



SYLLABUS

Class – B.Com Hons I Year

Subject – E-Accounting and Taxation with GST

Units	Syllabus
Unit 1	Introduction Of E- Accounting: 1) Concept of Business and profession, Types of Accounts, Rule Accounts 2) Journal Accounting 3) Ledger , Trial Balance and Final Accounting
Unit 2	GST: 1) Introduction, Important Terms 2) Structure and Classification of GST 3) Concept and Impact of Tax Credit 4) Meaning, scope, place and time of supply 5) Computation of assessable value under Gst



Concept of Business

“Business” simply means any economic activity carried on for earning profits. In other words “any trade, commerce, manufacturing activity or any adventure or concern in the nature of trade, commerce and manufacture”.

It is the regular occupation of a person in which they engage in an activity to earn the profit and acquire wealth. It can be a for-profit entity, like publicly owned or privately owned company or not-for-profit entity. There are mainly five forms of business organization which are Sole Proprietorship, Partnership, Cooperative Societies, Joint Hindu family business, and Joint Stock Company.

The main characteristics of business are:

- An economic activity
- Production or purchase and sale of goods and services on a regular basis.
- The main purpose is to earn profit
- Uncertainty of return
- Presence of element of risk

Concept of Profession

The profession is defined as a paid occupation in which a person is formally qualified and has undergone prolonged training, render services to general public. It refers to any activity that requires expertise in specialized knowledge and skills acquired by way of formal learning and practical experience, to be applied by the individual in their respective occupation. Some common examples of the profession are Doctors, Lawyers, Chartered Accountants, Engineers, Architects, etc.

To be called as a professional, a person should be a registered member of a profession. In every profession, there are certain rules called as the professional code of ethics; that governs it. The purpose of a profession is to provide services to those who need it, for a direct and certain compensation called fee.

Types of Accounts:

The different types of accounts are as follows:-

- Personal Account
 - Personal Representative Account
 - Personal Artificial Account
 - Personal Natural Account



- Real Account
 - Real Intangible Account
 - Real Tangible Account
- Nominal Account

Personal Accounts:

As stated earlier, personal accounts are those accounts that are related to an individual, a company, a firm or a group of associations etc. These persons might incorporate natural persons, artificial persons or representative persons, as the case may be.

For example–Manoj and Saroj trading Co, Charitable trusts, ABC Bank Ltd ,X company Ltd, etc.

There are some accounts that might come under the category of personal representative account.

For instance – When we speak of salary, it means how much amount is payable to each of the employees. But all salary accounts are clubbed collectively under an account called 'salary payable A/c'.

Rule for this Account

- The receiver is debited
- The Giver is credited.
- Type of Personal Accounts
 - a. Natural Persons
 - These types of accounts are related to individuals or natural persons like Ranveer's A/c, Aryan's A/c, Ritwik's A/c etc.
 - b. Artificial Accounts
 - These accounts are related to various companies and institutions like Roy Brothers Pvt Ltd A/c, Lion's Club A/c, etc. Thus, such types of institutions and companies are those entities that are there in the eyes of law.
 - c. Representative Accounts
 - Accounts that represent a specific purpose of work are called representative accounts. For instance, Outstanding Wages A/c, Outstanding Interest A/c, Prepaid Expense A/c, etc.

Real Account:

Real Accounts are those accounts that relate to assets, properties or possessions. These related properties might exist in physical or non-physical form.

Golden Rule relating to this type of personal account:



- What comes in is to be debited
- What goes out is to be credited

Nominal Account:

Nominal accounts are those types of accounts that are related to any form of income or expenditure, gain or loss. For example Rent A/c, Salary A/c, Wages A/c, etc.

Golden rule for such accounts:

- All types of expenditure and losses relating to the business are to be debited.
- All forms of income of business and gains, if any are to be credited.

Journal

Meaning of journal

Journal is a chronological record of financial transactions of a business.” o It is book of prime entry or original entry in which all the business transactions are recorded the first in the sequence in which the transactions had actually occurred.

Characteristics:

- o It is a chronological record of financial transactions of a business.
- o It is a book of original entry which records all the details of transactions from various source documents.

