

Goods and Services Tax (GST)

Introduction to Goods and Services Tax

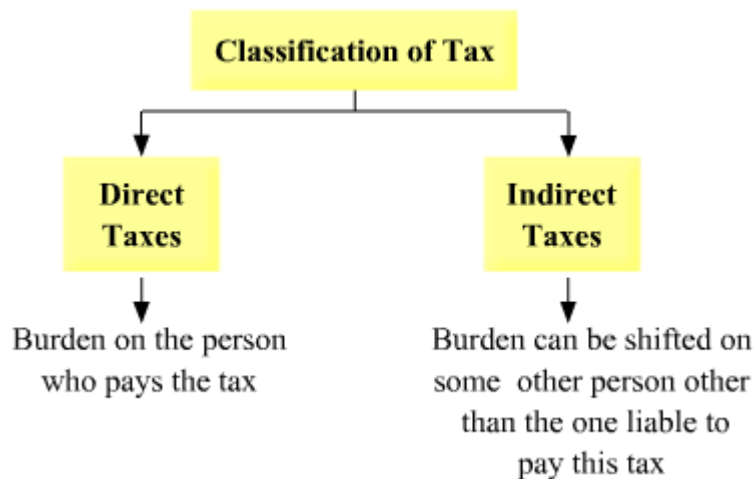
Objective

After going through this lesson, you shall be able to understand the following concepts:

- Introduction to Goods and Services Tax
- Meaning of Goods and Services Tax
- Characteristics of Goods and Services Tax
- Objectives of Goods and Services Tax
- Classification of Goods and Services Tax

Introduction

- A Tax is a legally compulsory payment imposed by the government on income and profit of persons and companies without reference to any benefit.
- Taxes are of 2 kinds – Direct Taxes & Indirect Taxes

