liability partnership firms
- Digital Signature is mandatory for Companies and Tax Payers audited u/s 44AB as per Income Tax Act 1961

There can be three types of e-filing options in case of income tax returns.

Option 1: Use Digital Signature Certificate (DSC)/EVC to e-File. There is no further action needed, if filed with a DSC/EVC.

Option 2: e-File without Digital Signature Certificate. In this case an ITR-V Form is generated. The Form should be printed, signed and submitted to CPC, Bangalore using Ordinary Post or Speed Post ONLY within 120 days from the date of e-Filing. There is no further action needed, if ITR-V Form is submitted.

Option 3: e-File the Income Tax Return through an e-Return Intermediary (ERI) with or without Digital Signature Certificate (DSC).

6.4.3 E-filing Steps:

To upload Income Tax Return:

- Step 1: On homepage, GO TO 'Downloads' section and select applicable Income Tax Return Form of the relevant Assessment Year OR Login to e-Filing application and GO TO 'Downloads'-->'Income Tax Return Forms' and select applicable Income Tax Return Form of the relevant Assessment Year.
- Step 2: Download the excel utility of the Income Tax Return (ITR).
- Step 3: Fill the excel utility and Validate. (You can pre-fill the Personal and Tax Information in your Income Tax Return. To pre-fill, Login to e-Filing application and GO TO --> Downloads --> Download Pre-filled XML to the desired path/destination in your desktop/system. Open the Excel utility (ITR) and click the "Pre-fill" button. This will require you to select the path/destination where you have saved the XML and click OK. The details will be uploaded into your utility. You may edit the tax details, if needed).
- Step 4: Generate an XML file and save in desired path/destination in your desktop/system.
- Step 5: LOGIN to e-Filing application and GO TO --> e-File --> Upload Return.
- Step 6: Select the Income Tax Return Form and the Assessment Year.
- Step 7: Browse and Select the XML file
- Step 8: Upload Digital Signature Certificate, if available and applicable.
- Step 9: Click 'SUBMIT'.
- Step 10: On successful upload, the return can be verified electronically
- Step 11: Four e-Verification options provided – Taxpayer can choose any one of the options provided to e-Verify the return:
  - I already have an EVC to e-Verify the return
  - I do not have an EVC and I would like to generate EVC to e-Verify my return
  - I would like to generate Aadhaar OTP to e-Verify my return
  - I would like to send ITR-V / I would e-Verify later

Note:

- You can upload the returns after you have registered in e-Filing.
- To e-File using Digital Signature Certificate (DSC), the DSC should be registered in the application. (To register DSC, you should LOGIN and GO TO --> Profile Settings --> Register Digital Signature Certificate)

- If the Income Tax Return is uploaded with DSC (digitally signed) or EVC (electronically verified), on generation of "Acknowledgement", the Return Filing process is complete. The return will be further processed and the Assessee will be notified accordingly. Please check your emails on these notifications.
- If the return is not uploaded with a DSC (digitally signed) or EVC (electronically verified), on successful upload of e-Return, an ITR-V Form will be generated. This is an Acknowledgement cum Verification form. A duly verified ITR-V form should be signed and submitted to Centralized Processing Centre, Income Tax Department, Bengaluru 560500 by Ordinary Post or Speed Post (without Acknowledgment) ONLY, within 120 days from the date of e-Filing.
- On receipt of the ITR-V at CPC, the return will be further processed and the Assessee will be notified accordingly. Please check your emails on these notifications

6.4.4 E-filing without DSC/EVC :

The process of e-filing remains the same in both the case, with digital signature/Electronic Verification Code and without digital signature, except one additional step. E-filing without Digital Signature Certificate requires one more step of sending the acknowledgement to CPC at Bengaluru. After successful upload of income tax return, assesse has to take a printout of ITR-V, acknowledgement of income tax return, sign it and send it to Central Processing Centre at Bengaluru to complete the return filing process. This signed acknowledgement must reach Central Processing Centre within 120 days of uploading the return.

6.4.5 Important Points about ITR-V :

- Please use Ink Jet /Laser printer to print the ITR-V Form. Use of Dot Matrix printer should be avoided.
- The ITR-V Form should be printed only in black ink. Do not use any other ink option to print ITR-V.
- Ensure that print out is clear and not light print/faded copy.
- Please do not print any water marks on ITR-V. The only permissible watermark is that of "Income tax Department" which is printed automatically on each ITR V.
- The document that is mailed to CPC should be signed in Original. Photocopy of signatures will not be accepted.
- The signatures or any handwritten text should not be written on Bar code.
- Bar code and numbers below barcode should be clearly visible.
- Only A4 size white paper should be used.
- Avoid typing anything on the reverse side of the paper.
- Perforated paper or any other size paper should be avoided.
- Do not use stapler on ITR-V Acknowledgement.
- In case, you are submitting Original and Revised Income Tax Returns, do not print them back to back. Use two separate papers for printing ITR-Vs separately.

- Please do not submit any annexures, covering letter, pre stamped envelopes, along with ITR-V.
- The ITR-V form is required to be sent to Post Bag No.1, Electronic City Post Office, Bengaluru, Karnataka-560100, by Ordinary or Speed Post (without Acknowledgment) ONLY
- ITR-Vs that do not conform to the above specifications may get rejected or acknowledgement of receipt may get delayed.

6.4.6 E-Filing with DSC:

Here, there is no need of sending ITR-V acknowledgement to CPC, Bengaluru as the return is signed by the assessee digitally. While uploading income tax return, a question is asked as "Do you want to digitally sign ? ". Answer to this question must be set to "YES" to upload the return with digital signature certificate.

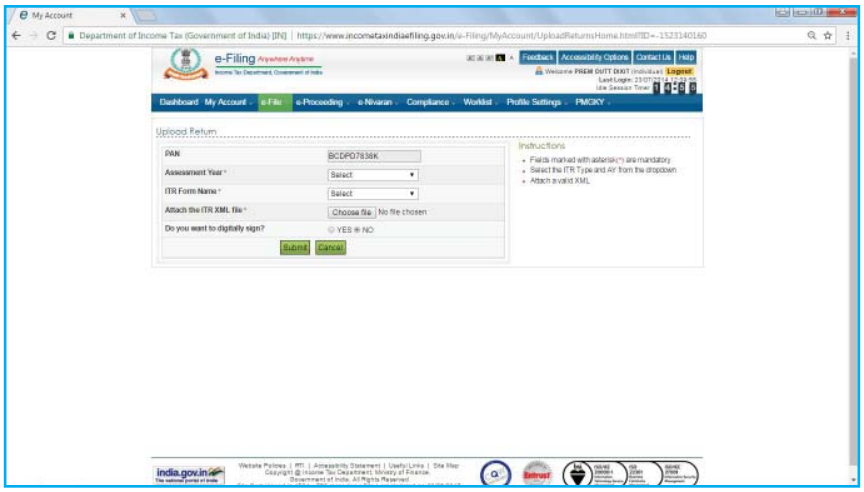


Fig.6.4.5: E-filing with Digital Signature

Registration of Digital Signature Certificate:

This is an activity to be performed before uploading the income tax return with digital signature certificate.

Path : Profile Settings > Register Digital Signature Certificate.

Select appropriate option and submit.

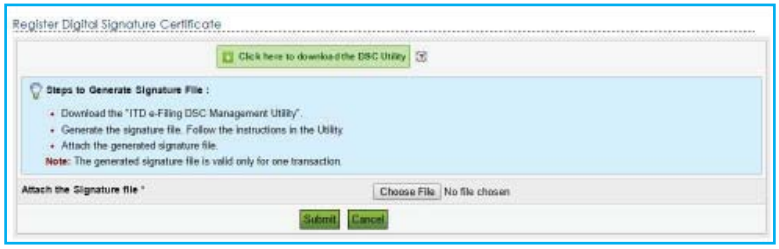


Fig. 6.4.6 (A): Registration of Digital Signature

Steps for register of Digital Signatures

Step1: - Download ITD e-filing DSC management Utility from the link provided in e-Filing website at the time of XML upload

Step2: - Extract the zip folder and open the utility (DSC_MGMT_UTILITY.jar)

Step3: - The utility will get opened as mentioned below. Select Register/Reset Password Using DSC tab.

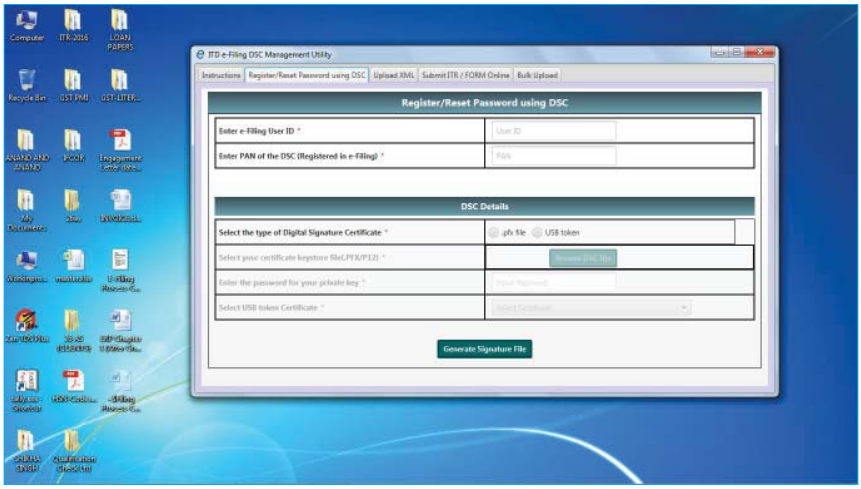


Fig.6.4.6 (B): Registration of Digital Signature

Step 4: - Enter the e-Filing User ID.

Step 5: Enter the PAN of the DSC registered in e-Filing. In case of NRI User this is not a Mandatory Field

Step 6: Select the type of DSC

Step 7: Select a valid USB token certificate

Step 8: Enter the USB token PIN and then click OK.

A success message will be displayed and signature file will be generated and saved at the location where XML was stored.

Steps for uploading of Income Tax Return by Professionals:

Step 1: GO TO 'Downloads' section and select applicable Income Tax Form of the relevant Assessment Year OR Login to e-Filing application and GO TO 'Downloads'-->'Download Forms' and select applicable Income Tax Form of the relevant Assessment Year.

Step 2: Download the excel utility of the Income Tax Form

Step 3: Fill the excel utility and Validate

Step 4: Generate an XML file and save in desired path/destination in your desktop/system.

Step 5: LOGIN to e-Filing application and GO TO --> e-File --> Upload Form.

Step 6: Select the Income Tax Form and the Assessment Year.

Step 7: Browse and Select the XML file

Step 8: Upload Digital Signature Certificate.

Step 9: Click 'SUBMIT'.

Step 10: On successful upload, the Income Tax Form is sent to Assessee's workflow for acceptance.

Step 11: The Assessee should LOGIN to e-Filing application, GO TO Worklist and accept/reject the Income Tax Form.

Step 12: On Approval, the Form is successfully submitted with e-Filing application. No further action is required.

Step 13: If rejected, the Tax Professional can prepare and e-File the Income Tax Form again by following the above mentioned steps.

Preparation and Submission of ITR-1 Online :

The taxpayer has the option of submitting ITR 1 by way of Uploading XML OR by Online submission

- Step 1: Login to e-Filing application
- Step 2: GO TO 'e-File' --> 'Prepare and Submit Online'
- Step 3: Select the Income Tax Return Form ITR 1 and the Assessment Year.
- Step 4: Fill in the details and click the SUBMIT button
- Step 5: On successful submission, Acknowledgement detail is displayed. Click on the link to view or generate a printout of Acknowledgement/ITR-V Form.

Common mistakes in filling of Income Tax Return

The accurate and complete filling up of the relevant column or detail in the Income Tax Return (ITR) form is most crucial for correct calculation of income. In case the computation of Income or refund is different than what had been entered or what is expected, please verify the accuracy of the data entered by you in the ITR. Except for limited number of complicated tax returns, for most taxpayers, the simple check points are the following:

- Salary from all employers, irrespective of whether Form 16 has been issued or not, should be entered in Item 1 of ITR 1 or details in Schedule Salary in ITR 2.
- Interest income from fixed deposits, savings bank account etc should be entered in Item 3 viz. Income from other Sources of ITR 1 or Schedule OS-Income from Other Sources in all other ITR's.
- House Property Income. Schedule HP should be filled carefully including the address details. Income from House Property should be entered in Item 1a viz. Annual letable value/ rent received/ receivable. Municipal taxes paid should be entered in Item 1c viz. tax paid to local authority in Schedule HP-Income from House Property.
    - A flat deduction of 30% of the amount in Item 1e is the only deduction permissible for repairs and such expenses will be auto-populated in Item 1f of Schedule HP.
    - Deduction for Interest on housing loan should be entered in Item 1g viz. Interest payable on Borrowed Capital and is restricted to Rs 1,50,000 for 'Self Occupied' house. Therefore, correctly mention whether the house property is Self-Occupied or Let Out in Schedule HP.
    - Accordingly, the final value of Income from House Property will auto populate in Item 1i.

- In case of multiple house properties do not use ITR-1, details of each house property have to be entered completely as mentioned above.
- In case of ITR-1 , the House Property loss should be entered as a negative (-) value in the 'Income from House Property' column.

- Income from Short Term Capital Gains should be entered in Item A of Schedule CG-Capital Gains.
  - Out of value auto-populated in column "Total Short Term Capital Gains", the amount of STCG attributable to STCG from sale of equity share in a company or a unit of an equity oriented mutual fund, typically, should be entered in column namely, 'Short term capital gain under section 111A included in 4'.
  - Moreover, the STCG under 111A as entered in column referred above is taxed at a lower flat rate of 10%
  - The residual value, where the STCG is due to sale of assets other than Equity Shares in a Company or Unit of an Equity Oriented Mutual Fund, if any, will auto populate in the column named, 'Short term capital gain other than referred to in section 111A'
  - The STCG due to sale of assets other than equity share in a company or a unit of an equity oriented fund is taxed at the normal slab based rates of tax.
  - Most mistakes in STCG are due to incomplete filling of the Schedule CG, incorrect apportionment of Total STCG into STCG on which Section 111A is applicable & STCG on which Section 111A is not applicable.
- Income from Long Term Capital Gains should be entered in Item B of Schedule CG-Capital Gains.
  - For Long Term Capital Gain (LTCG), the total value of consideration received for assets sold such as house property etc, typically, should be entered in Column 'Other Assets for which option under proviso to section 112(1) not exercised' in case the benefit of indexation is claimed.
    - Against this value of consideration received, the indexed cost of acquisition / improvement and allowable expenditure etc should be entered in appropriate columns provided thereafter.
    - The appropriate exemptions, if any, shall be entered in Column provided therein and the amounts will populate automatically wherever necessary.
    - LTCG in case of 'Asset in the case of others where proviso under section 112(1) not exercised' Column of ITR 2 is taxed at a flat rate of 20% and the benefit of indexation is allowed.
  - Where the benefit of indexation is NOT claimed then total value of consideration received for assets transferred, should be entered in 'Other Assets for which option under proviso to section 112(1) exercised' column.
    - Against this consideration, the cost of acquisition / improvement and allowable expenditure etc should be entered in relevant columns provided in Schedule CG.
    - The appropriate exemptions, if any, are filled in column provided for the same & amounts will auto populate automatically wherever necessary.

- LTCG in case of in 'Other Assets for which option under proviso to section 112(1) exercised', where the benefit of indexation is NOT allowed, as being displayed in the named column is taxed at a lower flat rate of 10%.
- The assessee is required to segregate the information date wise in Column D of Schedule CG, regarding Accrual or Receipt of Capital Gain failing which Interest under Section 234C will be wrongly calculated.

- Adjustment of current year and brought forward losses- Schedules CYLA, BFLA and CFL Most taxpayers have left these Schedules completely blank. These schedules are used for permissible adjustment of loss of one head of income against another head of income. The main checkpoints are:
  - Only positive values need to be entered. No negative value is required to be entered in CYLA, BFLA & CFL.
  - Carry forward of Current year losses though claimed in return will not be allowed if the return is not filed within due date.
  - No value should be entered in the 'Greyed out' boxes.
  - The Amounts in Schedule CYLA/BFLA will populate automatically, however assessee will be allowed to claim loss in Schedule BFLA only if appropriate columns have been entered in Schedule CFL.
  - It is to be noted that the newly introduced Schedule namely Schedule UD currently is not linked with Schedule BFLA, therefore the assessee is required to mention the Brought Forward Depreciation amount separately in Schedule BFLA for claiming the loss arising from the same.
- Income chargeable to Income tax at special rates- Schedule SI
  - Most mistakes have occurred in this Schedule since taxpayers have not correctly filled the codes, rates or values. The following points may be considered:
    - Currently the Income Tax forms do not have Individual Columns for segregating DTAA income from Non DTAA income under each head of income therefore, the taxpayer is advised to give details of DTAA income & Tax thereon in Schedule SI.
    - Also, any special income other than Capital Gains income the figures for which auto populate from Schedule CG, the assessee is required to mention it in Schedule SI only & that income shall not be specified separately under any other head.
- Deductions from Income under Chapter VIA
  - Most mistakes have occurred due to incomplete details or leaving blank the value of deductions under respective schedules. In most cases only the total deduction value is mentioned.
    - The deduction amount claimed should be entered in Items 5a to 5m in ITR 1 and in Items a to o in Schedule VIA in ITR 2.
    - Eligible donation for the purpose of deduction under 80 G for donations to charitable institutions (other than certain specified institutions or funds such as Prime Minister's Relief Fund or Rajiv Gandhi Foundation) is restricted to 10 % of total income after excluding income chargeable to special rates of tax.

- Likewise, all deductions have specific criteria and limits for claims. In the present utility a user enterable field for claiming deduction has been mentioned & correspondingly System Value for deduction claimed is also mentioned for the benefit of the assessee.
- The sum of all deductions also cannot exceed the total income.
- Deduction cannot be claimed against income chargeable to special rate tax.