It records both the aspects of a transaction i.e., debit and credit using Double Entry System of Book Keeping.

It gives complete details of a transaction in one entry.

It form the base for recording or transferring the journalized transactions to the individual accounts known as ledger accounts.

It is known as books of original entry.

Types of Journal Entries:

o Simple Journal Entry:

It is the type of entry in which only two accounts are affected where one account is debited and another account is credited with an equal amount.

Compound journal entry:



It is the type of entry in which more than two accounts are affected i.e. one or more accounts are debited and or one or more accounts are credited or vice versa.

Ledger

All the accounts recognized on the basis of transactions recorded in different journals will be opened and maintained in a separate book called Ledger.

So a ledger is a book of account; in which all types of accounts relating to assets, liabilities, capital, expenses and revenues are maintained. It is a complete set of accounts of a business enterprise.

Ledger is in a book with pages consecutively numbered. It can also be a bundle of sheets.

All the items from the journal are recorded in ledger accounts and this process is known as posting entries from Journal to ledger accounts.

Features of Ledger Account

1. Ledger book is an accounts book to which various transactions of an enterprise are posted under different accounts.
2. It follows the double-entry system.
3. It is also known as the Principal book of account as it is the book of final entry of transactions after the journal or all-purpose books.
4. In the ledger, all the types of accounts relating to assets, liabilities, capital and revenue are maintained.
5. It is the only record of the business transaction classified into relevant accounts.
6. It facilitates the preparation of financial statements in future.

Trial Balance

Trial balance is a statement prepared with the debit and credit balances of ledger accounts to test the arithmetical accuracy of the books.

1. **Objectives, Needs or Functions of Preparing a Trial Balance**
2. Ascertain the arithmetical accuracy of the ledger accounts
3. Helps in locating errors
4. Summary of the ledger accounts



5. Helps in the preparation of final accounts

Balance Method of Preparing Trial Balance

Balance method is the most commonly used method of preparing trial balance as it facilitates the preparation of final accounts. Under this method, trial balance is prepared by showing the balances of all ledger accounts (including cash and bank accounts) and then totaling up the debit and credit column of the trial balance to assure their correctness. The account balances are used because the balance summaries the net effect of all transactions relating to an account and helps in preparing the financial statements. Trial balance can be prepared under this method, only when all the ledger accounts have been balanced.

Goods and Services Tax: An Introduction concept. Basic Elements, Need and Impacts

MEANING OF GOODS AND SERVICES TAX (GST)

GST is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as set off. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

Though GST is multi point tax but it is not levied on total value in every stage. It is levied on only value addition by the supplier. In input credit method the total GST payable on supply Less Input credit shall be net GST payable.

SALIENT FEATURES OF GST SYSTEM

GST is the latest concept in respect of taxation on supply of goods and services in course of business, commerce and services activities and transactions Most of the countries adopted this system, as well as in India it adopted. The salient features of the system are as under.