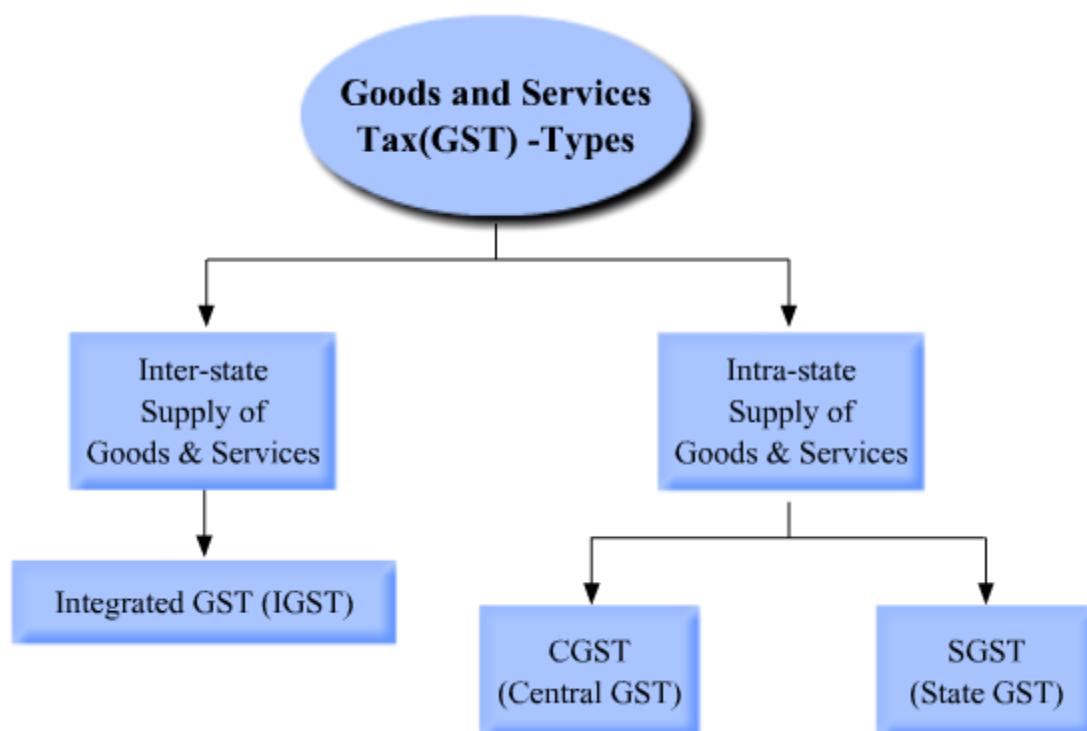


Direct taxes	Indirect taxes
1. Liability to pay and the burden of direct tax falls on the same person.	1. Liability to pay this tax is on one person and the burden of the tax falls on some other person.
2. Burden of this tax cannot be shifted to others.	2. Its burden can be shifted to others.
3. Direct taxes are considered progressive because they are based on personal ability to pay.	3. They are considered regressive because their burden is more on the poor than on the rich.
4. Direct taxes are levied on the incomes and property of persons.	4. Indirect taxes are levied on goods and services on their sale, production, imports and exports.

5. Direct taxes are compulsory and cannot be escaped.	5. This can be avoided by refraining from purchase of the goods whose price contains taxes.
6. Examples are – income tax, corporation tax, wealth tax, gift tax, etc.	6. Example : GOODS & SERVICES TAX

Meaning of Goods and Services Tax

- According to Article 366(12A) of Constitution of India, “Goods and services tax means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption.”
- Alcohol and Petrol has been kept out of the jurisdiction of GST because they are a major source of revenue for the States. Also, loss of revenue to the states due to GST was uncertain so they were not ready to give up their autonomy on the same. However, Tobacco and its related products will be taxed at the discretion of the Central Government.
 - It is an indirect tax which has integrated various taxes like Sales tax, excise tax, VAT, etc., into one single tax for the entire nation. By replacing the various archaic tax structures, GST is levied at every stage of the supply chain of the goods or services from production to the last retail level.
- Taxes on intra-state supply of goods and services are shared equally by the Central and State Government thereby harmonising the taxes at different levels of governance.
- GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel is to be levied from a later date on recommendations of GST Council.

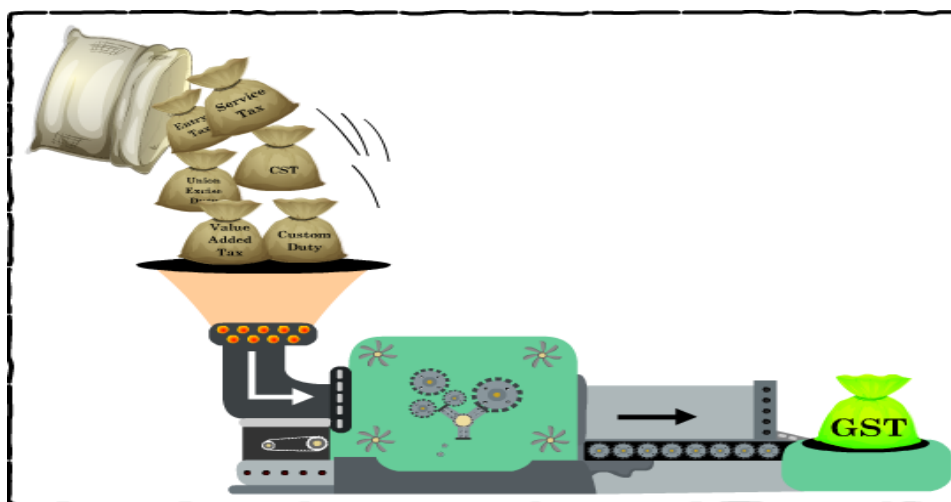


List of Indirect Taxes Integrated under the head of GST

Central Taxes		State Taxes
1	Central Excise duty	State VAT / Sales Tax
2	Additional duties of excise	Central Sales Tax
3	Excise duty levied under Medicinal & Toilet Preparation Act	Purchase Tax
4	Additional duties of customs (Counter Vailing Duty & Special Additional Duty)	Entertainment Tax (other than those levied by local bodies)
5	Service Tax	Luxury Tax
6	Surcharges & Cesses	Entry Tax (All forms)
7	-----	Taxes on lottery, betting & gambling
8	-----	Surcharges & Cesses
	-----	+ 13 Cesses

The GST Council – Constitution (Article 297A of the Constitution of India)

Chairperson :	Union Finance Minister	
Vice Chairperson:	Selected from the Ministers of State Government	
Members:	MOS (Finance) and all Ministers of Finance / Taxation of each State	
Quorum:	50% of total members	
Decision by:	75% majority	
Weightage:	Centre-	1/3
	State-	2/3
Recommendations by the council:	on everything related to GST including laws, rules and rates etc.	