- Reasons for difference in calculation of Tax or Interest under 234A, 234B or 234C and Interest on Refund.
  - Mistakes in computation of Income as mentioned above leading to an increase in Income.
  - Mistake in entering data or Income chargeable to tax at special rates such as STCG on sale of shares, LTCG where indexation benefit is claimed, winnings from lottery.
  - Incorrectly computing special rates of tax.
  - Mistakes in entering data or leaving blank, important fields relevant for computation of tax such as date of birth (relevant for senior citizens) or gender (relevant for female taxpayers), resident or non-resident, status (relevant in case of HUF).
  - In case of any shortfall of tax payment either due to non-payment or due to non-matching of the tax payment or TDS, interest may be charged.
  - Typically, interest till the date of processing under 234A is charged if the return is filed beyond due date, interest under 234B is charged for shortfall in payment of advance tax and interest under 234C is charged for deferment of advance tax.
  - Interest under 234C is also charged in case advance tax on account of STCG under 111A, LTCG or Winnings from lotteries is not paid, beginning from the next quarter from the quarter in which the income is earned.
  - Details of quarter wise breakup of STCG, LTCG and Winnings from Lottery as mentioned in Schedule SI after adjustment of Losses and adjustment of basic exemption threshold, if applicable, are used for calculation of advance tax liability and interest under 234C.

- Reasons for mistakes in Credit for tax payments or TDS

  A major reason for difference in refund amount during processing is that the details of tax payment or TDS do not match with the data available with the Department. The critical checkpoints are as under:
  - Corresponding deduction of tax (TDS) on salary by all Employers should be correctly entered in Schedule TDS1 in ITR1 or Schedule TDS 1 for ITR 2.
  - TDS on salary should be entered in Schedule TDS1 ONLY and TDS on other Income should be entered in Schedule TDS 2 ONLY.
  - Tax deduction Account Number (TAN) of the Employer/Deductor is the unique identifier for matching TDS claims made against TDS reported by Employer/Deductor. The TAN number is mentioned on the Form 16 given by the Employer or on the Form 16A given by the Deductor. In case the TAN of the Employer/Deductor is not correctly mentioned, no matching is possible and TDS credit will not be given.

- If the TAN has been correctly entered but the Employer/Deductor does not report the same TDS details to the Department, especially the taxpayer Permanent Account Number (PAN), then also the TDS cannot be matched. Therefore it is advised to check Form 26AS for the amount which has already been deposited by persons deducting tax on behalf of the taxpayer. Thereafter, the taxpayer should bring this fact in the notice of persons deducting tax so that they can act accordingly.
- In case of Tax payments of Advance tax or Self Assessment tax, the PAN used to submit the tax challan to the bank should be the same as the PAN used to submit the return. Without a valid PAN the tax payment received from the bank would be in suspense and cannot be matched with tax payment claim as entered in the return.
- While making the tax payment at the Bank, NO MISTAKE should be made in the challan while entering the PAN, Name, Major head (20 or 21), Assessment Year, Type of tax payment {advance tax (code 100), Self Assessment tax (code 300)}, tax applicable (Income tax other than companies).
- Any tax payment made under code 400 corresponding to 'Tax on regular Assessment' cannot be used for matching and accordingly credit cannot be given against advance tax or self assessment tax claims.
- The Challan Identification Number (CIN) is the combination of BSR code (any bank branch's unique 7 digit identification number issued by RBI), date of deposit of challan (DD-MM-YY), and the running serial number of the challan, and is mentioned by the Bank while accepting tax payment on its seal. In case this is not clearly legible, the Bank can be requested to provide correct details. This must be entered correctly in the return while claiming credit.

- Miscellaneous mistakes:

  Mistakes in address etc do not affect processing but cause mis-delivery or non-delivery of communication or in case of Bank Account Number error cause rejection of refund credit to taxpayer account. The following points may be noted:

  - The name in the return should be entered as it appears in the PAN card.
  - Address should be correctly filled with correct city, state and PINCODE for faster and accurate delivery of communication from the Department.
  - For faster credit of Income Tax refunds, correct bank account number and MICR code in the return should be mentioned. In case of any mistake in MICR or Bank Account number, the refund will not be credited. and a cancelled cheque showing correct particulars would be required to be submitted to CPC for correction in bank account number or MICR code.
  - Do not Copy/Cut/Paste the data in the utility. It may lead to calculation errors.
  - In case of Refunds below Rs 100, no refund is issued and if Demand is below Rs 100, it need not be paid.

- How to rectify the mistake and to get the correct refund Mistakes in the ITR due to any of the reasons may be corrected by submitting a rectification form. Some basic information is provided below:

  - The procedure for rectification and correction of mistakes is available in HELP on the

website.

- In case of any difference in Date of Birth or Gender in the Department records or in case of any need to correct the data, it may be corrected by submitting a PAN Change Request Form (quoting the existing PAN) with correct details and providing relevant documents at any TIN facilitation center.
- In case of any mistake in MICR or Bank Account number , please raise a request after logging in to e-Filing application under 'My Account' --> 'Refund Re-issue request'.
- In case the charging of additional tax and interest is only because of non- matching of tax payment or TDS, upon correction of the details by taxpayer or employer / deductor, the additional tax and interest will be automatically reduced or eliminated.

Impact of Errors made while filing returns

- Returns can be classified as defective u/s 139 (9) and in some scenarios the return can be declared in valid / Non Est. ITD is not introducing this concept to cover certain types of errors in order to prevent future grievances.
- Computation Errors - In electronic filing, it has been noticed that most of the errors are due to data errors as filed by the assessee this includes non filling of key schedules, wrong details etc resulting in rectification requests etc which delay closure of processing.
- Inability to pay refunds to the assessee.

Rules to be followed to ensure trouble free processing

- Once E filing is done (without digital signature), ITR V needs to be sent in time to CPC. In case ITR V acknowledgement is not received within reasonable time, the assessee may call up the CPC call centre to verify status
- Nearly 10% of assessee fail to send the ITR V to CPC after E filing.
- Assessee needs to fill his email address, mobile number correctly to ensure appropriate communication from the Income Tax Department. The use of the Tax practioner/CA's email address may not be appropriate.
- The assessee should make sure the correct (latest) address, bank account number, MICR number is filled
- The assessee should verify tax credits available in Form 26AS/NSDL websites. Mismatches are the single largest cause of incorrect tax computation. Non credits may be taken up with the TDS deductor and/or the banker as soon as they are noticed.

6.5 DOS & DON'T - ITR 1-7

Part A - Personal Information Schedule

- Name: Has to match the PAN database
- Date of Birth: Mistakes here will result in computation of higher taxes in case of senior citizens
- Address: House/Flat no, City, PIN Code, are mandatory fields. Non filling will result in refund delays

- E mail Address: Needs to be filled correctly, is the basis of all communication from CPC. Mistake will result in non receipt of all intimations from CPC. Use of Auditor/Tax practitioner's ID may be avoided.
- Mobile No: Full Mobile No without use of +91 needs to be entered. This is essential for all SMS based communication.
- Sex: Should match the PAN database. If PAN database is wrong, it results in mistakes in computation.
- Status : Should be correctly filled
- Residential Status - the status of NOR and NRI should be mentioned only where applicable as they are not eligible for certain benefits available to resident assessee.
- Aadhar Number if available needs to be filled in the tax form.

Part B - TI

- Salary amount entered in BTI should be same as in TDS Salary and final value in Schedule salary.
- CYLA or BFLA loss has to be mentioned in the appropriate rows, else loss will not be allowed.
- In STCG many users confuse between STCG under section 111A and STCG others and enter against one another leading doubling to income from Capital Gains.
- In case of HP loss, BTI value for Income HP should be 0 or null and final value in schedule HP should be a loss
- It is not enough if just part B TI is filled. Respective schedules also need to be filled for Eg Schedule HP, Sch Depreciation etc. Else the return can be treated as a defective return u/s 139 (9).

Part B - TTI

- Relief under 89, 90, 91 is to be entered ONLY if applicable. The value entered in schedule TDS, IT and TCS has to be entered in Part B TTI also. Eg. Schedule IT is entered but in no amount is mentioned in this section as Advance Tax or SAT.
- The Bank account no. has to given correctly and entered even if no refund is due. This is to ensure that refund arising from re-computation of income by the ITD can be paid to the assessee. The A/c no and the name in the bank account has to tally.
- The MICR No. should be in 9 DIGITS and first 3 digits of MICR code denotes the place of residence as mentioned in address's PIN Code.

  Eg. 560056025- '560' refers to Bangalore whose PIN starts with 560 000. The assessees may avoid giving bank accounts where MICR starts with '0'.

Income Schedules Salary, HP

- Net Salary should be entered and not Gross Salary. This will result in higher taxes
- The Salary value should tally with that entered in Schedule TDS

- In Schedule HP, the loss from house property has to be entered with all mandatory details of the property including details as to whether it is let out. Entering only the loss as summary makes it incomplete
- Co-owners of property should enter only the income pertaining to their share in the property. Entering the gross rental receipt and thereafter offering this share of income from such rental will increase total income

Capital Gains

- Deemed Capital Gains arising out of Schedule deprecation should be considered by the assessee in schedule CG.
- Non filing of full value of consideration or filling only expenditure under various sub categories of CG leads to incorrect computation of income.
- Filling of only cost of acquisition also leads to incorrect computation.
- The quarterly breakup of capital gains in the CG schedule should be post set off of all losses.
- Filling of accurate quarterly breakup is necessary for computation of interest under 234C.
- Correct section codes should be used depending upon the type of capital gains income in the SI schedule.
- Exempt LTCG should not be entered in CG schedule as well as in BTI, it has to be mentioned in Schedule EI

Schedule BP

- PBT should NOT BE included Deprecation value
- Income from speculative business included in PBT should be shown separately in Sl. 2 and Sl. 38 of schedule BP.
- Income offered under other heads other than BP included in P&L should be reduced in Sl. 3 of Schedule BP.
- All disallowances in Part A OI should be considered in Schedule BP.
- Income offered under section 44AF(Deemed Income) if included in PBT should be reduced in Sl. 4 of Schedule BP.
- Deprecation as entered In P&L should be shown in Sl.11 of Schedule BP alone and not in Sl 22 or 7 or another rows in BP. The schedule DPM, DOA should be mandatorily filled.
- Assessee claiming benefit of rule 7A 7B 7C should mention appropriate code in nature of business schedule.
- PBT in P&L and PBT shown in sl. No.1 of Schedule BP should be same.
- Specific schedule for ESR, 10A etc should also be filled when a claim is made in schedule B

SCHEDULES DPM, DOA, DCG AND DEP

- All the relevant values to arrive at the deprecation mentioned in Schedule BP is to be filled in Schedule DPM, DOA.

- DCG arising out of deprecation schedules should be accounted for in CG and taxes paid.
- The value of depreciation as per Schedule DEP and value mentioned in Schedule BP should be the same.

Chapter VI A, MATC

- In case of deductions where separate schedules are also required to be filled, the same should be FILLED WITHOUT FAIL- Eg. 80G,80IA, 80IB, etc. Deductions will not be allowed If specific schedules are not filled.
- Entering of only total deductions alone in Schedule VIA total will not be result in wrong computation of deductions. Section wise (amount claimed for 80C, 80IA, 80G etc) should be broken up and mentioned in as per the schedule
- To compute and avail MAT credit in MATC, sl. No. 1 to 6 should be filled with relevant details and the final value should be claimed in sl. No. 7 (Lower value of that in Sl.No. 3 or Sl. NO 6) should be specifically filled.

Schedule CYLA

- Loss sought to be adjusted should be claimed against a specific income and also under the loss to be adjusted heading. If lottery income is offered as part of OS income, the value to the extent of lottery income should be excluded while claiming income from OS in CYLA.
- The respective schedules should also contain loss details for CYLA.

Schedule CFL

- Date of filing of return for relevant year in CFL should be filled.
- Loss details should be entered under respective income sources.

Schedule BFLA

- Specific differentiation in allocating the losses under BFLA should be made and the claim of adjustment should be made based on the relevant heads

Schedule SI (Special Income) & Schedule EI (Exempt Income)

- The assessee has to verify the nature of special income and enter appropriate Section Code.
- Entering wrong section code can lead to consideration of the incorrectly offered income for taxation
- The assessee needs to bifurcate incomes taxable at special rate and normal rate and if there is no provision in respective schedules like CG or OS, he/she has to offer income chargeable at special rate- they need to be disclosed on in Schedule SI.
- The income exempt from tax shown in P&L or BP or BTI should also be filled in EI and they should tally

Schedule TDS and TCS

- TDS on salary should be claimed ONLY in schedule TDS Salary (ITR1) or TDS1 (ITR 2-4).
- TDS on Interest should be claimed ONLY in TDS on interest(ITR 1) or TDS2(2-4).
- Claiming of TCS claims in TDS schedules and vice versa will lead to mismatch translating into

excess demand or lower refund The claim of TDS amount should be made in TDS deducted as well as TDS Claimed for the year columns in schedule TDS2 and TCS.

- TDS claims should tally with Form 26AS or NSDL database which are accessible very easily.

Schedule IT

- Dates of deposits should be entered in DD/MM/YYYY format and not in any other format like MM/DD/YYYY format. This will lead to mismatches
- Exact amount paid in the challan should be claimed in return- rounding off to nearest 10 or 100 leads to mismatch.
- Individual payments should be separately claimed. Clubbing of multiple challans or entering consolidated payment will lead to mismatch.

6.6 SERVICE TAX E-FILING

6.6.1 Introduction

Service tax e-filing is taken care by www.aces.gov.in. After introduction of e-filing of Income Tax and VAT returns, service tax return filing was also changed to electronic format. Common website for Central Excise and Service Tax is used. User is required to select the option on the home screen itself as shown in Fig 6.6.1.

Fig.6.6.1: Common website of Central Excise & Service Tax

About ACES :

- ACES stands for Automation of Central Excise and Service Tax. It is a centralized, web based

software application which automates various processes of Central Excise and Service Tax for Assessees and Department, and gives complete end to end solution. Any Assessee can register with Department using ACES application, can file tax return, claims & intimations, track its status and get online messages.

- ACES application has two parts, one is for Central Excise and other for Service Tax. Assessee has to register separately to use each of them.
- In ACES, the various processes of Central Excise automated are Registration, Returns, Refunds & Rebate, Claims & Intimations, Provisional Assessments, Exports, Dispute Resolution and Audit.
- Any person who wishes to transact any business with Central Excise or Service Tax Department can use ACES.
- ACES can be used for:
  - Online registration and amendment of registration details
  - Electronic filing of documents such as Returns, Claims, Intimations and permissions
  - Online tracking of the status of applications, claims and permissions
  - Online facility to view documents like Registration Certificate, Returns, Show Cause Notice, Order-In-Original etc.
- A user not having PAN number can register with ACES application. PAN is required if Assessee wants to file a refund claim.
- ACES homepage is an interface for users/ Assesses to access the Central Excise and Service Tax applications. The website also enables users to make online payment through e-Payment option, download the Returns offline utilities through Download option. The website also keeps track on latest updates of the ACES application and gives links to various other sites under CBEC.
- Learning Management Software abbreviated as LMS is self learning software developed in flash. The software demonstrates to use various functionalities across ACES application. The software is accessible through Help section of ACES homepage. You need to have flash player installed at your computer along with speakers before using the same.
- User has to maintain user id and password for Central Excise and Service Tax application separately. But same email ID can be used for both the applications.

After clicking on "Service Tax" tab on home screen, user is taken to logon screen as under. Here existing users are required to enter their login details. A new user has to register first before using the website as shown in Fig 6.6.2.

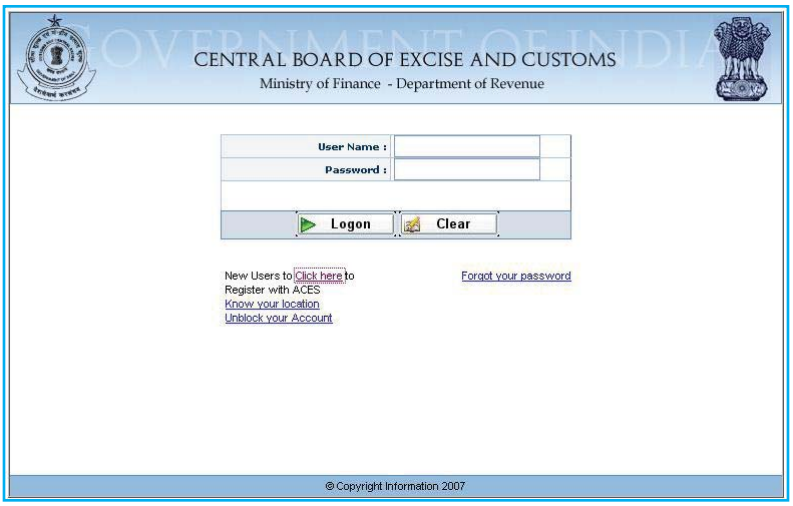


Fig.6.6.2: Login Screen

Registration on ACES website:

Click on "Click here" to go to registration page as shown in Fig 6.6.3.

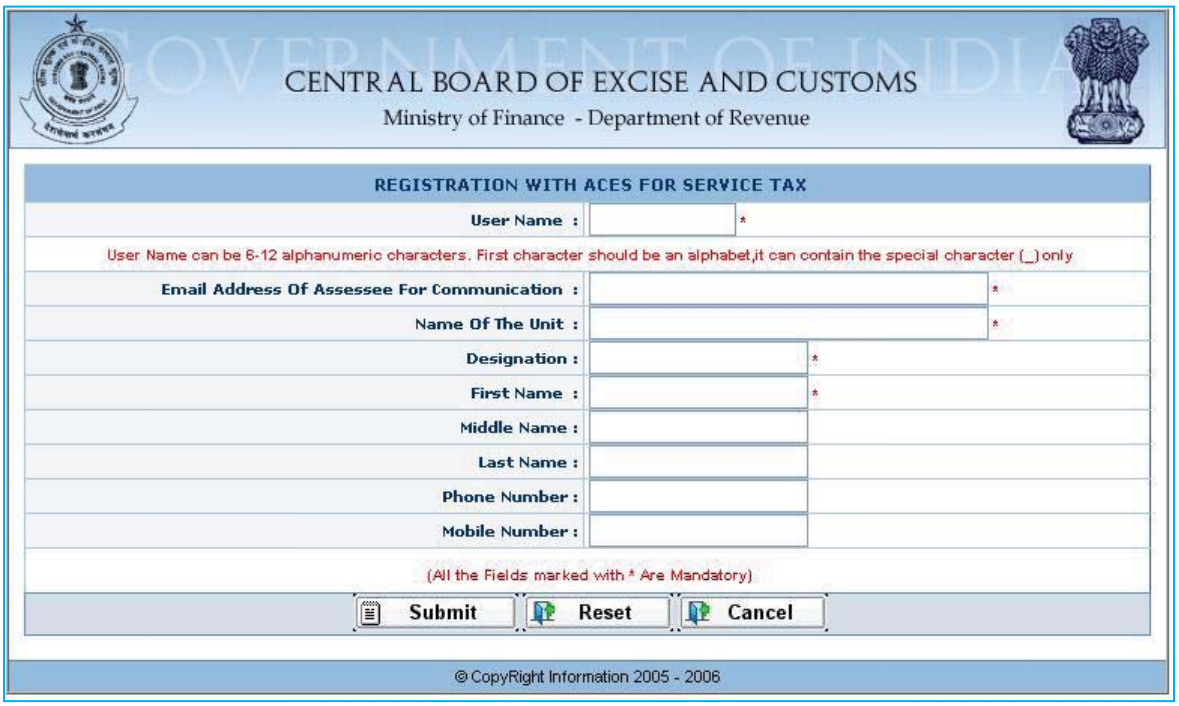


Fig.6.6.3: Registration page

Registration on ACES site is a two step process, where first step is to register online and second step is to submit documents with Service Tax Department. After completion of both the steps successfully, user can login into his/her account on ACES.