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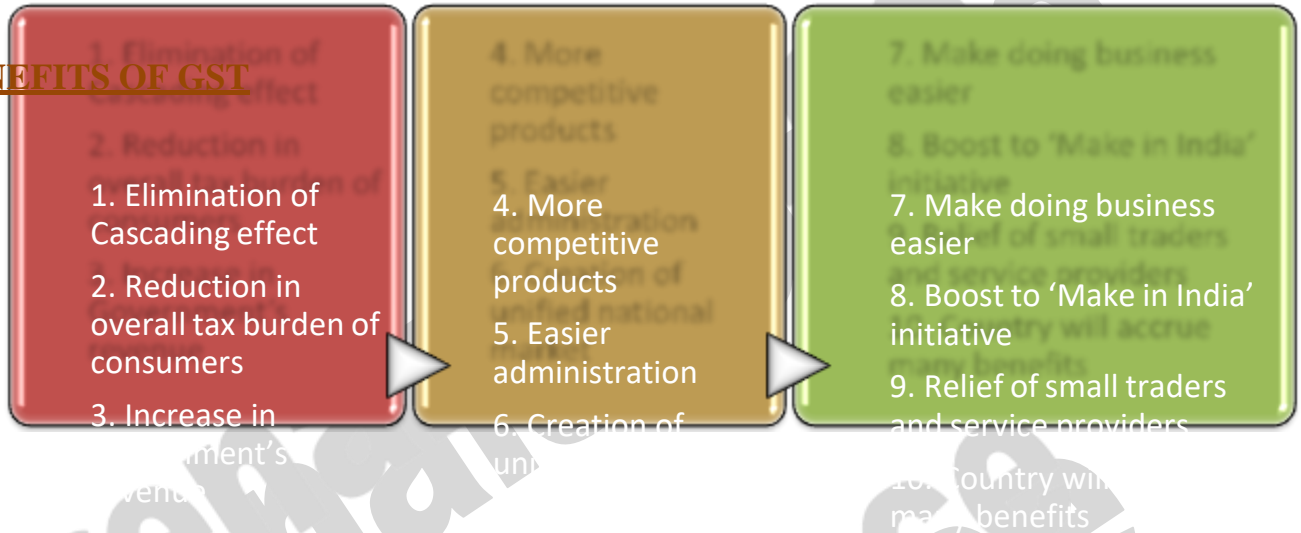
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BENEFITS OF GST



GST BRINGS BENEFITS FOR ALL SECTIONS

GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services give a boost to the economy and make the products and services globally competitive. The significant benefits of GST are discussed hereunder.

Common Man Friendly

- | | |
|--|--|
| <ol style="list-style-type: none">1. Huge number of items are either tax exempt or in 5% tax bracket.2. Maximum benefits to the poor & the common man.3. Will ensure the poor get their due.4. Level playing field for small traders in | <ol style="list-style-type: none">1. Reduction in prices of goods and services due to elimination of cascading.2. Uniform prices throughout the country.3. Transparency in taxation system.4. Increase in employment opportunities. |
|--|--|



Benefits to Economy

1. To create a unified common National market.
2. To make India a manufacturing hub.
3. To boost investments & exports.
4. To generate more employment by increased economic activity.
5. Freedom of movement of goods & services.
6. Consumers to benefit by increased competition.
7. Level-playing field for producers & consumers across the country.
8. Strengthening the sense of nationhood and unity.

Central / State Governments

1. A unified common national market to boost Foreign Investment and "Make in India" campaign.
2. Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth.
3. Improving the overall investment climate in the country which will benefit the development of states.
4. Uniform SGST and IGST rates to reduce the incentive for tax evasion.
5. Reduction in compliance costs as no requirement of multiple record keeping.

Simplified Tax Structure

Advantages for Trade & Industry

1. Common procedures for registration, duty payment, return filing and refund of taxes.
2. Seamless flow of tax credit from manufacturer/supplier to user/retailer to eliminate cascading of taxes.
3. More efficient neutralization of taxes to make our exports more competitive internationally.
4. Benefit of exemption/compounding scheme for a large segment of small suppliers to make their business more profitable.
5. Elimination of multiplicity of taxes.
6. Mitigation of cascading/double taxation.
7. More efficient neutralization of taxes especially for exports.
8. Development of common national market.
9. Simpler tax regime fewer rates and exemptions.



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1. Reduction in multiplicity of taxes now leviable on goods & services, leading to simplification.

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2. Simpler tax regime with some essential exemptions.
3. Harmonization of laws, procedures and rates of tax across the country.
4. Common system of classification of goods & services to ensure certainty in tax administration.

SHORT COMINGS OR LIMITATIONS OF GST

1. Long term process	7. Higher prices	13. Conflict of interest between Centre and State
2. Difficulty in set off	8. More formalities	14. Post supply discounts and price reductions after supply not eligible for deduction from value
3. Problem in refund	9. Corruption	15. Artificial disallowances of input tax credit
4. Multiple rates of tax	10. Flip side of GST-No 'ease of doing business' in GST	16. Composition Scheme only if all purchases are from registered persons
5. Accounting problem	11. Accounting challenger	17. Valuation provisions copies from excise and service tax law
6. Conflict between States and Central	12. System is master-not human being	18. Interest on delayed payment

IMPORTANT TERMS AND DEFINITIONS – SEC.-2

1. Goods-section 2(52)

“Goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

- (1) Goods includes all types of movable property like-cloth, sugar, iron, kirana goods vehicles etc.
- (2) Money and securities are not covered under the definition, so these are not goods.
- (3) Growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply will be treated as goods.
- (4) Actionable claim, other than lottery, betting and gambling will not be treated as supply of goods.
- (5) Intangibles like copyright and carbon credit would continue to be covered under 'goods'.