Background of GST in India

GST is one of the most significant indirect tax reforms in our country inspired from by the success of 160 countries of the world. GST came a little late in India although the idea was mooted almost two decades back by the then Prime Minister Shri Atal Bihari Vajpayee. However, GST in India is quite unique because it is the only country except Canada to have a dual GST model. The timeline of its implementation is as follows:

Year	Event
2006-07	The then Union Finance Minister proposed the idea of GST in his budget speech. Also, 1st April, 2010 was decided to be its implementation date.
2009	The Empowered Committee (EC) comprising of Finance ministers from different states presented its First Discussion Paper (FDP) on the proposed GST regime. Hence, comments were invited from various stakeholders on the same.
2011	Introduction of the 115th amendment bill which eventually lapsed due to differences of opinion.
2014	Introduction of the 122nd amendment bill in the Lok Sabha.
2016	The GST council had its very first meeting
March, 2017	GST council proposed CGST, SGST, IGST, UGST and Compensation Cess Act for the very first time.
April, 2017	CGST, SGST, IGST, UGST and Compensation Cess Act were passed.
1st July, 2017	GST law was introduced all over India except for Jammu and Kashmir.
7th July, 2017	GST law passed and adopted by Jammu & Kashmir.

Why GST was implemented?

- To replace the archaic tax structure that comprised of multiple taxes being levied at the state and the central level.
- Being implemented after 17 years of its conceptualisation, it aims to unify the market and the economy of the country into a one whole unit. This is similar to the case of the European Union where different countries take advantage of a common market.
- In the age of technological advancement, GST is almost fully supported by IT and this thus ensures movement towards a paper free and efficient tax structure. The Goods and Services tax Network (GSTN) offers various services to the taxpayers like registration, payment of tax, filing of returns, etc.
- The problem of tax invasion has plagued our society since time immemorial so GST aims to ensure better compliance through increased transparency.

- GST tries to reduce the compliance cost for the taxpayers by ensuring one tax for the entire nation i.e. GST levied on a pencil produced in Punjab will be the same as that levied in Tamil Nadu.
- Exports are a major source of revenue for the country and boost its GDP. With the advent of GST, the competitiveness of the Indian exports is believed to increase across the borders.
- There was a need to bring more and more businesses in the informal sector under the jurisdiction of the indirect tax structure. With the implementation of GST, this purpose might be fulfilled.

Characteristics of Goods and Services Tax

1. Single Tax Structure- GST has integrated different taxes being imposed by the Centre and State governments thereby leading to a single tax system.

2. Destination-based tax- GST is a destination based tax which means tax is levied at the place of final consumption. It is levied on the value addition done by the manufacturer and seller.