E-filing Process:

It is similar to e-filing of income tax returns. The brief overview of steps is as under.

Login into your account with correct user ID and password.

Download utility for Form ST-3 in excel by following the path : RET > e Filing > Download e-filing Utility shown in Fig 6.6.4.

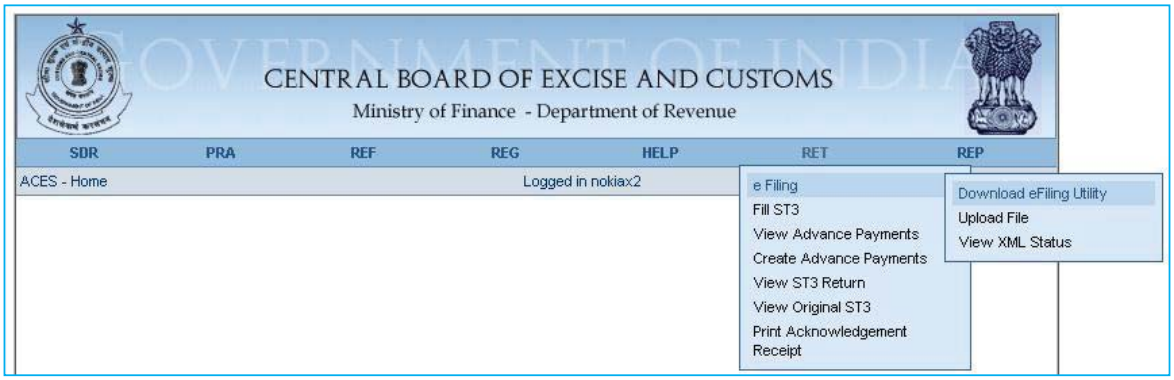


Fig.6.6.4: Download utility for Form ST-3

Unzip the downloaded excel utility and open excel file. Fill the excel file as shown below, in offline mode shown in Fig 6.6.5.

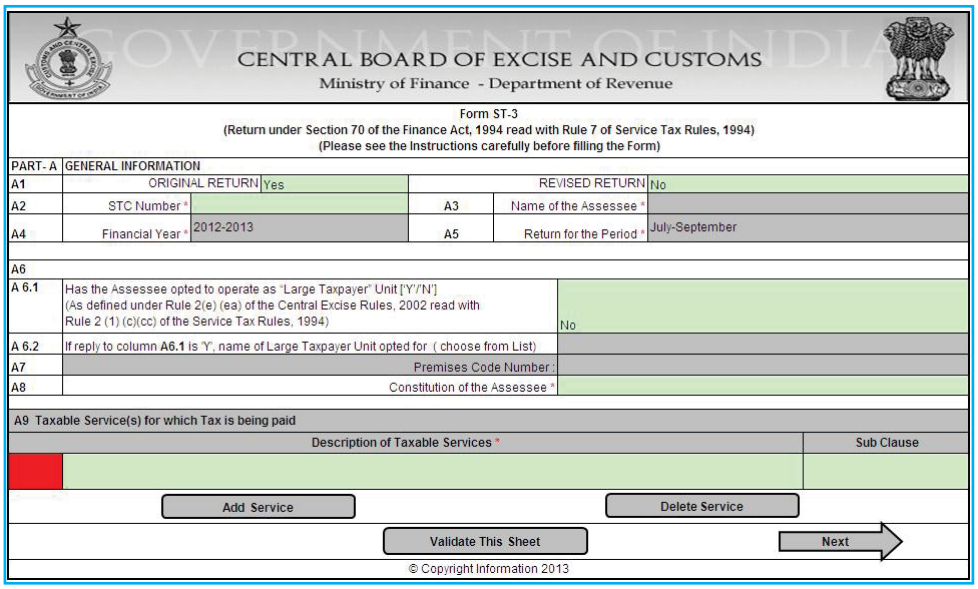


Fig.6.6.5: Unzip the downloaded excel utility & open excel file

Validate the excel file by validating each sheet individually. After successful validation, one XML file is generated.

To Upload the XML file, go to RET > e filing > Upload File. Select correct financial year, return period, return type. Browse for the correct XML file and attach it. Press save to upload the file as shown in Fig 6.6.6.

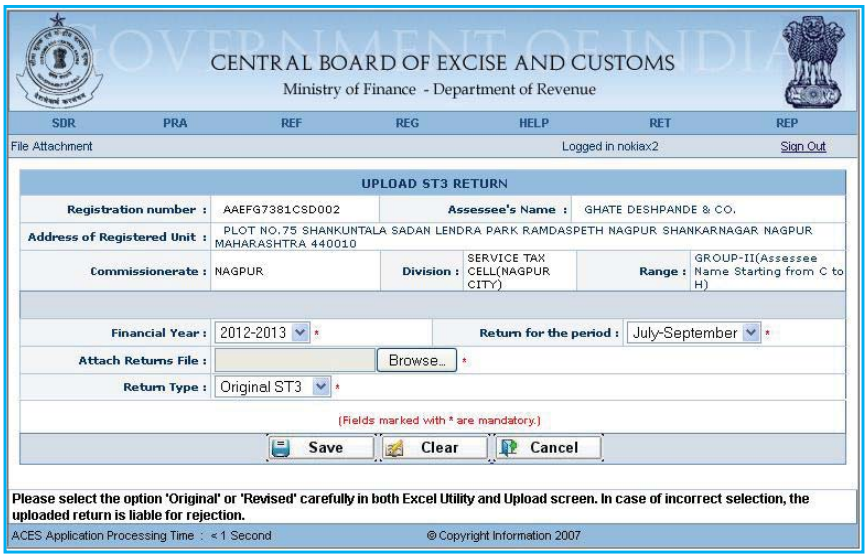


Fig.6.6.6: Upload XML file

After successful uploading of XML file, following screen shall appear as shown in Fig 6.6.7.

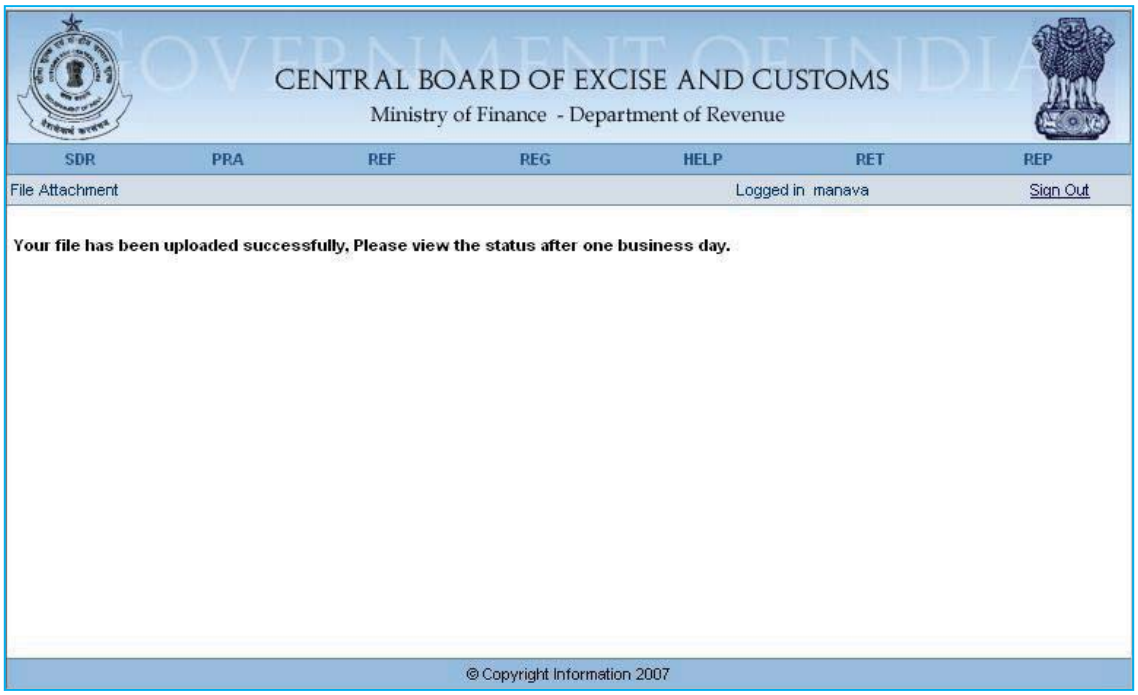


Fig.6.6.7: Successful uploading of XML file

Special Points:

- Separate excel utility is to be used for each quarterly return.
- The version of Mircosoft Excel should be Microsoft Excel 2003 or above.
- The downloaded excel utility needs to be unzipped using some unzipping software.
- Enable execution of Macros in excel utility.

- Data can be input by user in any of the green cell. Grey cells are locked for editing.
- All fields marked with asterisk (*) are mandatory. User is prevented from going ahead in case a mandatory field is left blank.
- After uploading the return, user can view the status of e-filed return accessing the menu RET > e-filing > View XML Status. There are three statuses as under along with its meaning.
  - Uploaded – Return was uploaded and is under process. Please view again after some time.
  - Filed – Return is accepted by ACES and it can be viewed by going to RET > View ST-3 Return.
  - Saved – Uploaded XML is saved in the system but, the return is still not submitted to the department. User can submit the return by going to menu RET > Fill ST-3 > Complete ST-3.
  - Rejected – Return could not be processed due to errors. The return needs to be corrected and to be uploaded again. If your return is rejected, then there will be hyperlink appearing on the return number on clicking which, user can see the errors.
- As per extant provision, ST-3 return filed can be modified only once, by filing a revised return within 90 days from the date of filing of original return. In case of filing of revised, confirmation view will be provided with "Submit" button only.

6.7 COMPANY LAW E-FILING

6.7.1 Introduction

Ministry of Corporate Affairs, Government of India brought up a revolutionary change in administration of company law matters by making it completely "electronic". Right from name approval of a company till closing a company, everything is in electronic format. All the administrative activities are managed through www.mca.gov.in as shown in Fig. 6.7.1.

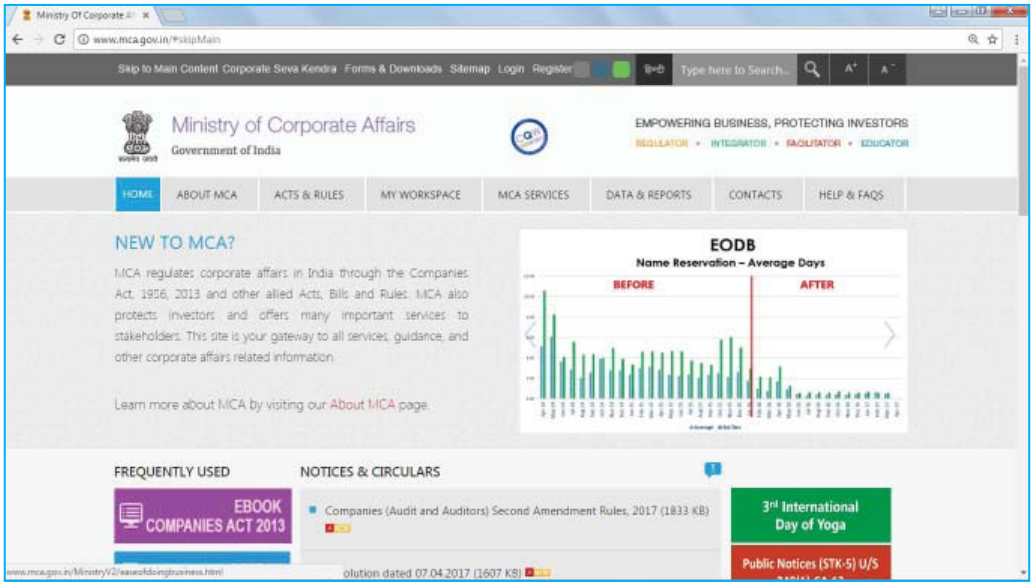


Fig.6.7.1: Website of Ministry of Corporate Affairs

6.7.2 Pre-requisite software for e-filing

For e-Filing on MCA21 your Computer must have the following components installed:

Windows 2000 / Windows XP / Windows Vista / Windows 7

All users using below mentioned services on MCA21 are required to have Windows XP (SP3)/ Windows Vista/Windows 7 and JDK 1.6 updated version 30 installed on their machine -

- Any user logging on MCA21 using a DSC
- Any existing user registering/updating a DSC
- Any new user registering using a DSC

Internet Explorer v6.0 and above, Google Chrome, Mozilla Firefox

Adobe Reader from version 9.4 or later

Java Runtime Environment (JRE) 1.6 or updated version 8 update 131 NEW

6.7.3 E-Filing Process :

In order to carry out e-filing on MCA21 you have facility to download the eform and fill it in an offline mode. Every form has the facility to pre-fill the data available in MCA21 system. Once the e-form is filled you would need to validate the e-form using Pre-scrutiny button. You would then have to affix the relevant digital signatures and save the form. You would need to be connected to the internet to carry out the pre-fill and pre-scrutiny functions. The step by step process is given below. The filled up e-form as per relevant instruction kit needs to be uploaded on the MCA21 portal. On successful upload, the Service request number would be generated and you would be directed to make payment of the statutory fees. The step by step process is given below. Once the payment has been made the status of your payment and filing status can be tracked on the MCA21 portal by using the 'Track Your Payment Status' and 'Track Your Transaction Status' link respectively.

Please follow the steps given below to proceed to do eFiling:

1. Select a category to download an eForm from the MCA 21portal (with or without the instruction kit)
2. At any time, you can read the related instruction kit to familiarize yourself with the procedures (you can download the instruction kit with eform or view it under Help menu).
3. You have to fill the downloaded eForm.
4. You have to attach the necessary documents as attachments (in PDF form only).

5. You can use the Prefill button in eForm to populate the grayed out portion by connecting to the Internet.
6. The applicant or a representative of the applicant needs to sign the document using a digital signature. Digital Signature should have been registered on MCA21 under one of the categories namely Director, Manager/Secretary or Practicing Professional.
7. You need to click the Check Form button available in the eForm. System will check the mandatory fields, mandatory attachment(s) and digital signature(s).
8. You need to upload the eForm for pre-scrutiny. The pre-scrutiny service is available under the Services tab or under the eForms tab by clicking the Upload eForm button. The system will verify (pre-scrutinize) the documents. In case of any inadequacies, the user will be asked to rectify the mistakes before getting the document ready for execution (signature). In certain forms such as Annual Filing forms namely Form 23AC, 23ACA, 20B and 66 pre-scrutiny is to be done in the form itself by clicking the tab given at the end of the respective form.
9. The system will calculate the fee, including late payment fees based on the due date of filing, if applicable.
10. Payments will have to be made through appropriate mechanisms - electronic (credit card, Internet banking, NEFT) or traditional means (at the bank counter through challan). Payments up to Rs. 50,000 are compulsorily required to be made through online mode. Recently PAY LATER facility has also been added whereby forms can be uploaded under this facility and payments can be made at a later date but before the expiry date mentioned on the Pay Later Challan generated by the system.
    (a) Electronic payments can be made at the Virtual Front Office (VFO) or at PFO
    (b) If the user selects the traditional payment option, the system will generate challan in the prescribed format. Traditional payments through cash, cheques can be done at the designated network of banks using the system generated challan. There will be five banks with estimated 200 branches authorized for accepting challan payments.
11. The payment will be exclusively confirmed for all online (Internet) payment transactions using payment gateways.
12. Acceptance or rejection of any transaction will be explicitly communicated to the applicant (including facility to print a receipt for successful transactions).
13. MCA21 will provide a unique transaction number, the Service Request Number (SRN) which can be used by the applicant for enquiring the status pertaining to that transaction.
14. Filing will be complete only when the necessary payments are made.
15. In case of a rejection, helpful remedial tips will be provided to the applicant.
16. The applicants will be provided an acknowledgement through e-mail or alternatively they can check the MCA portal.

Filing paper attachments with the E-form :

- You have to first get the paper attachments scanned and saved as a soft copy in PDF format. Then attach the same in the attachment section of the eForm by clicking the appropriate 'Attach' button.

- You can upload / submit the scanned documents by attaching the same with the e-form and submitting on the MCA Portal.
- It is important to ensure that the size of scanned PDF document is within the permissible size limits, it is recommended that scanning should be done in 'black & white' mode at 200 dpi resolution and should not exceed 2.5 MB (including size of the form).

Signing an e-form & Payment of fees :

- An e-form can be signed by the authorized signatory/ representative using the Digital Signature Certificate (DSC). Click the red colour signature box in the e-form to affix the digital signature. To avoid increase in size of the e-form beyond permissible limit of 2.5 MB, always affix the DSC using the 'Sign and Save As' option.
- Payments can be made electronically through credit card/Debit Cards or Internet Banking. During the e-filing process, the system will prompt you to make payment. You can choose the mode of payment and make the payment accordingly.
- If you are not having a credit card or Internet banking facility, you can make payment at the counter of an authorized bank through the pre-filled challan generated by the system after e-filing
- Payments of value above Rs. 50,000, stakeholders would have the option either to make the payment in electronic mode, or paper challan. However such payments would also be made in electronic mode w.e.f .1st October'2011.)
- For the purpose of collection of payments numerous branches in all major cities and towns of the following five Banks have been authorized:
  - State Bank of India
  - Punjab National Bank
  - Indian Bank
  - ICICI Bank
  - HDFC Bank

  Details of the branches of the above banks offering this facility are given on 'List of Authorized Banks' link on the MCA21 portal.
- On Successful e-filing and payment you can view the status of your transaction using the "Track your transaction status" link and you would be required to enter the SRN no. Once the form has been approved by the concerned official of the Ministry, you will receive an email regarding the same and the status of the form will get changed to Approved. In case the status is other than approved , you would need to take the necessary action as detailed below:

Status of SRN:

- Status - Required Resubmission

  In this case you are required to re-submit your eForm to rectify the defect(s)/ incompleteness pointed out by the concerned MCA office, before the due date mentioned in the status of your SRN. If you fail to re-submit your eForm within prescribed period, you will be required to file the eForm afresh with payment of fee and additional fee, as applicable.