2. Services-Section 2(102)

“Services” means anything other than goods, money and securities but includes activities 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 consideration is charged;

So, In reference of GST “Service” means-

- (1) Any activity carried out by a person for another for consideration
- (2) But shall not include-



(A) (i) A transfer of title in goods or immoveable property, by way of sale, gift or in any other manner, or

(ii) Delivery or supply of any goods which is deemed to be a sale.

(iii) A transition in money actionable claim.

(B) A provision of service by an employee to the employer in the course of or in relation to his employment

(C) Fees taken in any Court or tribunal established under any law for the time being in force. So service meant by an activity which is performed by a person to other person for a value or consideration.

3. Capital goods – Section 2(19)

“Capital Goods” means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit, and which are used or intended to be used in the course or furtherance of business.

Goods will be regarded as capital goods if the following conditions are satisfied:

- (a) The value of such goods is capitalized in the books of account of the person claiming input tax credit;
- (b) Such goods are used or intended to be used in the course or furtherance of business.

If the value of goods is not capitalized in books of accounts, the person purchasing the capital goods would still be eligible to claim input tax credit on such goods as inputs.

Supply of goods and services or both is basic factor of GST, the word ‘Supply’ is not clearly defined in the Act, however Sec. 7(1) is concerned in respect of ‘Supply’.



UNIT II

REGISTRATION UNDER GST: AT A GLANCE

Provisions, Roles, Procedure and Forms

No.	Subject	Particulars	Form Number	Time limit
1.	Threshold limit for registration Sec. 22& 24	(a) Normal category states if aggregate turnover exceeding Rs. 20 lakh (b) Special category states if aggregate turnover exceeding Rs. 10 lakh. (c) no threshold limit for (i) interstate supplies. (ii) Casual taxable persons, (iii) Input service distributors (iv) E-commerce operator (v) Persons liable for TDS/TCS (vi) Persons liable for reverse charge.		
2.	Persons not liable to be registered Sec. 23	(i) Exclusively supplier of extended goods or services. (ii) Agriculturist (iii) Notified persons.		
3.	Meaning of Aggregate turnover	Total supply of- (i) Taxable goods and services. (ii) Exempted goods and services. (iii) Interstate supply (iv) Exports		
4.	Place of Registration	(i) State of Main place of business (ii) Each state if business places are situated in different states.		
5.	Application for registration in normal category Sec. 25	Information- (i) Permanent Account Number (PAN) (ii) Mobile Number (iii) E-mail address.	GST REG-01 Part-A	Within 30 days when the person becomes liable for registration.
6.	Verification of information	Allotment of temporary reference number.	E-mail by department	
7.	Submission of documents		GST-REG-02 Part-B	



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8.	Acknowledgement	E-acknowledgement for registration application.	GST REG-02	Within 3 working days from the date of submission of application.
9.	E-Notice for clarification	E-notice for Seeking Additional Information/ Clarification/Documents	GST REG-03	