3. Comprehensive tax structure- Under GST, a tax is levied on both the goods and services according to applicable rates.

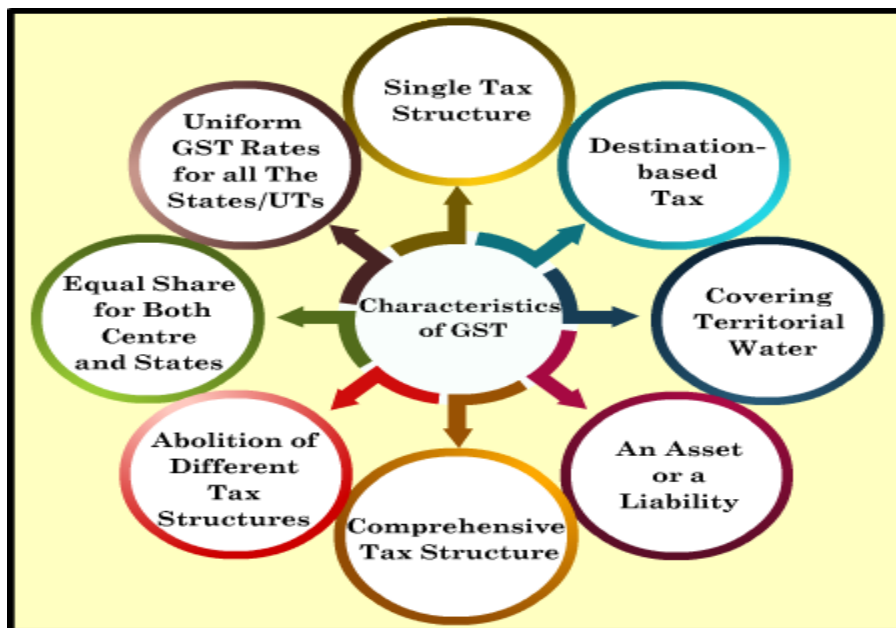
4. An asset or a liability- GST paid on the purchase of goods and services (Input GST) is treated as an asset while GST collected on sale of goods (Output GST) is treated as a liability of the business. Input GST is set off against Output GST and excess is shown as an asset. Output GST after setting off Input GST is shown as a liability of the business towards the government.

5. Abolition of different tax structures- Service Tax, Union Excise Duty, Central Sales Tax (collected by states), Custom Duty etc. being imposed by central government and Value Added Tax, Entry Tax, Octroi, Luxury Tax etc. being imposed by state governments have been abolished with the introduction of GST.

6. Equal share for both Centre and States- GST on goods and services is levied either by Central government or State governments but it is shared by them equally.

7. Uniform GST rates for all the states- GST rates range between 5% and 28%. Lowest tax rate is levied on essential services such as skimmed milk, medicines, lifeboats, 12% on common services such as Butter, Toothpaste, Cell phones, Namkeen; 18% on commercial services such as ceramic tiles, perfumes, shampoos, restaurant services and 28% on luxury services such as ACs, Refrigerator, cement, tobacco products.

8. Covering territorial water rights – Any economic activity which takes place in territorial water up to 12NM has been covered under GST. There is a mutual agreement between the centre and concerned states to levy and collect tax on such activities.