- Status - Waiting For User Clarification

  In this case you are required to file eForm 67 (Addendum), to rectify the defects pointed out or furnish further information/ document(s) called for by the concerned MCA office. As per revised regulation 17, if you fail to furnish requisite information/ document within prescribed period, you will be required to file the eForm afresh with payment of fee and additional fee, as applicable.

- Status - Defective

  In case of STP forms, for example annual forms MGT-7, & AOC-4 etc, if there is any defect or incompleteness, same is marked by the RoC as 'Defective'. You are required to file such form afresh after rectifying the defects/ incompleteness with payment of fee and additional fee, as applicable.

- Status - Invalid and NBTR

  In such cases where an eForm has not been re-submitted or the requisite information/ document(s) has not been provided through eForm 67 (Addendum) within prescribed period, the status of SRN is marked as 'Invalid and Not been taken on record (Invalid and NBTR)' and in case of an application as 'Invalid and Transaction cancelled'. You are required to file such form afresh with payment of fee and additional fee, as applicable.

- Status - Pending for approval under regulation 17(6)

  It means that the eForm is pending for the want of requisite approval from Central Government, Regional Director, Company Law Board or any other competent authority.

Viewing public documents on the MCA portal

- To avail the same you can register yourself on the MCA portal and click on the 'View Public Documents' link to view the documents of the specific companies available for viewing to public pertaining to specific company(s). Once you select the company(s), you will be prompted to make the payment of Rs. 100/- per company. On receipt of the payment, the system will allow you to view the documents pertaining to the selected company from the 'My Documents' link after logging on to the portal. You will be able to view the documents for a period of three hours from the time you start viewing. Documents such as balance sheets, annual returns for the preceding two years and permanent documents like MoA and AoA are available in the digital form for the companies falling under ROC going live on the MCA portal.
- User can get certified copies of the public documents by using the Get Certified Copies service. Once you make the necessary payment, your request will be routed to the concerned person.

Handling of ERRORS

Various types of errors may be committed while availing different services on MCA portal. Different types of errors, its impact and its remedy is as under.

- Payment of challan not done before the expiry date: If payment of challan is not made before the expiry date, the transaction gets cancelled and applicant needs to file the eForm again on MCA portal to generate a fresh challan for payment.
- Payment of fees (via challan) through other option: Once a challan is generated, its payment has to be made in an auhorised bank branch. Payment against eFiling should not be made

using any mode of payment on MCA portal e.g. Miscellaneous Fee option, as in such a case the payment made does not get linked with the original Filing Transaction / SRN.

- Duplicate Payment : Always check the payment status of original / previous SRN before trying to make payment again for the same transaction. If the payment status is 'Paid' do not pay again.
- Verification of status of eFiling: The SRN No. is the key for verification of status of eFiling. Please note down the SRN generated by the system before making the payment / for the purpose of checking the payment / transaction status.
- Inspection of public documents: On confirmation of payment, a link is made available under 'My documents' tab to view the documents online. This link will be valid for seven days – you can view these documents anytime within 7 days of appearing those under 'My Documents'. However, online viewing is provided for continuous three hours maximum, once you begin this activity.
- eForm version used is not latest: Always download a fresh eForm for eFiling from the MCA portal.
- Modify or Sign the eForm numerous times which increases the size of the eform: While signing the eform click on 'Sign and save as' option to affix the DSC to keep the size of the eForm minimum.
- Uploading eForm in case of "Required Resubmission" : If the transaction status is "Required Resubmission", the eForm needs to be filled again correctly and filed against the original SRN. Do not use 'Addendum' option as transaction through 'addendum' will not be processed against 'Resubmission'. 'Addendum' facility is used for providing additional information, if any, to RoC.
- Mistaking the status "Required Resubmission" as rejection of the eform and take no action. If the status of SRN is "Required Resubmission" then file the eForm again by giving SRN of original filing and uploading eForm by clicking 'Resubmit' button, under 'eForm upload' link. After re-submission the status of SRN will change and eForm will be available for processing at RoC office.
- Wrong particulars in eForms – ensure accuracy while filling following values in the corresponding eForm:

  Form INC1
  Amount of authorized capital (eg.10 Lacs instead of 1 Lac)
  Company type, should be either Private or Public
  State under the jurisdiction of same RoC (eg. Jharkhand instead of Bihar)
  Common reasons for rejection of a Company Name

  Form INC1
  Company type (e.g. "Part IX Company" or "Producer Company" in place of "New Company" or vice-versa)
  Company category / sub-category (e.g. "SGC" or "GOI").

  Form CHG-1
  Date of charge creation / modification
  Original / Final amount while creation / modification of charge

Form MGT-14

Type of resolution (Board / Shareholders / Ordinary / Special resolution type) selection differs from the attachment

Form SH-7
Wrong amount of revised capital
Simultaneous filing of multiple eForm 5 for a company before approval of erstwhile form 5 filed. Wait for first eForm's approval before proceeding with next eForm 5.

Please check the particulars filled in the eform before filing. Once an eform is approved, any wrong information given in the eform cannot be rectified.

Update JAVA / Adobe software.
Use only prescribed versions of JAVA / Adobe software, as listed on the portal.

Annual E-filing:

As a part of Annual eFiling, Companies incorporated under the Companies Act, 2013 are required to e-file the following documents with the Registrar of Companies (RoC):

Sr. No.	Document	e-Form
1	Financial Statements	Form AOC-4 to be filed by all Companies*
2	Annual Return	Form MGT-7 to be filed by all Companies l

Table 6.7.1 List of documents with RoC

* If the file size of Form AOC exceeds 5MB, please use Additional Attachment Sheet. Please follow the step-by-step process as given below, for uploading the Additional Attachment Sheet.

Step by Step Process for Additional Attachments to form AOC-4:

1. If the size of Form AOC-4 exceeds 5 MB, remove some attachments or split and attach only a small part of the attachment to limit the Form size to 5 MB. You can upload the remaining/ other parts of attachments separately using 'Additional Attachment Sheet' as below.
2. Download the 'Additional Attachment Sheet' from 'Annual Filing Corner' link on the homepage of MCA portal.
3. Enter the CIN and click 'Pre-fill' button to automatically fill the name and address of the Company in the eForm.
4. Fill the date of relevant Balance Sheet.
5. Select the type of document from the dropdown list and click 'Attach' button to 'browse and select' the file to be attached. You have the option to attach maximum 5 documents.
6. Fill the signatory details i.e. Designation and DIN/ Membership No.
7. Affix the Digital Signature Certificate of the signatory
8. Click 'Verify' button. In case of any error, rectify the same and repeat this step.
9. Close the Form and save it again on prompting by the system. Please ensure that size of 'Additional Attachment Sheet' does not exceed 2.5 MB.

10. If you wish to attach more attachments, please download a fresh Form and repeat the above steps. You have the option to upload maximum two 'Additional Attachment Sheet' against one Form AOC-4.
11. After uploading of Form AOC-4 on MCA portal, system will prompt for SRN Number with following options:
    1. Pay Later
    2. Pay Now
12. Proceed to 'payment option' screen.

Important Points to Remember

- The Balance Sheet, Profit & Loss Account and Annual Return are filed as attachments to the respective e-Forms. A scanned copy considerably increases the size of the document besides being more expensive. You are therefore, advised to convert the Text file/ Excel sheets by using the PDF converter software (PDF conversion facility is also available on the MCA portal for business users) and upload these attachments as PDF documents.
- The MCA database in respect of Authorised Capital and Paid-up Capital needs to be verified by the respective Companies, as it may not be correct. The Companies are requested to apply for correction of Master Data, should they find any discrepancies. In the meantime, the Companies can declare the correct amount of Authorised Capital and Paid-up Capital in the respective annual filing Forms.
- The Company representative can upload the e-Forms on the MCA portal through the 'Annual Filing Corner' link (after registering oneself as a user of the portal) at his convenience from his office/ home. This is the most convenient way of e-Filing.
- The Company representative can prepare the e-Forms as per guidelines, get them digitally signed by the authorized signatory, copy them in a CD or a pen drive and visit the nearest "Registrar's Front Office" (RFO). RFO staff will assist in uploading of eForms on MCA portal. For addresses/ phone numbers of RFOs, please refer to the "Facilitation Centre" link on the homepage of MCA portal.
- The Company representative can also contact any of the Certified Filing Centers (CFCs) for the Annual Filing of e-Forms by paying the service charges to the CFCs. The details about the CFCs are available under the 'Certified Filing Centre' tab on the homepage of MCA Portal.

Downloading of Forms

Two types of forms are available for download as under

(a) Company Forms
    (i) Approval Services – Headquarters
    (ii) Approval Services – Regional Director
    (iii) Approval Services – Registrar of Companies
    (iv) Change Services
    (v) Charge Management
    (vi) DIN Forms
    (vii) Company Registration

(viii) Compliance Related Filing
(ix) Informational Services
(x) Investor Services
(xi) Provisions related to managerial personnel
(xii) Annual Filing e-forms

(b) LLP Forms

Approval Services (Headquarters) as shown in Table 6.7.2

Sr.	Description	e-Form
1	Form of intimation of appointment of cost auditor by the company to Central Government.	Form CRA-2
2	Form for filing application or documents with Central Government	Form CG-1

Table 6.7.2 List of e-Form of Company Forms

Approval Services (Regional Director)

Sr.	Description	e-Form
1	Application for confirmation by Regional Director for change of registered office of the company within the state from the juridiction of one Registrar to the juridiction of another Registrar	Form 1AD
2	Form for filing application to Regional Director	Form 24A

Table 6.7.3 Approval Services (Regional Director)

Approval Services (Regional Director)

	Description	e-Form
1	Application for removal of auditor(s) from his/their office before expiry of term	Form ADT-2
2	Application to Regional director for conversion of section 8 company into company of any other kind	Form INC-18
3	Application to Regional Director for approval to shift the Registered Office from one state to another state or from jurisdiction of one Registrar to another Registrar within the same State	Form INC-23
4	Memorandum of Appeal	Form ADJ
5	Applications made to Regional Director	Form RD-1
6	Application to Central Government for extension of time for filing particulars of registration of creation / modification / satisfaction of charge OR for rectification of omission or misstatement of any particular in respect of creation/ modification/ satisfaction of charge	Form CHG-8

Table 6.7.4

Approval Services (Registrar of Companies)

	Description	e-Form
1	Application by company to ROC for removing its name from register of Companies	Form STK-2
2	One Person Company- Application for Conversion	Form INC-6
3	Application for approval of Central Government for change of name	Form INC-24
4	Application to Registrar for obtaining the status of dormant company	Form MSC-1
5	Application for seeking status of active company	Form MSC-4
6	Applications made to Registrar of Companies	Form GNL-1
7	Application for grant of License under section 8	Form INC-12
8	Application for striking off the name of company under the Fast Track Exit(FTE) Mode	Form FTE

Table 6.7.5 Approval Services (Registrar of Companies)

Change Services

Sr.	Description	e-Form
1	Application for reservation of name	Form INC-1
2	One Person Company- Nominee consent form	Form INC-3
3	One Person Company- Change in Member/Nominee	Form INC-4
4	Notice of situation or change of situation of registered office	Form INC-22
5	Conversion of public company into private company or private company into public company	Form INC-27
6	Notice to Registrar of any alteration of share capital	Form SH-7
7	Particulars of appointment of Directors and the key managerial personnel and the changes among them	Form DIR-12
8	Return of alteration in the documents filed for registration by foreign company	Form FC-2
9	Annual accounts along with the list of all principal places of business in India established by foreign company	Form FC-3

Table 6.7.6 Change Services

Charge Management

Sr.	Description	e-Form
1	Application for registration of creation, modification of charge (other than those related to debentures)	Form CHG-1

2	Particulars for satisfaction of charge thereof	Form CHG-4
3	Notice of appointment or cessation of receiver or manager	Form CHG-6
4	Application for registration of creation or modification of charge for debentures or rectification of particulars filed in respect of creation or modification of charge for debentures	Form CHG-9
5	Details of persons/directors/charged/specified	Form GNL-3

Table 6.7.7 Charge Management

DIN Forms

Sr.	Description	e-Form
1	Application for allotment of Director Identification Number	Form DIR-3
2	Application for surrender of Director Identification Number	Form DIR-5
3	Intimation of change in particulars of Director to be given to the Central Government	Form DIR-6
4	A Report by a company to ROC for intimating the disqualification of the director	Form DIR-9

Table 6.7.8 DIN Forms

Incorporation services

	Description	e-Form
1	New Version - Simplified Proforma for Incorporating Company Electronically (SPICe) - with mandatory PAN & TAN application included.	SPICe
2	eMemorandum of Association (SPICe MoA)	SPICe MoA
3	eArticles of Association (SPICe AoA)	SPICe AoA
4	Application for reservation of name	Form INC-1
5	One Person Company- Nominee consent form	Form INC-3
6	Notice of situation or change of situation of registered office	Form INC-22
7	Particulars of appointment of Directors and the key managerial personnel and the changes among them	Form DIR-12
8	Application by a company for registration under section 366	Form URC-1
9	Information to be filed by foreign company	Form FC-1
10	Application for Incorporation of Company (Part I Company and Company with more than Seven Subscribers)	Form INC-7

Table 6.7.9 Incorporation services

Compliance Related Filing

Sr.	Description	e-Form
1	Form for filing Cost Audit Report with the Central Government.	Form CRA-4
2	Return of deposits	Form DPT-3
3	Information to the Registrar by Company for appointment of Auditor	Form ADT-1
4	Notice of Resignation by the Auditor	Form ADT-3
5	Statement regarding deposits existing on the commencement of the Act	Form DPT-4
6	One Person Company- Intimation of exceeding threshold	Form INC-5
7	Return of allotment	Form PAS-3
8	Letter of offer	Form SH-8
9	Declaration of Solvency	Form SH-9
10	Return in respect of buy-back of securities	Form SH-11
11	Filing of Resolutions and agreements to the Registrar	Form MGT-14
12	Notice of resignation of a director to the Registrar	Form DIR-11
13	Form for submission of documents with the Registrar.	Form GNL-2
14	Annual Return of a Foreign company	Form FC-4
15	Return of dormant companies	Form MSC-3
16	Persons not holding beneficial interest in shares	Form MGT-6

Table 6.7.10 Compliance Related Filing

Informational Services

	Description	e-Form
1	Notice of situation or change of situation or discontinuation of situation,of place where foreign register shall be kept	Form MGT-3
2	Form for filing Report on Annual General Meeting	Form MGT-15
3	Notice of address at which books of account are maintained	Form AOC-5
4	Changes in shareholding position of promoters and top ten shareholders	Form MGT-10
5	Intimation to Registrar of revocation/surrender of license issued under section 8	Form INC-20
6	Notice of Order of the Court or any other competent authority	Form INC-28

Table 6.7.11 Informational Services

Investor Services

Sr.	Description	e-Form
1	INVESTOR COMPLAINT FORM	Form ICP
2	SERIOUS COMPLAINT FORM	Form SCP

Table 6.7.12 Investor Services

Provisions related to Managerial personnel

Sr.	Description	e-Form
1	Form of application to the Central Government for approval of appointment or reappointment and remuneration or increase in remuneration or waiver for excess or over payment to managing director or whole time director or manager and commission or remuneration to directors	Form MR-2
2	Return of appointment of MD/WTD/Manager	Form MR-1

Table 6.7.12 Provisions related to Managerial personnel

Annual filing e-Forms

	Description	e-Form
1	Form for filing XBRL document in respect of financial statement and other documents with the Registrar	Form AOC-4 (XBRL)
2	Form for filing annual return by a company.	Form MGT-7
3	Form for filing financial statement and other documents with the Registrar	Form AOC-4
4	Form for filing consolidated financial statements and other documents with the Registrar	Form AOC-4 (CFS)

Table 6.7.13 Annual filing e-Forms

Addendum Form

Sr.	Description	e-Form
1	Addendum for rectification of defects or incompleteness.	Form GNL-4

Table 6.7.14 Addendum Form

Refund Form

Sr.	Description	e-Form
1	Application for requesting refund of fees paid.	Form Refund

Table 6.7.15 Refund Form

1956 Act Cost Audit forms

Sr.	Description	e-Form
1	Form of application to the Central Government for appointment of cost auditor.	Form 23C
2	Form for filing XBRL document in respect of cost audit report and other documents with the Central Government	Form I-XBRL
3	Form for filing XBRL document in respect of compliance report and other documents with the Central Government	Form A-XBRL
4	Information by cost auditor to Central Government	Form 23D

Table 6.7.16 1956 Act Cost Audit forms

Companies Act, 1956 related

Sr.	Description	e-Form
1	Form for filing XBRL document in respect of balance sheet and other documents with the Registrar.	Form-23AC
2	Form for filing XBRL document in respect of Profit and Loss account and other documents with the Registrar.	Form-23ACA
3	Filing annual return by a company having a share capital with the Registrar.	Form-20B
4	Particulars of annual return for the company not having share capital	Form-21A
5	Filing balance sheet and other documents with the Registrar 2.(a)	Form-23AC
6	Filing Profit and Loss account and other documents with the Registrar	Form-23ACA
7	Information by auditor to Registrar	Form-23B
8	Form for submission of compliance certificate with the Registrar	Form-66

Table 6.7.17 Companies Act, 1956 related

Attachments

Sr.	Description	Attachment
1	A Report by a company to ROC for intimating the disqualification of the director	Form DIR-9
2	Form of application for removal of disqualification of directors	Form DIR-10
3	Circular or circular in the form of advertisement inviting deposits	Form DPT-1
4	Return of Statutory Compliances	Form NDH-1
5	Application for extension of Time	Form NDH-2
6	Half Yearly Return	Form NDH-3
7	Information Memorandum	Form PAS-2
8	Private Placement Offer Letter	Form PAS-4