No.	Subject	Particulars	Form Number	Time limit
		relating to Application for Registration i Amendment / Cancellation.		
10.	Clarification by applicant.	E-clarification/additional information/document for Registration/ Amendment/ Cancellation	GST REG-04	Within 7 working days from the date of receipt of notice.
11	Order	Order of Rejection of Application for Registration/Amendment/ Revocation of Cancellation.	GST REG-05	Within 7 working days from the date of clarification.
12.	Registration Certificate GSTIN	Issue of Registration Certificate. Issue of permanent Registration certificate. GSTIN-consists Two character for the state code Tin for PAN Two for entity code one checsum characters.	GST REG-25 provisional certificate in Form GST REG-25 permanent certificate GST - REG-06	Within 3 working days.
13.	Registration procedure in special cases Sec. 27	Application for Registration as tax deductor at source or tax collector at source.	GST REG-07	Within 30 days when the person becomes liable for registration
		Order of Cancellation of Application for Registration as TDS/TCS	GST REG-08	Within 30 days from date of application.
		Application for Regis- Nation for Non-Resident Taxable Person.	GST REG-09	At least 5 days prior to the commencement of business.
		Application by supplier of OIDAR services.	GST REG-10	Within 30 days when the person becomes liable for registration.
		6Application by NR / Casual taxable person seeking extension in period of operation.	GST REG-11	Before the end of the validity of registration.
		Order of Allotment of Temporary Registration/ Suo Moto Registration.	GST REG-12	N.A.
		Application Form for grant of Unique Identity Number (DIN) to UN Bodies/ Embassies/others.	GST REG-13	N.A.



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14.	Amendment procedure Sec. 28	Application for Amendment in Registration Particulars (For all types of registered persons)	GST REG-14	Within 15 days of such amendment.
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No.	Subject	Particulars	Form Number	Time limit
		Order of amendment	GST REG-15	Within 15 working days from the date of receipt of application of amendment.
15.	Cancellation procedure Sec. 29	Application for cancellation of registration.	GST REG-16	Within 30 days of occurrence of the event warranting cancellation
		Show Cause Notice for Cancellation of Registration.	GST REG-17	N.A.
		Reply to the Show Cause Notice issued for Cancellation.	GST REG-18	Within 7 working days from the date of service of such notice.
		Order for Cancellation of Registration.	GST REG-19	Within 30 days from the date of application/ receipt of reply of SCN.
		Order for dropping the proceedings for cancellation of registration.	GST REG-20	N.A.
16.	Revocation procedure Sec. 30	Application for Revocation of Cancelled Registration	GST REG-21	Within 30 days from the date of service of the order of cancellation of registration.
		Order, for revocation of cancellation of registration,	GST-REG-22	Within 30 days from the date of receipt of the application.
		Show Cause Notice for rejection of application for revocation of cancellation of registration.	GST REG-23	-
		Reply to the notice for rejection of application for revocation of cancellation of registration.	GST REG-24	Within 7 working days from the date of the service of notice.

SUPPLY : MEANING, Scope and Types

Supply of goods and services or both is basic factor of GST, the word 'Supply' is not clearly defined in



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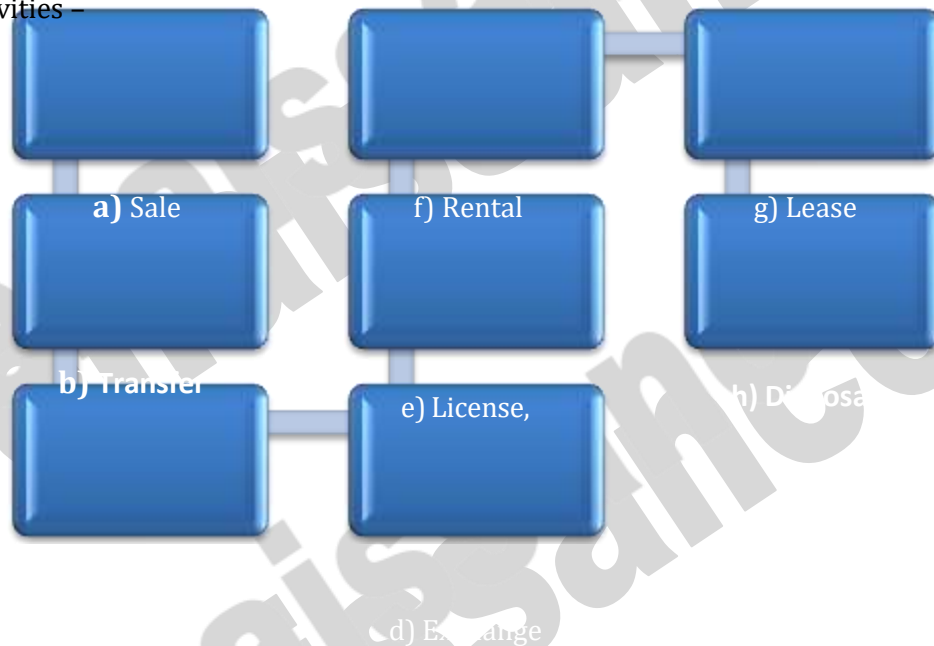
the Act, however se. 7(1) is concerned irrespect of 'Supply'.