Objectives of Goods and Services Tax

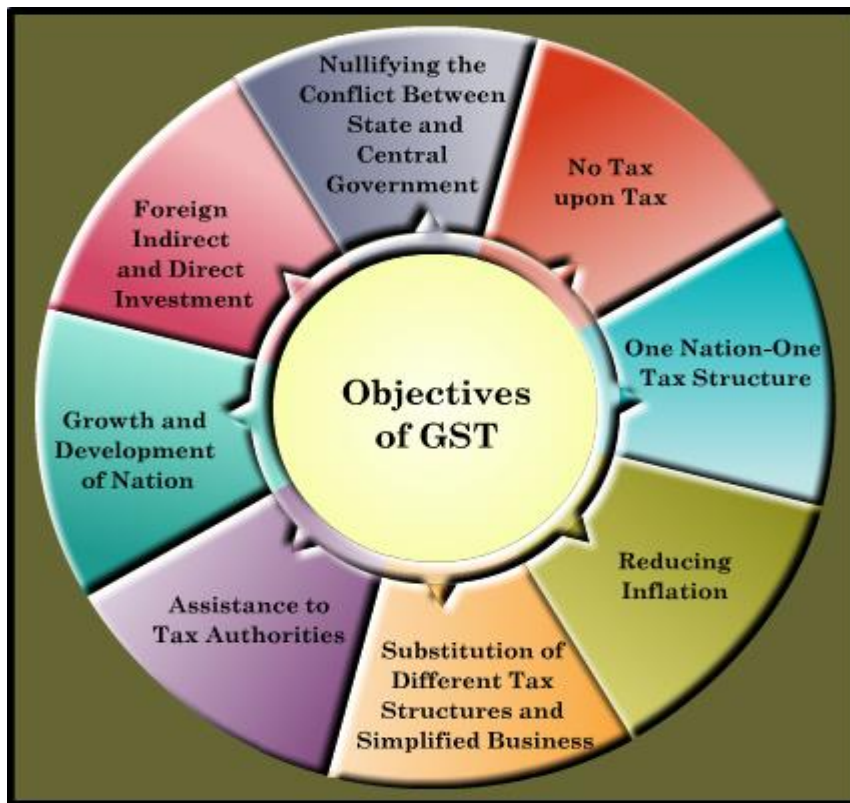
- 1. One Nation-One Tax Structure-** GST is aimed at establishing uniformity in tax rates applicable to all the states and union territories. If Toothpaste purchased in Delhi attracts 12% GST then the Toothpaste purchased in Tamil Nadu shall also attract the same rate of GST i.e. 12%.
- 2. Substitution of different tax structures and Simplified Business -** GST has replaced multiple tax structures such as Service Tax, Union Excise Duty, Central Sales Tax, Customs Duty, Value Added Tax, Entry Tax, Octroi, Luxury Tax etc. This tax structure is aimed at reducing the hassle of computation of Goods tax and Service tax separately.
- 3. No tax upon tax:** The problem with Value Addition tax was the problem of double taxation on a commodity passing through various stages of the supply chain. GST on the other hand overcomes this limitation by providing input tax credit which means that the tax paid on the raw materials for a good being produced is set off against the tax received on sale of final goods. For example: As a clothes manufacture, I will be paying GST on the material purchased like dye, fabric, etc., so at the time of the sale when GST is received it can be reduced by the amount paid. Therefore, it does not have any cascading effect (tax on tax).
- 4. Reducing inflation-** GST makes the goods and services cheaper because of the advantage of input tax credit for which the taxpayer pays only the difference of Output tax and Input tax.

5. Foreign Investment Promotion- GST simplifying Indian Tax Regime will attract more foreign investors.

6. Growth and Development of Nation- Levy of GST is applicable at every stage whether it is a manufacturer, intermediary or the end user which will increase the tax revenue of governments. This will contribute to the overall growth and development of the nation.

7. Assistance to Tax Authorities- GST will result in effective control on Tax Evasion. It will enable the tax officers to manage the tax system in a better way.

8. Nullifying the Conflict between State and Central government- GST on goods and services is levied either by Central government or State governments but it is shared by them equally. This nullifies the chances of conflict between the state and central government.



Advantages of Goods and Services Tax

1. Abolition of different tax structures- Service Tax, Union Excise Duty, Central Sales Tax (collected by states), Customs Duty etc. being imposed by central government and Value Added Tax, Entry Tax, Octroi, Luxury Tax etc. being imposed by state governments have been abolished with the introduction of GST. Levy of cess, resale tax, additional tax, turnover tax etc. have also been nullified.

2. Widening of tax bases- GST has increased the tax bases for the governments. This has reduced the administrative cost of governments.

3. The benefit of Input tax credit- Levy of GST is applicable at every stage whether it is manufacturer, intermediary or the end user. Side by side the assessee is given the advantage of input tax credit which means he needs to pay a difference of Output tax and Input tax only. So, following the lines of VAT; GST has removed the cascading effect of the tax.

5. Neutralization to process, business models, structure and location- GST is supposed to boost the economic growth, efficiency and sustainability because of its neutral feature of the tax regime.

6. Increase in export- GST may lead to enhancement of the export because of the reduced effect of duties on many items. This will provide an edge to the exporters over the competition being faced by them in the international market.

7. Voluntary registration- Small businesses with a turnover less than 20 lakhs have an option of voluntary registration which would lead to an increase in voluntary compliances.

8. Increased demand and production of goods and services- GST due to reduced cost of production would lead to an expansion of manufacturing units and an increase in demand for goods and services.



Categorization of Goods and Services Tax

GST is categorized in three ways i.e. Central GST, State GST and Integrated GST.