Table 6.7.18 Attachments

Limited Liability Partnership Forms

Sr. No.	Description	e-Form
1	Application for reservation or change of name	Form 1
2	Incorporation document and subscriber's statement	Form 2
3	Details in respect of designated partners and partners of Limited Liability Partnership	Form 2A
4	Information with regard to limited liability partnership agreement and changes, if any, made therein	Form 3
5	Notice of appointment, cessation, change in name/ address/ designation of a designated partner or partner. and consentto become a partner/designated partner	Form 4
6	Notice of appointment, cessation, change in particulars of a partners	Form 4A
7	Notice for change of name	Form 5
8	Statement of Account & Solvency	Form 8
9	Annual Return of Limited Liability Partnership (LLP)	Form 11
10	Form for intimating other address for service of documents	Form 12
11	Notice for change of place of registered office	Form 15
12	Application and statement for conversion of a firm into Limited Liability Partnership (LLP)	Form 17
13	Application and Statement for conversion of a private company/ unlisted public company into limited liability partnership (LLP)	Form 18
14	Notice of intimation of Order of Court/ Tribunal/CLB/ Central Government to the Registrar	Form 22
15	Application for direction to Limited Liability Partnership (LLP) to change its name to the Registrar	Form 23
16	Application to the Registrar for striking off name	Form 24
17	Application for reservation/ renewal of name by a Foreign Limited Liability Partnership (FLLP) or Foreign Company	Form 25
18	Form for registration of particulars by Foreign Limited Liability Partnership (FLLP)	Form 27
19	Return of alteration in the incorporation document or other instrument constituting or defining the constitution; or the registered or principal office; or the partner or designated partner of limited liability partnership incorporated or registered outside India.	Form 28

20	Notice of (A) alteration in the certificate of incorporation or registration; (B) alteration in names and addresses of any of the persons authorised to accept service on behalf of a foreign limited liability partnership (FLLP) (C) alteration in the principal place of business in India of FLLP (D) cessation to have a place of business in India	Form 29
21	Application for compounding of an offence under the Act	Form 31
22	Form for filing addendum for rectification of defects or incompleteness	Form 32

Table 6.7.19 Limited Liability Partnership Forms

Firm Conversion Form

Sr.	Description	Form
1	Form for intimating to Registrar of Firms about conversion of the firm into limited liability partnership (LLP). (To be filled in physical form and submitted to Registrar of Firms)	Form 14

Table 6.7.20 Firm Conversion Form

DIN Forms

Sr.	Description	e-Form
1	Application for allotment of Director Identification Number	Form DIN 1
2	Intimation of change in particulars of Director to be given to the Central Government	Form DIN 4

Table 6.7.21 DIN Forms

6.8 XBRL E-FILING

6.8.1 about XBRL

XBRL is a data-rich dialect of XML (Extensible Markup Language), the universally preferred language for transmitting information via the Internet. It was developed specifically to communicate information between businesses and other users of financial information, such as analysts, investors and regulators. XBRL provides a common, electronic format for business reporting. It does not change what is being reported. It only changes how it is reported

XBRL is a world-wide standard, developed by an international, non-profit-making consortium, XBRL International Inc. (XII). XII is made up of many hundred members, including government agencies, accounting firms, software companies, large and small corporations, academics and business reporting experts. XII has agreed the basic specifications which define how XBRL works.

6.8.2 XBRL tags

In XBRL, information is not treated as a static block of text or set of numbers.

Instead, information is broken down into unique items of data (eg total liabilities = 100). These data items are then assigned mark-up tags that make them computer-readable. For example, the tag <Liabilities>100</Liabilities> enables a computer to understand that the item is liabilities, and it has a value of 100.

Computers can treat information that has been tagged using XBRL 'intelligently'; they can recognize, process, store, exchange and analyse it automatically using software.

Because XBRL tags are formed in a universally-accepted way, they can be read and processed by any computer that has XBRL software. XBRL tags are defined and organized using categorization schemes called taxonomies.

6.8.3 XBRL taxonomies

Different countries use different accounting standards. Reporting under each standard reflects differing definitions. The XBRL language uses different dictionaries, known as 'taxonomies', to define the specific tags used for each standard. Different dictionaries may be defined for different purposes and types of reporting. Taxonomies are the computer-readable 'dictionaries' of XBRL. Taxonomies provide definitions for XBRL tags, they provide information about the tags, and they organize the tags so that they have a meaningful structure.

As a result, taxonomies enable computers with XBRL software to:

- understand what the tag is (eg whether it is a monetary item, a percentage or text);
- what characteristics the tag has (eg if it has a negative value);
- its relationship to other items (eg if it is part of a calculation).

This additional information is called meta-data. When information that has been tagged with XBRL is transmitted, the meta-data contained within the tags is also transmitted.

Taxonomies differ according to reporting purposes, the type of information being reported and reporting presentation requirements. Consequently, a company may use one taxonomy when reporting to a stock exchange, but use a different taxonomy when reporting to a securities regulator. Taxonomies are available for most of the major national accounting standards around the world.

6.8.4 Working of XBRL

XBRL is a member of the family of languages based on XML, or Extensible Markup Language, which is a standard for the electronic exchange of data between businesses and on the internet. Under XML, identifying tags are applied to items of data so that they can be processed efficiently by computer software.

XBRL is a powerful and flexible version of XML which has been defined specifically to meet the requirements of business and financial information. It enables unique identifying tags to be applied to items of financial data, such as 'net profit'. However, these are more than simple identifiers. They provide a range of information about the item, such as whether it is a monetary item, percentage or fraction. XBRL allows labels in any language to be applied to items, as well as accounting references or other subsidiary information.

XBRL can show how items are related to one another. It can thus represent how they are calculated. It can also identify whether they fall into particular groupings for organisational or presentational purposes. Most importantly, XBRL is easily extensible, so companies and other organisations can adapt it to meet a variety of special requirements.

The rich and powerful structure of XBRL allows very efficient handling of business data by computer software. It supports all the standard tasks involved in compiling, storing and using business data. Such information can be converted into XBRL by suitable mapping processes or generated in XBRL

by software. It can then be searched, selected, exchanged or analysed by computer, or published for ordinary viewing.

XBRL offers major benefits at all stages of business reporting and analysis. The benefits are seen in automation, cost saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision-making. All types of organisations can use XBRL to save costs and improve efficiency in handling business and financial information. Because XBRL is extensible and flexible, it can be adapted to a wide variety of different requirements. All participants in the financial information supply chain can benefit, whether they are preparers, transmitters or users of business data.

XBRL enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving time-consuming comparison, assembly and re-entry of data. They are able to concentrate effort on analysis, aided by software which can validate and manipulate XBRL information.

6.8.5 Data Collection and Reporting

By using XBRL, companies and other producers of financial data and business reports can automate the processes of data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently if the sources of information have been upgraded to using XBRL. Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders. Not only can data handling be automated, removing time-consuming, error-prone processes, but the data can be checked by software for accuracy.

6.8.6 Data Consumption and Analysis

Users of data which is received electronically in XBRL can automate its handling, cutting out time-consuming and costly collation and re-entry of information. Software can also immediately validate the data, highlighting errors and gaps which can immediately be addressed. It can also help in analysing, selecting, and processing the data for re-use. Human effort can switch to higher, more value-added aspects of analysis, review, reporting and decision-making. In this way, investment analysts can save effort, greatly simplify the selection and comparison of data, and deepen their company analysis. Lenders can save costs and speed up their dealings with borrowers. Regulators and government departments can assemble, validate and review data much more efficiently and usefully than they have hitherto been able to do.

6.8.7 Steps for e-filing of financial statements in XBRL format on MCA portal :

1. Creation of XBRL instance document :

This is the first step in e-filing financial statements in XBRL format on MCA portal. To begin with, user has to map company's each financial statement element to a corresponding element in published taxonomy.

Companies have the option to create their own XBRL documents in house or to engage a third party to convert their financial statements into XBRL form.The first step in creation of an instance document is to do tagging of the XBRL taxonomy elements with the various accounting heads in

the books of accounts of the company. This would create the mapping of the taxonomy elements with the accounting heads so that the accounting information can be converted into XBRL form.

Mapping is the process of comparing the concepts in the financial statements to the elements in the published taxonomy, assigning a taxonomy element to each accounting concept published by the company. Selecting the appropriate elements for some financial statement elements may require a significant amount of judgment. For that reason those in the company who are most familiar with the financial statements should be associated with mapping of accounting concepts to taxonomy elements.

The mapping should be reviewed before proceeding further as the complete reporting would be dependent on the mapping.

In case any information is present in the financial statements for which corresponding tag/element is not available in the taxonomy, then the same needs to be captured in the next-best-fit element in the taxonomy or should be included under the corresponding 'Others' element. This should be followed only in case the relevant tag is not available in the taxonomy. It should not to be used generally. Further, it is imperative to include footnote w.r.t. the same while preparing the instance document.

For tagging or capturing the information which is often included in brackets in the labels in the company's financial statements, can either be captured as footnote or if detailed tags are available, the same should be tagged with the detailed tags in the taxonomy. The complete information as contained in the annual accounts and related documents; and the information required to be filed with the Registrar of Companies should be reported in the XBRL instance documents to be submitted with MCA. For preparing instance document, the taxonomy as applicable for the relevant financial year is to be used.

Once the tagging of financial statement accounting elements with the published taxonomy elements is done, the next step is to create the instance document. An instance document is a XML file that contains business reporting information and represents a collection of financial facts and report-specific information using tags from the XBRL taxonomy. It is to be noted that no extensions to the core Taxonomy will be allowed. Separate instance documents need to be created for the following:

(a) Stand Alone Balance sheet of the company

(b) Stand Alone Profit and Loss Account of the company

(c) Consolidated Balance sheet of the company

(d) Consolidated Profit and Loss Account of the company

The instance document should contain the financial information for both the current as well as the previous financial year. Consolidated balance sheet and Profit and Loss instance documents to be created only in case the same is applicable to the company. Once the instance document has been prepared, it needs to be ensured that the instance document is a valid instance document and all the information has been correctly captured in the instance document. MCA Validation Tool provides for 'human readable' pdf printable form as well as a view of the instance document.

2. Download XBRL validation tool :

A Validation Tool has been provided on the MCA XBRL portal for validating the generated XBRL instance document. Validating the instance document is a pre requisite before filing the balance sheet and profit & loss account on MCA portal. You are required to download the tool from the

portal and validate the instance document before uploading the same. The MCA XBRL validation tool can be downloaded from the XBRL website of the Ministry (www.mca.gov.in/XBRL). This Validation Tool shall be used for all MCA XBRL filings i.e. Financial Statement FY 2010-11 (based on previous Schedule VI) and FY 2011-12 (based on new Schedule VI) as well as Cost Audit and Compliance Report (which shall be enabled later in the tool). Before Validating an Instance document, the applicable taxonomy is to be selected by the user from the drop down option "taxonomy".

In case the user is under LAN network, then he/she is required to click the link 'Proxy Settings' under 'Taxonomy' menu in the tool to enter the Proxy Host and Port along with user name and password. This is to setup the Internet connection, required to download the taxonomy through the XBRL Validation Tool.

3. Load the instance document :

To load the instance document, you need to click the open button, select the instance document and open it. You need not exit the tool to load another instance document just click on 'open' again in the menu bar to open the next document.

The detail of the company is available under the General Information tag in the XBRL viewer.

4. Validate the instance document :

The next step is to validate the instance document. The following validations shall be performed by the tool-

- Validating that the instance document is as per the latest and correct version of taxonomy prescribed by MCA
- All mandatory elements have been entered
- Business Rules as specified by MCA
- Validations relating to XBRL technical Specifications as per taxonomy

5. Pre-scrutiny of the instance document :

Once the instance document is successfully validated from the tool, the next step is to pre-scrutinise the validated instance document with the help of the same tool. For pre-scrutinizing the instance document, a working internet connection shall be required. In the Pre-scrutiny, the server side validations (i.e. validations which are to be validated from the MCA21 system) shall be performed.

6. Convert to pdf and verify the contents of the instance document :

This step is essential to ensure that the disclosures contained in XBRL document are as per Audited Financial Statement adopted in the AGM and the textual information entered in the instance document are clearly viewable

Once the instance document has been successfully pre-scrutinized, the next step is to generate pdf by using 'Export to pdf' functionality in the tool to verify the final instance document. It is imperative that the company and the professional certifying the instance documents should use this feature to verify the accuracy of the instance document.

In case there is pdf conversion error or the size of the converted pdf is zero kilobytes, then check the textual information entered in the instance document and follow the html guidelines provided under the technical specifications to correct the instance document and validate and pre-scrutinize again.

Please Note:

Verification of PDF document is essential to ensure that the textual information entered in the instance document is clearly viewable. It shall be ensured that disclosures in this pdf file are as per the adopted and published financial statement of the company in all material aspects. It may however be noted that due to XBRL taxonomy, HTML guidelines, etc., the display/presentation of these disclosures may not exactly match with those in published financial statements of the company. Such variations in human-readable' pdf version of the XBRL document and published financial statements of the company are unavoidable, and thus permitted.

In case of validation errors (other than warnings) with respect to non-adherence to the HTML guidelines, PDF document will not be created. For such cases, the HTML guidelines needs to be followed and the in stance document needs to be corrected, validated and pre-scrutinized again

7. Attach instance document to the Form 23AC-XBRL and Form 23ACA-XBRL :

There is a separate set of Form 23AC-XBRL and Form 23ACA-XBRL available on the MCA portal for filing in XBRL instance documents by the Company under section 220 of the Companies Act. First fill up the Form 23AC-XBRL and Form 23ACA-XBRL. Thereafter, attach the validated and pre- scrutinised instance document for Balance sheet to Form 23AC-XBRL. Similarly, the instance document for Profit and Loss account is to be attached to Form 23ACA-XBRL. Separate instance documents need to be prepared for Standalone financial statements and consolidated financial statements

8. Submitting the Form 23AC-XBRL and Form 23ACAXBRL on the MCA portal :

After the forms are filled, you are required to perform pre-scrutiny of the form, sign the form and then upload the same as per the normal e-Form filing process. It shall be ensured that the attached instance documents are validated and pre-scrutinised from the XBRL validation tool.

Viewing of balance sheet and profit and loss submitted in XBRL form on MCA portal :

The XBRL instance documents submitted along with Form 23AC-XBRL and 23ACA-XBRL are in machine readable format. Therefore, for viewing the same in a human readable format, these shall be converted into human readable format by the MCA21 system. For viewing the same on MCA portal and for taking certified copies of the same, these converted documents shall be made available

Annual filling-XBRL-eForms

Sr.	Description	e-Form
1	Form for filing XBRL document in respect of financial statement and other documents with the Registrar	Form AOC4-XBRL

Table 6.8.1 Annual filing-XBRL-e-Forms

6.9 OVERVIEW ON GST

The present system of indirect taxation has multiplicity of taxes levied by the Centre and State. This has led to a complex and conflicting principles in indirect tax structure, adding to the multiple compliance and administrative costs. There is no uniformity in tax rates and structure across States. There is cascading of taxes due to 'tax on tax'. There are too many restrictions on seamless credit available, i.e., credit of excise duty and service tax paid at the stage of manufacture is not available

to the traders while paying the State level sales tax or VAT, and vice-versa. Further, no credit of State taxes paid in one State can be availed in other States. (CST)

Goods and Service Tax, which subsumes a large number of Central and State taxes into a single tax, is meant to mitigate the cascading effect of taxes, provide near seamless credit and make way for a common market. However, realization of all the foregoing objectives appears to be a Herculean task and requires the co-operation of all States.

6.9.1 Why GST is necessary for India?

- GDP Growth will go Up by about 1 -2 % after the new law stabilizes (2018-19)
- International Competitiveness will increase by about 5%
- Increased Foreign Direct Investments due to improve ease of doing business and serious reform measures.
- Common Market- Tax distortions due to differential tax structures and entry tax impositions. Further check post delays would not be there.
- Lower transaction cost (multiples returns on different events at different rates in different States.
- Reduced corruption due to use of information technology, less interaction and less discretion.
- Increased IDT revenue as grey market operators would slowly start joining the mainstream.
- This would also lead to increased Direct Tax Revenue due to higher sales/ services disclosure.

6.9.2 GST Concepts

Power to tax GST

Under new Article 246A (inserted by the Constitution Amendment Act, 2016), the Parliament has exclusive power to make laws with respect to GST where the supply of goods or services or both take place in the course of inter-State trade or commerce. Subject to the above, every State would have powers to make laws with regard to GST imposed by the Union or that State.

What is GST (Goods and Service Tax)?

GST is a destination based tax and levied at a single point at the time of consumption of goods or services by the ultimate consumer. GST is based on the principle of value added tax. GST law emphasizes on voluntary compliance and on accounts based reporting and monitoring system. It is a comprehensive levy and envisages tax collection on both goods and services at the same rate.

Internationally, GST was first introduced in France and now more than 160 countries have introduced GST. Most of the countries, depending on their own socio-economic formation, have introduced National level GST or Dual GST.

Definition of Good and Service Tax (GST) - The term GST is defined in Article 366 (12A) to mean *"any tax on supply of goods or services or both except taxes on supply of the alcoholic liquor for human consumption"*.

In terms of Section 2 (52) of the CGST Act *"Goods"* means *every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and other things attached to or forming part of land which are agreed to be severed before supply or under a contract of supply.*

In terms of Section 2(102) of the CGST Act "*Services*" means anything other than goods, money and securities but includes *activity relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.*

Thus, all supply of goods or services or both would attract CGST (to be levied by Centre) and SGST (to be levied by State) unless kept out of the purview of GST.

There is no requirement of actual sale of goods under GST. The alternative methods of supply of goods could be in the form of:

- inter State or distinct person stock transfer;
- captive consumption in another State location;
- supply on consignment basis or any other basis by the principal to his agent;
- supply on job work basis (if working under returnable basis- no tax need be paid);
- any other supply such as donation, sample etc.

Structure and type of taxes:

India is proposing to implement dual GST. In dual GST regime, all the transactions of goods and services made for a consideration would attract two levies i.e. CGST (Central GST) and SGST (State GST).

- **Central Goods and Service Tax (CGST)**

The Central GST (CGST) is expected to replace the existing central excise duty and service tax. CGST would also cover sale transactions.

The Constitutional Amendment Act, 2016 contains suitable provisions to enable Centre to tax sales. CGST would be administered by the Central Government. The CENVAT credit balance available under CENVAT Credit Rules with the manufacture or service provider, as on the date of transition into GST, could be carried forward. In respect of tax paid goods in stock as on the date of transition credit not availed in the past or not eligible at that point of time, available under GST could also be availed and used towards disbursing CGST (Central GST) liability. There could be a time bound transition for carry forward of credit availed prior to introduction of GST. The declaration of closing stock as on the date of transition to claim credits, which were not earlier captured, would also be time bound.