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Meaning of Supply

Supply includes all forms of supply of goods or services or both and includes agreeing to supply when they are for a consideration and in the course or furtherance of business. It specifically includes the following activities –

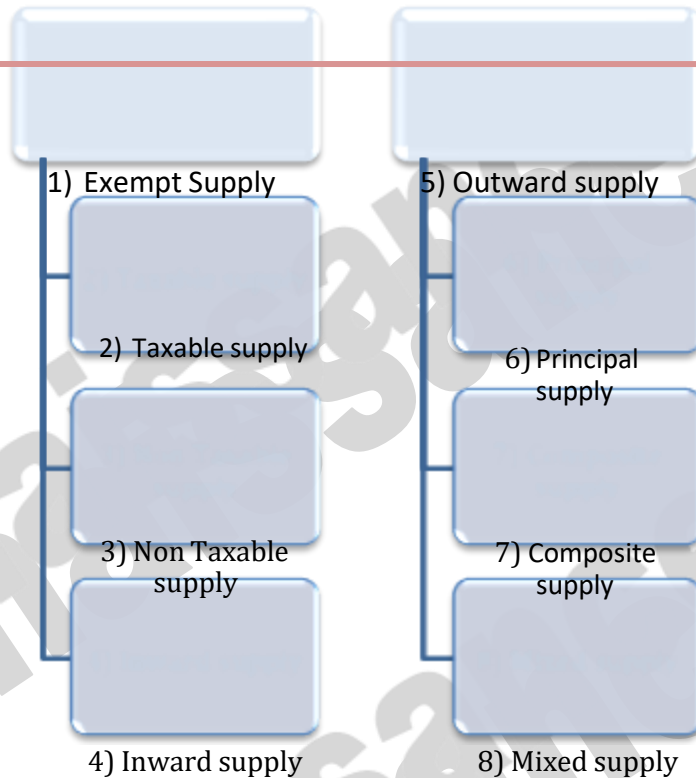


The definition of 'Supply' in section 7(1) of CGST Act is 'inclusive' definition. Section 7(1) of CGST Act, states that for the purpose of CGST Act, the expression 'supply' includes –

- All forms of supply of goods or services or both 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.
- Importation of services, for a consideration whether or not in the course or furtherance of business.
- The activities specified in Schedule I, made or agreed to be made without a consideration and
- The activities to be treated as supply of goods or supply of services as referred to in Schedule II.

Different types of Supply

The different types of supplies under GST law is discussed as under –



COMPOSITE SUPPLY AND MIXED SUPPLY

For taxability point of view it is necessary to decide whether it is composite supply or mixed supply-

- I. **Composite supply** is a supply consisting of two or more taxable supplies of goods or service or both or any combination thereof, which are bundle in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is principal supply. For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal, supply, warranty and maintenance service are ancillary.
- II. **Mixed supply** is combination of more than one individual supplies of goods or service or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately. For example, a shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold separately.

Distinction between 'composite supply' and 'mixed supply'

A composite supply is 'naturally bundled' while 'mixed supply' is not naturally bundle in ordinary course of business.

A supply can be 'mixed supply' only if it is for a single price, while a supply can be 'composite supply' even if separate prices are charged.

Trade practice is also relevant. A vehicle repair shop also supplies spare parts. However, the long trade practice is to treat these two supplies separately. Hence, such activity is not 'composite supply'. It is also not 'mixed supply' as single price is not charged.



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Tax liability in case of composite and mixed supply [Section 8]

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely;

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- (a) A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and
 - (b) A mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax
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