- **State Goods and Service Tax (SGST)**

State GST would replace State VAT, Entry tax, Octroi, Luxury tax, etc. SGST would be levied on services as well. To enable taxing of services by the State, the Constitutional Amendment Act, 2016 contains suitable provisions. SGST is to be administered by the State Governments. The SGST payable could be set off from the SGST credit or the IGST credit available. The closing input VAT balance available under VAT Act would also be made available to the dealer, as on the date of transition into GST, and could be set off towards SGST (State GST) liability. Further it is expected that the duty and tax paid on closing stock would also be available as credit, which may not have been claimed as set off in the VAT regime.

- **Inter-State Goods and Service Tax (IGST)**

IGST would be levied on all supplies of goods and /or services in the course of inter-state trade or commerce. IGST would be applicable to import of goods or services from outside country as well, which is indicated in the Constitutional Amendment Act, 2016.

The balance of credit under VAT as well as Cenvat Credit can be carried forward from the earlier regime. Further the duty and tax paid on closing stock would be available as credit where duty paying documents available, for hitherto exempted products / services which may not have been claimed as set-off. Lower deemed credit is available for those who do not have duty paying documents.

What are the taxes subsumed and NOT subsumed into GST?

State taxes

subsumed	**NOT subsumed**
Value Added Tax	State Excise Duty
Purchase Tax	Stamp Duty
Entry Tax, Octroi, Local Body Tax	Profession Tax
Sales Tax partially	Motor Vehicle Tax
Entertainment Tax (other than the tax levied by Local tax authorities)	Electricity Duty –Doubtful because of inclusion of electricity in the definition of term "goods"
Luxury Tax	Sale tax on five petroleum products namely Petroleum Crude, Motor Spirit (petrol), High Speed Diesel, Natural Gas and Aviation Turbine Fuel for a period of time. GST Council would decide the date of including them in GST.
Betting, Gambling and Lottery Tax	
Surcharges and State Cesses	

Central taxes

subsumed	**NOT subsumed**
Central Excise Duty	Customs Duty.
Additional Duties of Excise	
Excise on Medicinal and Toiletries Preparation Act	
Additional Customs Duty (CVD) – equal to central excise on like goods manufactured in India	
Special Additional Duty – Supposed to be equal to CST which was earlier 4%. Not changed inspite of drop in CST rate to 2%.	
Surcharge and Cesses	
Central Sales Tax	

6.10 BROAD PRINCIPLES OF GST

A. Levy and Collection of CGST Bill (Section 9)

In terms of Section 9(1) of CGST Act, 2017 Central Goods and Services Tax (CGST) shall be levied on all intra-State supplies of goods and/or services on the value determined under section 15 and at the rate notified by the Central/State Government in this behalf, on the recommendation of the Council. However, the aforesaid rate of CGST shall not exceed 20%. Further, the CGST shall be collected in the prescribed manner.

In terms of Section 9(3) the Central Government may, on the recommendation of the Council, by notification, specify categories of supply of goods and/or services the tax on which is payable on reverse charge basis and the tax thereon shall be paid by the recipient of such goods and/or services. This has been restricted to the very unorganized sectors like transport. (See Notification for list) Consequently, all the provisions of the CGST Act shall apply to such person as if he is the person liable for paying the tax in relation to the supply of such goods and /or services. However, this cannot be adjusted with the credit but only in cash.

In terms of Section 9(4), CGST in respect of supply of goods or services or both by an unregistered supplier to a registered recipient will be paid by such registered recipient under reverse charge. This is a significant change which would force even small tax payers to go for the regular scheme of full tax with credit if they want to deal with any registered businesses. No business in competitive environment can afford to break the credit chain and may avoid buying from unregistered or composition dealers. Central Government vide *Notification No. 08/2017-Central Tax (Rate), dt. 28-06-2017* has w.e.f 1st July 2017 exempted supplies of goods or service or both received by a registered person from any or all such unregistered supplier(s) if the aggregate value of such supplies **does not exceed Rs. 5000 in a day**.

In terms of Section 9(5), the Central Government may specify categories of services the tax on which shall be paid by the Electronic Commerce Operator if such services are supplied through it. Consequently, all the provisions of the CGST Act shall apply to such Electronic Commerce Operator as if he is the person liable for paying the tax in relation to supply of such services. In other cases where the e-com operator only provides a platform the need to pay TCS (Tax Collection at Source) of 1% and reporting the same has been fastened. The supplier would be liable for discharge of the GST applicable as such persons not eligible for threshold exemption of Rs. 20 / 10 Lakhs.

B. Composition Levy (Section 10)

In terms of Section 10(1) a registered person whose aggregate turnover in the preceding financial year did not exceed Rs.75 lakhs, may opt to pay amount (not tax), in lieu of tax payable in normal levy but not exceeding following % of turnover in State or in Union Territory:

(i) 1% of turnover, in case of a manufacturer

(ii) 2.5% of the turnover in case of restaurant services (excluding alcohol)

(iii) 0.5% in case of others

Note: a) Barring Uttarakhand, which has opted for a Rs. 75 lakh threshold for the composition scheme, the Rs. 50 lakh threshold will continue for all other special category states except for Jammu & Kashmir.

b) The State GST maybe an equal amount of Rs. 75 Lakh.

The above-mentioned composition levy shall not be granted to a taxable person-

- who is engaged in the supply of services other than supply of food and beverages (outdoor caterer/ hotel etc.); or
- who makes any supply of goods which are not leviable to tax under the CGST Act; or
- who makes any inter-state outward supplies of goods; or
- who has any instate or imported stocks in hand
- who makes any supply of goods through an Electronic Commerce Operator who is required to collect tax at source; or
- who a manufacturer of such goods is as may be notified on the recommendation of the Council.

the registered person shall not be eligible to opt for the composition scheme unless all registered person opts the scheme. Resultantly, registered taxable person, having the same PAN has obtained more than one Registration, whether in the same State or in two different States as Head Office and Branch, then the Head Office and Branch cannot opt for Composition Levy Scheme in isolation. Both will have to opt for Composition Levy.

In terms of Section 10(3), the Composition Levy Scheme shall stand withdrawn from the day when the aggregate turnover of the registered taxable person during a financial year exceeds Rs. 75,00,000/- or specified limit.

In terms of Section 10(4) a taxable person who pays tax under composition levy shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

It is also worth noting here that in terms of Section 10(5) if the proper officer has reasons to believe that a taxable person was not eligible to pay tax under Composition Levy Scheme, the concerned taxable person shall be liable to pay the following:

(a) Any tax which may be payable by him under other provisions of the Act; and

(b) Penalty; provision of section 73 and 74 for shall apply for determination of tax and penalty

It is also to be noted that since Composition Levy Scheme cannot be availed by a taxable person who is engaged in the supply of Ice-cream, Pan Masala & Tobacco, supply of services, works contractors providing Works Contract Services shall not be eligible for Composition Levy Scheme. Consequently, aforesaid Works Contractors would be forced to maintain proper Books of Accounts and Records. Traders doing B2B activity may not find the composition levy economically viable.

In terms of Section 2(107) Taxable Person means a person who is registered or required to be registered under Section 22 or 24 of this Act. One who is required to obtain multiple registrations in different States or within one State would be considered as *distinct person* in each State.

Following persons are not liable to registration as per sections 22-24:

(a) Any person engaged exclusively in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax under CGST Act.

(b) An agriculturist to the extent of supply of produce out of cultivation of land the persons who are only engaged in making supplies of taxable goods or services or both, the total tax on which

is liable to be paid on reverse charge basis by the recipient of such goods or services or both under section 9(3) of the CGST Act, 2017

(c) Any supplier if his aggregate turnover in a financial year does not exceed Rs. 20 lakh.

(d) Any supplier if his aggregate turnover in a financial year does not exceed Rs. 10 lakh from Special Category States. Following is the list of aforesaid "Special Category States"

S. No.	Special Category States	S. No.	Special Category States
1.	Arunachal Pradesh	7.	Nagaland
2.	Assam	8.	Sikkim
3.	Jammu & Kashmir	9.	Tripura
4.	Manipur	10.	Himachal Pradesh
5.	Meghalaya	11.	Uttarakhand
6.	Mizoram		

In terms of Section 24 read with Section 22, following persons are required to be registered under CGST Act:

(a) Every supplier shall be liable to be registered under the CGST Act in the State from where he makes a taxable supply of goods and/or services if his aggregate turnover in a financial year exceeds Rs. 20 lakh. However, in respect of Special Category States, the aforesaid threshold registration limit has been reduced to Rs. 10 lakh.

(b) Person making any inter-state taxable supply (no threshold limit).

(c) Causal Taxable Persons (No threshold limit).

(d) Persons liable to pay GST under reverse charge (no threshold limit).

(e) Electronic Commerce Operator in respect of specified categories of services if such services are supplied through it.

(f) Non-Resident Taxable Persons.

(g) Persons who are required to deduct tax at source

(h) Persons who are required to collect tax at source

(i) Persons who supply goods and/or services on behalf of other taxable persons whether as an agent or otherwise (no threshold limit).

(j) Input Service Distributor.

(k) Persons who supply goods and/or services through Electronic Commerce Operator who is required to collect tax at source (No threshold limit).

(l) Every Electronic Commerce Operator (No threshold limit).

(m) Every person supplying Online Information and Database Access or Retrieval Services (OIDAR Services) from a place outside India *to a person in India, other than a registered taxable person.*

(n) Such other person or class of persons as may be notified by the Government on the recommendation of the Council.

C. **Meaning and scope of supply (Section 7)**

Supply includes:

(a) all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business,

(b) importation of service, for a consideration whether or not in the course or furtherance of business, and

In terms of Section 7(3) the Government may, upon recommendation of the Council, specify, by notification, the transactions that are to be treated as—

(i) a supply of goods and not as a supply of services; or

(ii) a supply of services and not as a supply of goods; or

(c) In terms of Schedule I to the CGST Act, following are to be treated as supply even if made without consideration:

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such business assets.

2. Supply of goods or services between *related persons* or between *distinct persons* as specified in Section 25, when made in the course or furtherance of business. In terms of Section 10, following are deemed distinct persons

(i) Deemed Distinct Persons in Case of Multiple Registrations- Section 25(4)

A person who has either already obtained or is required to obtain more than one registration under this Act shall be treated as distinct persons in respect of each such registration. It is immaterial whether the aforesaid multiple registrations have been obtained or are required to be obtained in one State or more than one State.

Example

Mr. Ravi is engaged in supply of professional services as Chartered Accountant. He has obtained a Registration in the State of West Bengal in respect of his Head Office. In addition, he has obtained registration in the State of Delhi in respect of his branch.

In the above case, in respect of each registration at West Bengal and Delhi, Mr. Ravi shall be treated as distinct person.

(ii) Deemed Establishments of Distinct Persons in case of Multiple Registration in Different States –Section 25(5)

An establishment of a person who has either obtained or is required to obtain registration in a State and any of his other establishments in another State shall be treated as establishment of distinct persons for the purposes of this Act.

Example

Raj Ltd. is engaged in supply of specified goods. It has obtained a Registration in the State of Haryana in respect of its Head Office. In addition, it has obtained registration in the State of Punjab in respect of its branch located at Jalandhar.

In the above case, the establishment in Haryana and establishment in Punjab shall be treated as establishments of distinct persons.

3. Supply of goods-

(a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or

(b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

4. Importation of services by a taxable person from a *related person* or from any of his other establishments outside India, in the course or furtherance of business.

1. Schedule II-following matters to be treated as a supply of goods or a supply of services**:**

1. Transfer

(a) Any transfer of title to goods is a supply of goods. Normal sale.

(b) Any transfer of goods or right in goods or undivided share <u>without transfer of title</u> is supply of services. Example- Renting of laptops.

(c) Any transfer of title in goods under an agreement which stipulates that property in goods will pass at a future date upon payment of full consideration as agreed is a supply of goods. Example – Supply of Refrigerators under Hire- purchase Agreement

2. Land and Building

(a) Any lease, tenancy, easement, license to occupy land is a supply of services.

(b) Any lease or letting out of the building including a commercial, industrial or residential complex for business or comer, either wholly or partly, is a supply of services

3. Treatment or process

Any treatment or process which is being applied to another person's goods is a supply of services.

4. Transfer of business assets

(a) Where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether for a consideration, such transfer or disposal is a supply of goods by the person

(b) Where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether for a consideration, the usage or making available of such goods is a supply of services

(c) Where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be taxable person. However, aforesaid provision of deemed supply of goods shall not apply in the following cases:

(i) Where the business is transferred as a going concerned to another person; or

(ii) Where the business is carried on by a personal representative who is deemed to be a taxable person

The declared services under the present ST Law shall be treated as supply a service.

The following shall be treated as supply of goods

Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration

In terms of Section 8 of the Act, the tax liability on a composite or a mixed supply shall be determined in the following manner-

(a) a *composite supply* comprising two or more supplies, one of which is a principal sully, shall be treated as a supply of such principal supply. Example- Supply of food during the course of transportation of passengers by air services shall be treated as supply of transportation of passengers by air.

(b) a *mixed supply* two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax.

D. Meaning of inter-state and intra-state supply [Section 7 and 8 of the IGST Act]

In terms of Section 7(1) & (3) of the IGST Act supply of goods or services in the course of inter-state trade or commerce means any supply where the location of the supplier and the place of supply are in

(a) Two different state

(b) Two different union territories

(c) A State and a Union territory

On the other hand, in terms of Section 8(1) and (2), intra-State supply of goods or services means any supply of goods where the location of the supplier and place of supply are in the same State or same Union territory. However, the intra-State supply of goods shall not include:

(i) Supply of goods to or by a SEZ developer or to or by an SEZ unit;

(ii) Supply of goods brought into India in the course of import till they cross the customs frontiers of India.

(iii) Supplies made to a tourist leaving India on any supply of goods taken out of India by him

E. Classification under GST

The classification of goods is to be done with reference to the broad category as per the GST Tariff Act. In case of any doubt the specific coverage within the alternative entries is to be chosen. The Harmonized System of Nomenclature (HSN), issued by the World Customs Organization, Brussels, could be adopted for classification of goods and with respect to services it would be in line with WTO classification. This would integrate Indian trade and industry with global trade even at each State level. Further it would ensure that there is uniformity amongst Union and the States in the matter of classification of goods. Where the entry is not clear or more than one classification appears to be relevant, then reference could be made to the rules of interpretation contained in the HSN to resolve such a conflict. The notification issued on the interpretation rules and the rates may be referred for clarity.

Where there are, still some doubts the decisions of the Courts laying down certain principles (like trade parlance theory, function based classification, ISI glossary etc.) could be referred. Classification of service would probably be based on the service tax definitions as they exist presently as also the provisions as they existed prior to 2012.

F. Exemptions under GST (Section 11)

1. Exemption in Public Interest by Notification – Section 11(1)

The Central Government may exempt goods and/or services of any specified description from the tax leviable thereon. However, following cumulative conditions need to be satisfied:

(a) Exemption is to be granted in public interest only;

(b) Exemption is to be granted on the recommendation of the GST Council;

(c) Exemption is to be granted by a Notification in the Official Gazette;

(d) Exemption to be granted either absolutely [i.e. without any condition] or subject to specified conditions;

(e) Exemption can be from the whole or any part of the tax leviable thereon; and

(f) The effective date of exemption may either be from the date of issue of notification or any date subsequent thereto as may be specified in the relevant Notification

Further, in terms of Explanation to Section 11, where an exemption in respect of any goods and /or services from the whole of the tax leviable thereon has been granted absolutely, the taxable person providing such goods and/or services is not allowed to pay the tax on such goods and/or services. However, if the goods or services are exported then there is facility for claiming the rebate or refund of tax paid on inputs etc.

2. Exemption in Public Interest by Special Order under Circumstances of an Exceptional Nature –Section 11(2)

The Central Government may exempt from payment of tax any goods and/or services on which tax is leviable. However, following cumulative conditions need to be satisfied:

(a) Exemption is to be granted in public interest only;

(b) Exemption is to be granted on the recommendation of the GST Council;

(c) Exemption is to be granted by a special order in each case; and

(d) Exemption is to be granted under circumstances of an exceptional nature to be specified in the aforesaid special order.

3. Insertion of an Explanation in the Notification or Order – Section 11(3)

The Central Government may insert an explanation in the Notification or Order issued under Section 11(1) or Section 11(2) respectively. However, following conditions need to be satisfied cumulatively:

(a) Explanation is to be inserted only if the Central Government considers it necessary or expedient to do so;

(b) Explanation is to be inserted with a view to clarify the scope or applicability of any Notification or Order; and

(c) Explanation is to be issued within one year of issue of the Notification or Order.

Further, such Explanation shall have the effect as if it had always been the part of the original /first relevant Notification or Order.

The classification at higher rates than the correct rate may lead to assesse being uncompetitive.

The classification at lower rate can severely damage the business when the demand for several years with interest and penalty is raised.

Therefore, it is important that classification is not done in a hurry and done accurately and ion case of doubt reference to the entry, HSN, case laws be examined in an independent manner. It may be noted that the Apex court has held that exemptions are to be construed strictly.

G. Decision on Registration (Section 22)

The decision regarding registration as a supplier of goods or service would be made when GST is payable. The intermediate goods supplier should not claim exemption and take the registration from the start of the enterprise to ensure competitiveness due to availability of input credit set off.

The supplier [whether an importer, distributor or retailer] who wishes to pass on the input tax credit in respect of the GST paid on goods traded/imported by him to customers, would be required to register under the GST law. Prescribed accounts and records will have to be maintained by them and they must issue proper invoice for the supply of goods and services.

H. Place of Supply (Sections 10- 14 read with Sections 7 & 8 of the IGST Act)

The place of supply would determine first as to whether the transaction is in India or outside India. If it is outside India it would not be liable to GST.

It would also determine the place of levy. Most transactions are expected to be taxed at the rate prevailing at the destination. There would be some exceptions in regard to services and a few in regard to goods.

Section 7 of the IGST Act provides that place of supply of goods shall, depend on the location of the supplier and place of supply. In terms of Section 7(1) of the IGST Act Inter-State supply of goods means any supply of goods where the location of the supplier and the lace of supply are in different States, On the other hand, in the Section 8(1) intra-State supply of goods means any supply of goods where the location of the supplier and the place of supply are in the same State.

In terms of Section 12 & 13 of the IGST Act the place of supply for services is quite elaborate and based partially on the present Place of Provision of Services Rules under the service tax. Place shall be decided by way of location of immovable property, place of performance of services, place of event, location of supplier of service, location of recipient of service etc.

I. Time of Supply (Sections 12 & 13 of the CGST Act)

The liability to pay CGST/SGST on the goods shall arise at the time of supply. The time of supply of goods would be earlier of the following dates, namely:

(a) the date of issue of invoice by the supplier or the last date on which he is required to issue the invoice with respect to the supply; or

(b) the date of receipt of payment by the supplier

However, in case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following date, namely: -

(a) the date of receipt of goods, or

(b) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or

(c) the date immediately following 30 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:

In case of service, the time of supply shall be earlier of the following dates, namely: -

(a) the date of issue of invoice by the supplier if the invoice is issued within the prescribe period (i.e. 30 days)

(b) The date of provision of service, if invoice is not issued within the prescribed period

(c) The date on which the recipient shows the receipt of services in his books of account, in the case (a) and (b) do not apply.

J. Rate of GST

The rates could be as under:

(a)	Revenue Neutral Rate (RNR)	–	18%
(b)	Products/ service which are basic necessities	–	12%
(c)	Essential Goods	-	5%
(d)	Demerit/ luxury goods	-	28% + some Cesses (Upto 160 %)

The Codes and Rates of various goods and services under GST have already been notified by CBEC and are available on www.cbec.gov.in

K. Valuation (Section 15)

GST would normally be payable on the 'transaction value'. Transaction value is the *price actually paid or payable* for the said supply of goods and/or services between un-related parties and price is the sole consideration. The transaction value is also said to include:

- Taxes other than GST
- Expenses incurred by recipient in relation to supply
- Incidental expenses charged at the time or before the supply
- Interest etc. for late payment
- Subsides directly linked to the price excluding subsidies provided by the Central and Governments

As regards *discounts/incentives,* it will form part of 'transaction value', if it is allowed *after* the supply is effected. However, discounts/ incentives given *before or at the time* of supply would be permissible as deduction from the transaction value. This would be indicated in the invoice itself.

Volume / quantity discounts would be passed on by way of credit notes.

Valuation Rules provides that, where the supply of goods or services is for a consideration not wholly in money, the value of supply shall be:

(a) open market value

(b) if (a) is not, then sum total of consideration in money and equivalent thereof

(c) value of like kind and quantity

(d) cost+10%

(e) by reasonable means.

However, where there is no consideration and the receiver is eligible for credit then the value declared would be accepted as the proper value. Though not specified, it may be ideal to ensure that reasonable value is ascribed to such transaction to avoid any questions at the time of audit or otherwise.

The valuation provisions envisaged may result in disputes is the understanding as on date. The settled case laws in Customs for market value and in Central Excise for other than sole consideration may assist in guidance in case of tainted transactions.

L. Input Tax Credit (Section 16 – 22)

Current CENVAT Credit regime disallows CENVAT Credit on various services such as motor vehicle related services, *catering services, employee insurance, construction of civil structure* etc. Similarly, State VAT laws restrict input tax credit in respect of construction, motor vehicle etc. Currently, this denial of credits leads to un-necessary cost burden on assessee though they are used in furtherance of business.

It was expected that in GST regime, seamless credit would be allowed to business houses without any denial or any restriction except say goods / services which are availed for personal use and not for official use (something similar to United Kingdom VAT law).

However, surprisingly, inter-alia, many of the aforesaid credit restrictions continue to remain (in respect of both goods and services). Further, credit is denied on goods and/or services used for private or personal consumption, to the extent they are so consumed. This continuation of denial will lead to substantial tax cascading (as rate of GST would be higher than the current rate of service tax). Also, another round of litigation will result as interpretation issues would crop up while determining eligibility or otherwise of GST paid on personal consumptions such as business lunch with clients.

The credit on the inputs and the input services, pertaining to Central GST, Integrated GST and State GST should be accounted separately. There is likely to be a restriction on cross utilization i.e. credit pertaining to CGST would not be allowed for set-off against SGST and vice versa. However, this restriction would not be applicable to inter-State transactions. Further, the rules for taking and utilization of CGST, IGST and SGST credit would be aligned. The credit on the capital goods could be aligned with inputs and services and would be available for set off 100% in the first year itself.

The provision of supply of goods or services inter-State between the same entities would be subject to GST. When there is no supply but input services are commonly used then the concept of *Input Service Distributor* would apply.

Doubts/ issues in transition as well as post transition continue to be confusing arbitrary and illogical leading to disputes as in the past. It is expected that in the next 6 months these would be made reasonable and cascading impact be reduced further.

M. Set off of input Credit (Sections 16 – 22)

The input tax credit would be eligible for set off as under:

1. The CGST SGST and UTGST paid on supply of service to be set off against the output CGST, SGST and UTGST respectively.
2. When an item is procured for resale, then credit of CGST and SGST/ UTGST is available for all items.

3. When inputs and consumables are procured for the manufacture of goods on which CGST/ SGST/ UTGST is paid, then credit of CGST and SGST/ UTGST is available for all items.
4. SGST/ UTGST would be allowed first to be utilised against SGST/ UTGST and then IGST.
5. Similarly, would be allowed first to be utilised against CGST for CGST and then IGST.
6. IGST would be allowed for IGST, CGST and then SGST/ UTGST in that order.

The SGST/ UTGST would not be allowed to be adjusted to the CGST and vice versa. This may lead to accumulation of credit in some places.

Credit of:	Allowed for Payment of		
	IGST	CGST	SGST
IGST	✓ **(1)**	✓ (2)	✓ (3)
CGST	✓ (2)	✓ **(1)**	
SGST	✓ (2)		✓ **(1)**

N. Number of Legislations:

There would be 38 GST laws in India in GST regime; there would be 1 CGST law and 31 SGST laws for each of the States including two Union Territories and 5 UTGST Law and 1 IGST law governing inter-State supplies of goods and/ or services.

O. Whether branch transfer taxable?

At present, the transfer of goods without payment of CST is permissible when one transfers it to self or agent under Form "F". Many States have input tax reversal to be made in such cases on value of goods purchased locally For Example 2% in Karnataka, 5 % In Tamil Nadu and full credit reversal in some States etc.

Under GST, the movement of goods or services from one State to another on transfer basis would be subject to IGST [total of CGST+SGST/ UTGST]. Therefore, tax would not cascade to the extent of restriction. However, it will have issues of increased working capital, storage and logistics.

The transfer of goods or services within a State with a separate business vertical would be liable to SGST/ UTGST and CGST. In case there is only one registration in the State then there would be no GST [CGST+SGST/ UTGST] on the stock transfer.

P. Supply in the course of Import (Section 11 of IGST)

At present import of goods is liable to Customs Duties comprising of Basic Customs duty [BCD], Additional duty of customs equal to Excise duty on like goods manufactured in India [CVD], Special Additional duty (SAD). Service tax is leviable on services which are provided from outside India and received in India and payable by the service receiver under reverse charge mechanism.

The import of goods or services would be deemed as inter-State supply of goods or service and be subjected to the levy of Inter-State GST (IGST). The import of goods would continue to attract Basic Customs Duty (BCD) and also IGST.

Q. Supply in course of export (Section 11 of IGST)

GST would not be charged on goods or services exported from India. In case, the supply of goods or supply of services qualifies as export out of India as per the place of supply provisions, the transaction would be zero rated. The supplier would be allowed to export the goods or services without charging any tax, but can avail the CGST/SGST and IGST credits. If they are unable to utilise the credit, then they can go for refund of. CGST/ SGST/ IGST paid on procurement of such goods and/or services.

R. Transitional Provisions

The key to the success of GST would be when all present tax payers comfortably migrate to GST so that they can continue their businesses without any difficulty. The transition should also enable all to start on a **level playing field**. In the present act and rules there are a couple of aberrations which treat hitherto exempted manufacturers or taxable and exempted product manufacturers unfairly and unequally. Some important transition provisions are briefly explained hereunder:

(a) Every person registered under VAT, Central Excise or Service tax etc. having *a valid PAN* would be provisionally registered. Further particulars to be provided (online) to enable final registration. (Section 139)

(b) The CENVAT Credit (manufacturer/ service provider) or the VAT credit (manufacturer/ Trader) or Entry Tax credit (where allowed to be adjusted – few States enable this) can be carried forward if eligible as input credit under GST. It must be ensured that the last return before switching over to GST is made very carefully after proper reconciliation with books of account. Only eligible credits credit to be carried forward. Capturing the complete credits of VAT, Central Excise and Inputs credit could be a value-added activity. The time limit specified is 90 days from 1st July or another 90 days if Commissioner extends. (Section 140(1))

(c) Capital goods credit is available to a manufacturer/ service provider normally upto 50% in the year of acquisition and balance 50% in the subsequent year/s. Where one has either not availed though eligible or availed 50% pre-GST, the balance can be availed in the subsequent year. However, this credit has not been extended to traders who have capital goods in use as well as area based exempted units. (Section 140(2))

(d) All manufacturers/ traders and to a lesser extent service providers would have stock of goods which may be in the form of raw material/ components, semi-finished goods and finished goods. Taxes (central excise duty, Input tax credit, service tax) paid under the earlier regime which are available in GST should be allowed as credit as now the payment would be under GST. Those not liable to be registered under the earlier law, claiming exemption, providing works contract service or claiming abatement or 1st and 2nd stage dealer would be eligible to avail the credit on closing stock. This again may not be fair. The proof of existence of stock may also be retained such as stock taking, entries in the running stock registers.

The claim for credit of taxes paid on stock can be made for all the above situations along with duty paying documents to maximize the credit. Where no documents are there, Transitional Rules prescribe deemed credit of 60% can be availed in case of supply of goods taxed at 18% or higher and 40% credit can be availed in case of supply of goods taxed at less than 18% within 6 months, subject to certain conditions. If supply is IGST then it would be 30 % and 20% respectively. (Sections 140(3))

(e) The credit for duty/ tax paid for goods in transit can be claimed within a period of 30 days with the condition that the same has been recorded in the books. A statement as prescribed should be submitted. (Section 140(5))

(f) Many dealers and works contractors who are under the composition scheme in the local VAT laws as well as the service tax law are ineligible or may not find it economically viable especially if, they are into Business to Business (B2B). However, if such dealers opt for regular scheme under GST, the credit on inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day is allowed subject to certain conditions. (Section 140(6))

(g) The common input services for services received before GST by an Input Service Distributor would be available for distribution as credit under GST Act even if invoice(s) relating to such services is received on or after implementation of GST. [Section 140(7)].

(h) Where a taxable person having Centralized Registration under the earlier law has obtained a registration under CGST Act, such person shall be allowed to take in his Electronic Credit Ledger, credit of the amount of CENVAT Credit carried forward in a return, furnished under the earlier law by him in respect of the period ending with the day immediately preceding the appointed day. However, the taxable person shall not be allowed to take credit unless the said amount is admissible as input tax credit under the GST Act. Further, such credit may be transferred to any of the registered taxable persons having the same PAN for which the Centralized Registration was obtained under the earlier law. (Section 140(8))

(i) Under the service tax law when one had not paid for services within 3 months, the credit was to be reversed. If payment is made within 3 months of GST such credit can be re-claimed (Section 140(9))

(j) Where any duty paid Goods under the earlier law are sent 6 months prior to the appointed day i.e. introduction of GST date and are returned to any place of business on or after the aforesaid appointed day, the Registered Taxable Person(RTP) shall be eligible for refund of the duty paid under the earlier law where such goods are *returned by a person, other than a RTP*, to the said place of business within a period of six months from the appointed day when such goods are identifiable to the satisfaction of the proper officer. However, if the said goods are returned by a RTP, the return of goods shall be deemed to be a supply. (Section 142(1))

(k) When inputs/ Semi Finished/ finished Goods sent for job work on payment of duty are returned after GST date within 6 + 2 months of GST date no GST will be payable. If not returned, then the input tax credit would have to be reversed. This provision would apply where the credit on the stock in hand of job worker is claimed by the principal (sender). Enabling provisions have been made for receipt of goods directly by job worker or supply from job workers premises. (Sections 141)

(l) The issue of supplementary invoices, debit/ credit note can be done within 30 days of the date of price revision. In case of credit note, the reversal of the credit by the receiver needs to be confirmed. (Section 142)

(m) The claims for refund of any amount of CENVAT credit, duty, tax or interest paid made and pending as well as claims made after GST date but pertaining to a period prior would be under the earlier law required to be disposed of as per the earlier law and any amount eventually

accruing to him shall be paid in cash. In case of a claim being rejected (subject to appeal in the old law) the amount so rejected would lapse (Section 142)

(n) The claim for CENVAT credit or ITC or output duty or tax liability or dispute on Reverse charge mechanism made under the earlier law which is in adjudication etc. would be disposed of under the old law and any amount found to be admissible to the claimant shall be refunded to him in cash. In case of recovery of credit under old law it would be as per the provisions of GST. (Sections 142)

(o) The returns under central excise can be revised before the end of the month, and service tax returns within 90 days; under VAT in most States a 6 months' time is provided for such revision. If aforesaid revision of returns results in any amount recoverable from the assessee, the same shall be recovered as an arrear of tax under GST Act and the amount so recovered shall not be admissible as input tax credit under GST Act. On the other hand, if pursuant to aforesaid revision of return, any amount is found to be refundable or CENVAT Credit is found to be admissible to any taxable person, the same shall be refunded to him in cash. (Section 142(9))

(p) Contracts entered prior to GST spilling over to GST would be liable to tax under GST. No tax shall be payable on the supply of goods and/or services made on or after the appointed day where the duty or tax payable thereon has already been paid under the earlier law. (Section 187)

(q) The tax in respect of the taxable services /taxable goods paid under earlier law, tax shall be levied under this act, and the taxable person shall be entitled to take credit of taxes paid under the existing law to the extent of supplies made after the appointed day and such credit shall be calculated in such manner as may be prescribed. (Section 142(11))

(r) In many States the stock transfers are after reversal of input tax credit. No such credit reversal is permissible under GST though it was desirable.

(s) Where goods are sent on approval and are returned within 6 + 2 months, then no liability to pay exist under GST. Beyond that tax is payable by the person returning the goods. If not returned, then the sender has to pay the GST of such earlier supplies. (Section 142(12))

(t) Where a supplier has made any sale of goods in respect of which tax was required to be deducted at source under the earlier law and the supplier has also issued an invoice for the same before the appointed day, no tax is to be deducted at source shall be made by the deductor under Section 46 of the CGST where payment to the said supplier is made on or after the appointed day. (Section 142(13))

Impact of GST on Trade, manufacture, service

Impact on Traders

(a) *Tax on value addition:* The impact of tax on the wholesaler or retailer would be limited to the value addition. The tax paid at earlier stages (except CGST & SGST of other States) would be available as set off for payment of GST on supplies. Therefore, traders would prefer to buy/ receive supplies with invoice pre-and post GST.

(b) *Reduce cascading:* Cost of products and services would reduce normally due to the cascading effect of tax being reduced. Service tax credits would be available and going forward even the capital goods used for storing, handling etc.

(c) *SGST/ UTGST levy:* CGST and SGST/ UTGST would be levied on the local supply of goods within State. IGST (comprising of CGST and SGST) would be levied on inter-State supply of goods.

(d) *No subsequent sale or sale in transit under the CST Act against Forms E-1/2:* This exemption as per section 6(2) of the CST Act is not continued under GST levy. GST would be charged on both transactions.

(e) *Export supplies Under Form H/ Supplies to SEZ under form I:* Not available.

(f) *Stock transfers:* Presently, stock transfer is done without charging CST against Form F. Under GST law, stock transfers from one State to other would be liable to GST.

(g) *Stock transfers to branches/consignment agents within the State*: Under GST, these transfers would not be taxed as the registration number of transferor and transferee is same. Where the division/ branch or agent has a different registration CGST & SGST would be charged.

(h) *Small Traders:* They would be eligible for the composition scheme upto Rs 75 lakhs provided their aggregate turnover in the preceding financial year did not exceed Rs. 75 lakh. After that, normal rate will apply. The essential conditions to be complied for availing the benefit of the aforesaid Composition Scheme are as under

(i) No credit to dealer/ customer;

(ii) No inter-state supply of goods.

Only suitable for Business to Consumer transactions.

2. Impact on Manufacturers

(a) *Competitive in market:* There would be a saving in taxes due to less restrictions in taking setoff of taxes paid at various stages of manufacture reducing the cost of goods/ services supplied. This would make them more competitive both in domestic and the international markets.

(b) *Valuation of the supply of goods:* At present, excise duty is paid on the event of manufacture of excisable goods and VAT on the sale of goods. VAT/CST is computed on sale price+ excise duty paid. With the shift of taxable event from manufacture to supply of goods, the valuation of goods could be simplified. Under GST, actual value received as a consideration for the supply of goods would be subject to GST with some exceptions.

(c) *Cheaper exports:* Exports would be cheaper as taxes paid at earlier stages could be refunded to a larger extent. [credit restrictions can lead to tax sticking]

(d) Ease of doing Business: Adoption of Information technology in GST regime will enable the organization to do business with ease.

(e) Transaction costs: The transaction costs of compliance would reduce due to widespread computerization and online filling of forms and returns and payment of taxes. However, the need to upload all transactions may lead to increased compliance cost for medium sector while for the small sector it may not be bearable.

(f) *Manufacturers under administration of State VAT officials:* Manufacturers having a value of clearances of less than Rs. 150 Lakhs are exempt under present Excise law. The matter of administration has not been resolved as on date.

3. Impact on Service Providers

(a) *Present destination based to proposed consumption based levy:* Presently, service tax is levied mainly at the origin and is a destination based levy, the burden of which is borne by the end customer. Under GST generally they would be taxed in the same way except that the place of supply would have to be confirmed. Tax would flow to the place of consumption.

(b) *Service tax-SGST levied by States*: Under GST law, the service tax would be levied not just by Centre but also by the States which would be empowered to levy SGST by amendment to the Constitution of India.

(c) *Taxes received by consuming State:* If services are rendered from one State to another, then tax would ultimately go to the consuming State.

(d) *Increased set off with VAT:* The VAT credit for goods which was not available to the service provider would be available under GST.

4. Impact on the Consumers

(a) *Reduction in price:* Generally, the purchase price would reduce as tax content of most products would come down. But if a product has hitherto not been subjected to tax completely then the price would increase. Further those items which are now taxable where tax rate earlier was zero may be more expensive as exemption and zero rated lists of items may come down in the GST regime.

(b) *Transparency:* The tax paid would be clearly mentioned in the invoice given to the customer.

(c) *Options to customer:* There would be free trade and commerce between States and throughout the country which would provide more options to the consumer.

5. Central Government

(a) *Increased collection of CGST and IGST:* The collection of taxes-CGST and IGST would increase when more and more assesses register and pay taxes due to simplified tax laws under GST regime.

(b) *Loss of CST revenues:* The CST which was 2 % accruing to the State of collection has been subsumed into GST. This revenue would not be available to the States.

(c) *Refunds under GST:* The refunds under Central excise and service tax laws take long time. However, in GST Regime, refunds are expected to be processed faster with 90% of the total refund amount being available on submission of proper documents.

(d) *Reduced corruption:* When the laws are simplified, then the chances of multiple interpretations would get reduced, leading to reduction in disputes and consequent litigation. Also, the automation of the payments/returns filing and other compliances could mean that the interaction between the assessee and the department officers would come down to minimum. This would reduce corruption and increase ethics gradually.

(e) *Compensation for loss of revenues to States:* The compensation of loss of tax revenues to the States on account of implementation of GST would be an outgo. In reality there may be minimal outgo except for the weaker States. All expected to gain due to increased compliance.

6. State Government

(a) *Proliferation of computerization leading to fall in transaction costs:* Due to increase in computerization due to GSTN, the tax administration would be easier and cost of collection would be less.

(b) *The Destination Principle:* States which are net consumers would benefit due to the accrual on destination. The producing States may have a comparative disadvantage.

7. Impact on the country

(a) *Increased FDI:* The flow of Foreign Direct Investments may increase once GST is implemented as the present complicated/ multiple tax laws are one of the reasons foreign Companies are wary of coming to India in addition to widespread corruption.

(b) *Growth in overall revenue:* It is estimated that India could get revenue of $15 billion per annum by implementing the Goods and Services Tax as it would promote exports, raise employment and boost growth. Over a period, the dilution of the principles may see that only part of this is accruing.

(c) *Single point taxation*: Uniformity in tax laws will lead to single point taxation for supply of goods or services all over India. This increases the tax compliance and more assesses will come into tax net.

(d) *Simplified tax laws:* This reduces litigation and waste of time of the judiciary and the assessee due to frivolous proceedings at various levels of adjudication and appellate authorities. Present law appears to be much worse and an amalgam of the bad parts of VAT/ ST/ CE.

(e) *Increase in exports and employment*- GST could also result in increased employment, promotion of exports and consequently a significant boost to overall economic growth and factors of production -land labour and capital.

Overall Impact

(a) *Change in law and procedure:* Since it is a major indirect tax reform in India, there would be new legislations and procedures. The entire indirect tax code would be a new one.

(b) *Change in tax-rates:* The standard rate of 12.5 % for central excise, Service tax, along with residuary rate of VAT at 12.5-14.5% brings the overall rate to 25%-30%. But, post GST, the general rate will be 18%; a net gain of almost 7%-12%. Most of the dealers and consumers would experience the change in tax rates, either significantly or marginally. When the tax rates are increased for some products it could lead to continued tax evasion as well.

(c) *GST based on HSN:* The central excise tariff based classification which had stabilized over a period of time may no longer be applicable. The present rate structure would substantially increase the interpretational issues in respect of class of commodities. Disputes expected to mushroom in the coming years.

(d) *Availment of tax credit:* GST would facilitate near seamless credit across the entire supply chain and across all States under a common tax base. At present no cross credits are available across central excise/service tax to local VAT/sales tax. Under the GST law, the input tax credit (ITC) (set off) would be given for Central GST against CGST and the States would give input tax credit (ITC) SGST to SGST. Cross-utilization of credit between Central GST and State GST would not be allowed.

(e) *Credit availment based on vendor's invoices:* The credit of excise duty paid is available based on the excise invoice raised by manufacturer or service provider. The credit is available under the Service Tax law when the invoice amount is paid within 6 months of the invoice date. In respect of joint charge and reverse charge, based on receipt of payment on the basis of payment challans of the assessee. Under State VAT law, credit is allowable on the basis of tax invoice. Under GST the credits could be availed based on the invoices of vendors under CGST and SGST. But the onus may shift onto the assessee to ensure that the amount of the CGST/SGST has been deposited in the respective Government treasury by the vendor. This provision has been added to bring in tax discipline but smaller businesses may find transaction cost increasing due to this.

(f) *Avoidance of Double Taxation*: Presently, several transactions suffer VAT as well as Service Tax such as works contract or licensing of software. This could be resolved under the GST regime by redefining what is goods and service.

(g) *Changes in the Accounting Software:* Dealers and service providers need to modify/replace the accounting and taxation software. Initially there could be investment costs, costs of training in GST of people at each level starting from junior/mid to higher level managerial staff, management group/stakeholders.

(h) *Training:* Comprehensive training would be required to the staff members of the business community, both at senior level and also at junior level across the purchase, sales and finance functions. VAT + CE/ ST officers would also need to understand the law well.

(i) *Competent Professionals:* There are specialized consultants for Excise Duty, Service Tax and VAT. With the GST, only a single consultant maybe required who can handle all GST matters. Compliance for the SME may necessitate competent tax preparers.

(j) *Amending existing contracts:* Assessees have to incorporate an extra clause in the existing contracts to collect CGST and SGST as applicable.

Impact on Specific Sector

Impact on Agriculture

1. In India, food items are generally exempt from central excise duty. But many food items, including food grains and cereals, attract State VAT at 4-5%.
2. The exemption under the State VAT laws is restricted to unprocessed food, e.g., fresh fruits and vegetables, meat and eggs, and coarse grains.
3. These items would be subject to tax in GST at nil rate when unbranded and at a lower rate, 5% (combined GST rate), which, if so, would certainly make some of these items dearer.

Impact on Works Contract

Works contracts are composite contracts involving material and labour. The material portion involving the supply of goods is taxable to Value Added Tax (VAT), while the service portion is liable to service tax. If a new commodity comes into existence, in the process of executing a works contract, then, Central Excise duty may be levied.

Under GST law, works contract could be taxed on gross value with ITC on goods and services being available. It would be considered as a service. It would be at 18%.in general and if value of land were included 12%. Credit in respect of Steel, cement, electrical items would more than offset the present

net tax in most States for projects stared after GST implementation. However, projects in progress maybe severely impacted. Clarity is expected.

Impact on Leasing Companies

1. At present, if there is transfer of right to use goods involving transfer of effective control and possession, then it is subject to VAT; otherwise, it is subject to service tax.
2. Under GST it would be a service.

Impact on International Trade

Importers of goods and services may be affected under the GST regime due to -

1. Change in tax rates leading to higher tax incidence when the goods or services are imported into India from outside India.
2. Exports of goods and services shall continue to be zero rated and eligible to claim refund of input tax credit which could be fast tracked.

Impact on Pure sale of Land or completed building

As they already attract stamp duty may be kept out of GST purview.

Other Impact

1. The 5 specified petroleum products namely Petroleum Crude, Motor Spirit(petrol), High Speed Diesel, Natural Gas and Aviation Turbine Fuel as well as electricity are outside the ambit of GST. In addition, tobacco would attract other taxes applicable in addition to GST.
2. At present products known as sin goods and luxury items are taxable not only at higher rate of tax but also subject to multiple taxes. Under GST they may be taxed at 28% + cesses upto 160%.

Challenges before the Government

Most concerns expressed about the implementation of GST can broadly be divided into three categories –

A. Design issues

B. Operational issues

C. Infrastructure issues.

A. Design issues

The broad framework of GST is now clear. This is on the lines of the model approved by the Empowered Committee of the State Finance Ministers in much diluted form. The Revised Model GST law in terms of quality is analysed hereunder.

Is it simple? – No, amalgam of CST, VAT, CE, Customs; stringent rules expected to be moderated over period of time.

Is it certain? – No. Increased uncertainty as drafted by tax officers. Next 2 years we can expect a slew of changes.

Is it fair? – No. Revenue augmentation/ safety have been focused and business needs have not been addressed fully. Seamless credit is not a reality- restrictions exist in law and also poor drafting will

lead to denial. Many products the total tax has increased. The concept of equalizing the earlier tax rate is not in line with inviting those outside to join in. There should have reduction in tax rates of evasion prone products.

It is transparent? -Yes – due to adoption of information technology- process may be able to keep distance between the tax payer and officers.

The GST would be a dual tax with both Central and State GST component levied on the same base. Thus, all goods and services barring a few exceptions would be brought into the GST base. Importantly, there is no distinction between goods and services for the purpose of the tax with a common legislation applicable to both.

However, a number of issues remain to be resolved, which are under the consideration of the Empowered Committee. These issues include:

(a) *Enactment of Legislations* - It has been stated by the Finance Minister that there would be no power to tax, if GST is not implemented before September 2017. The date of 1st July seems to be possible as of now.

(b) *GST Rates*: Finalizing the rate structure with clarity and with list of exemptions considering the unintended impact.

B. Operational issues

(a) Common approach of the States, i.e., a common law, a common assessment procedure and even a common return.

(b) Monitoring of inter-State trade by flying squad and a computer-generated number for every supply of goods.

(c) Sharing of information using comprehensive IT network.

(d) Improving relations between the Centre and the States.

C. Infrastructural Issues

(a) *IT infrastructure* - A simple system for inter-State transactions and verification of dealers is essential to ensure tax compliance and check avoidance. Given the volume of such transactions, this system necessarily has to be IT based. GSTN appears to be on the job proactively testing the beta version. It can plug in for States which are not ready. However, SMEs would need to educate themselves and comply which is not practicable for the uneducated and the unorganized.

(b) *Decision on elimination of Check Posts* to avoid enormous delays in road traffic, and reducing delivery times for goods.

(c) *Impact on Small Enterprises* - The impact of GST on small enterprises is often cited as a concern. On the State GST component, the position would exactly be the same as under the present VAT regime. There may be three categories of small enterprises in the GST regime:

- Those below the threshold of Rs. 20 lakhs (10 lakhs in case of specified) need not register for the GST. Practically they can only be in business to consumer traders/ manufacturers/ food service providers.
- Those between the threshold and composition turnover of Rs. 50 Lakhs have the option to pay 2.5 per cent in the case of manufacturers and 1 per cent in the case of traders.

Given the possibilities of input tax credit, not all small enterprise that do B2B business may seek the turnover tax option. Practically they can only be in business to consumer traders/ manufacturers/ food service providers.

- The third category of small enterprises above the turnover threshold would need to be within the GST framework.

(d) *Harmonization* - For GST to be effective there should be identical GST laws across States as well as at the Centre. Moreover, not only the law but also the procedures relating to levy, assessment, collection and appropriation of the GST should be similar across States and the Centre. It would be so, we await the analysis of the SGST law in all States.

(e) There should be a *thorough re-engineering of the departments of SGST and the CGST.* This is to clearly define the responsibility, accountability and authority of both departments. The day-to-day operations should be assigned to the States. The dealers would register and submit their return to the State department where they are located. The dealers should interact with a single tax authority only.

(f) *Cross-verification of documents must be strengthened* - In the absence of proper cross-verification; the dealers avoid tax payment and claim undue credit for taxable sales. Tax evasion can be prevented by setting up departments similar to centralized and regional anti-evasion organisation as in France.

(g) *Common procedure for Levy, assessment, collection and appropriation* - For industry to reduce the transaction and compliance costs, it is necessary that apart from a common law, implementation of the law also be similar across States. All stages of the taxation chain from the levy of the tax to its assessment, collection and appropriation should be similar. This would involve similar rules across the States dealing not only with assessments, audit, refunds, but also more basic issues, like registration, filing of returns, treatment of transportation of goods etc.

(h) *A common dispute resolution mechanism* as well as a mechanism for giving advance rulings would further facilitate trade and industry.

(i) *Persuasions of the State Government* - Few State Governments have recently indicated their opposition to the implementation of GST at the present juncture. While their objections need to be carefully examined, it must also be recognized that while implementation of the GST is aimed at being revenue neutral to the States, it would be budget positive for the Government. This is because Governments are large purchasers in the market for their own consumption and their cost of procurement would come down significantly with the implementation of GST.

(j) *Role of the Finance Commission* - It is possible that some States may want assurances that existing revenues would be protected when they implement GST. The Commission is willing to consider providing for compensation in order to advance the implementation of a "flawless" GST.

(k) *Training* - Since the dual GST is considerably different from the present indirect tax regime, a massive training initiative would be required at both Federal and State levels to familiarize the respective administrations with the concepts and procedures of the dual GST. However, the task is not limited to technical training but also extends to a similar effort to re-orient the attitude and approach of the tax administration in order to achieve a fundamental change in mindset.

(l) *Compensation Package to the States for Losses* - Another major challenge before the Government is to finalize the compensation package for the States in case of loss due to implementation of the GST.

Centre has provided five-year compensation period.

Under the GST structure, the tax would be collected by the States where the goods or services are consumed, and hence losses could be unfavorable for the producer States and the Centre would be required to compensate them for loss of revenue.

It is now universally acknowledged and recognized that the GST, in whatever form, should be introduced at the earliest as a fundamental fiscal reform measure. If we are really serious about the early introduction policy makers, as also the tax administrations at the Federal and State levels, need to be immediately galvanized into action under a clearly laid-out timetable for introduction and implementation.

GST preparedness –The Way Forward

The GST Act 2017 indicates that the Government may be ahead of the industry and professionals in GST.

The essence of a GST regime is that it removes the cascading effect of CENVAT and Service tax with set-offs. Although a transparent and corruption-free tax administration is yet another purpose of this new Act, its implementation may not be without administrative challenges and legal hurdles. It is just important that in order to accomplish the objectives of such a regime, business entities be prepared. Along with having to comprehend, analyze and comply with the perplexing laws of CGST and IGST, greater challenge could come when each State has its own SGST enactment, which would lead to a multiplicity of the SGST laws and procedures unless all States agree on basic commonalities in the SGST law.

Business entities need to take many actions as part of their preparation. Some of the main actions are listed below:

(a) **Sensitize the business eco-system**: It is an accepted fact that GST is not merely a tax change but a business change as it would impact all functions of an organisation such as finance, product pricing, supply chain, information technology, contracts, commercials etc. Thus, it's imperative that all these functional teams should be aware about the GST. But the underlying question is what should these team members read/ refer for GST?

In this regard, it's pertinent to note that most of the key aspects of the proposed GST regime are contained in the Model law though procedures are yet to be finalized.

Thus, based on the aforesaid knowledge available in public domain business entities may consider sensitizing its employees.

They can consider sensitizing its entire business eco-system i.e. not only the employees but also vendors (such as Tier-1, Tier-2 vendors etc.) and key customers of the organisation. An early initiation of training would give the concerned employees, vendors and customers a sense of involvement in discussion much before GST legislation is put in public domain.

(b) **Understand GST Impact on operations** GST may provide opportunities but at the same time it could bring threats. Given this, an organisation may consider carrying out an exercise to identify how its operations would get impacted because of GST. For GST Impact Analysis exercise, the

respective department heads such as finance, supply chain, product pricing, human resource etc. should be involved to ensure that they provide their inputs and suggestions.

Going one step forward, entities can also identify possible cost savings which key suppliers / vendors could be entitled to in the proposed GST regime. Based on the possible cost savings to suppliers / vendors, they can have discussion with its vendors for passing of benefits by way of cost reduction in the coming years (i.e. after GST is introduced). Early discussion and engaging with vendors for GST would ensure maximum possible benefit to be passed on to the organisation.

Business entities in service sector would also have to take into consideration the increase (most likely!) or decrease (least likely!) in tax compliances. For most of the entities, in GST regime, compliances are expected to increase dramatically. Take example of a service tax assessee, who currently files 2 returns on an annual basis. Now, in GST regime, Service tax assessee could be required to file as many as 61 returns (5 returns per month plus 1 annual return)!!! Thus, the human resource department would have to be informed about the GST regime so that they can anticipate the increase (and decrease in certain cases) in the manpower.

(c) **Gear up for transition of Information Technology (IT) systems** - Information Technology is a key area for business organisations as irrespective of the fact whether the organisation is ready or not, on the very first day GST is introduced, the information technology system of an organisation has to be ready and running else it would bring the entire business to standstill.

(d) **Design Alternate Business Strategies** - To gear up for GST regime, the organisation may identify alternate efficient business strategies to ensure smooth transition to GST. Even, supply chain strategies is expected to undergo a major change as entire India would become one market and there may not be any tax cost involved for intra-State vis-à-vis inter-State procurement of goods. An organisation would have to re-visit their pricing strategies as business competitors may well reduce prices of their product to pass on the GST benefits.

However, while forming alternate business strategies, it goes without saying that the organisation should take into consideration the commercial feasibility of alternate business strategies before these strategies are recommended.

(e) **Make representation before the Government -** Introduction of GST regime could affect negatively (than positively!) few industries/ sectors. Thus, efforts should be made to identify the possible issues for which appropriate representation could be made before the Government though various trade chambers and forums.

Given this, while current economic situation is characterised by volatile economic conditions, introduction of GST remains a ray of hope; thus, early initiation of aforesaid steps can certainly help the organisations gain insight of all aspects of the proposed GST regime.

(f) Thorough reading of the GST law draft to pre-empt the possible consequences on one's business

(g) Assessing the manner and quantum of input credit as available under law.

(h) Evaluation of the competitiveness and the demand for the products in the backdrop of the new GST rate structure to ensure that products are neither overpriced nor under priced

(i) Preparation of procedures/SOPs to be followed in the organization

(j) Special attention to:

- Registrations – existing migrants as well as new applicants
- Records to be updated up to the authorized date and necessary amendments/ additions/ deletions to be made in records for meeting the requirements of the new law
- Transition requirements
- Returns to correctly reflect the details of business e.g. CENVAT credit as reflected in the return for the period ending 30th June, 2017, would only be allowed to be carried forward post the authorized date
- Inventory check and proper recording
- Development of IT infrastructure to support the GST requirements
- Analysing the MIS reports that would be required post GST implementation
- Analyzing impact of other laws and integration with customs and FTP

(k) **Spreading of GST awareness/Trainings:** To ensure that the transition is smooth and effected in a timely and effective manner, spreading of adequate awareness of GST is a must. Regular workshops and training programs need to be conducted in order to understand the applicability of GST provisions vis-a-vis the existing business of a person/organization. The following steps could be taken in this case:

- Start focused reading/ practice in CST/ VAT, Central Excise or Service Tax now!!
- Use online resources – idtc.icai.org, Google GST, caclubindia, yahoo CA groups, taxindiaonline, linked in.
- Form a small group for GST in your area, meet regularly to understand the latest developments.
- Make yourself ready before GST is implemented to add value to your organization / clients.
- Read books/ attend workshops/ seminars on topic.