Central GST- CGST is levied on intra-state supply of goods and services by the central government. It is collected by the central government which is 50% of the applicable tax rate. CGST is further classified into:

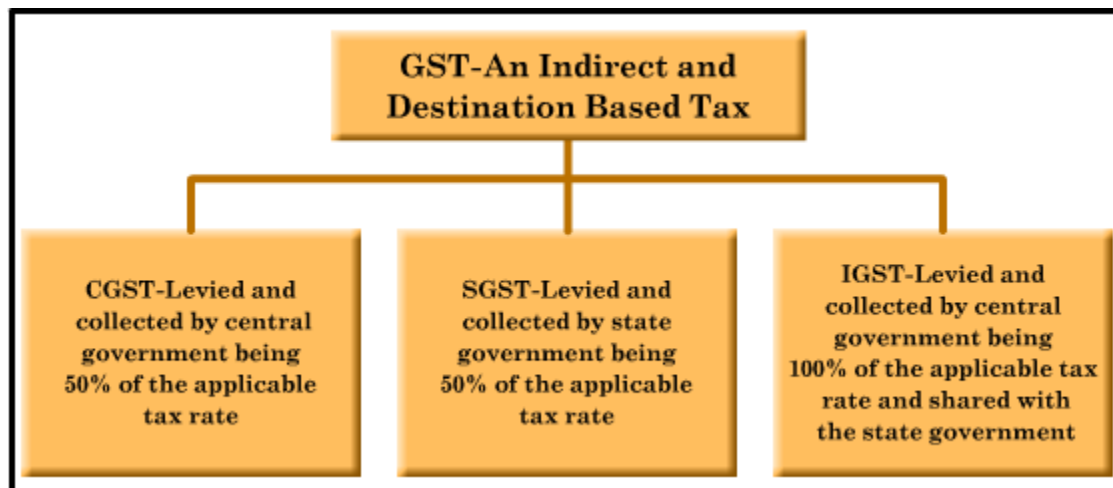
1. Output CGST-It is applicable on the intra-state sale of goods and services. It is a liability for the supplier and is payable to the government.
2. Input CGST-It is applicable on the intra-state purchase of goods and services. It is an asset for the payer and is refundable to the payer. It can be set off against Output CGST first and second against Output IGST.

State GST- SGST is levied on intra-state supplies of goods and services by the state governments. It is collected by state governments being 50% of the applicable tax rate. SGST is further classified into:

1. Output SGST-It is applicable on the intra-state sale of goods and services. It is a liability for the supplier and is payable to the government.
2. Input SGST-It is applicable on the intra-state purchase of goods and services. It is an asset for the payer and is refundable to the payer. It can be set off against Output SGST first and second against Output IGST.

Integrated GST- IGST is levied on interstate supplies of goods and services by the central government. It is collected by the central government only. IGST is further classified into:

1. Output IGST-It is applicable on inter-state sale of goods and services. It is a liability for the supplier and is payable to the government.
2. Input IGST-It is applicable to the interstate purchase of goods and services. It is an asset for the payer and is refundable to the payer. It can be set off against Output IGST first, Output CGST second and lastly against Output SGST.



Some Important documents under GST

- 1) E-way Bill:** Some of you might have noticed certain checkpoints or booths where the truck owners used to stop showing some papers while entering a State. This paper is nothing but a bill or proof of the goods being transported. With the implementation of GST, the government is trying to move towards a paperless society. Hence, any goods having a value of more than Rs. 50,000 to be transported within the states or across the states must have an electronic bill attached to it. This bill is generated through a portal ewaybillgst.gov.in and is available to the supplier, transporter and recipient of the goods.
- 2) Tax Invoice:** It is an invoice which contains details regarding various goods sold or services supplied by a business registered under GST. It also contains details regarding the amount of payment due. It is mandatory to be filed by the business since it also contains details regarding the GST charged by it.
- 3) Bill of Supply:** In case, GST cannot be charged on a certain transaction by a business registered under the GST then a bill of supply will be prepared in this case instead of the tax invoice.
- 4) Receipt Voucher:** When a taxpayer receives any payment against the invoice issued or an advance payment then he will have to issue a receipt voucher. This serves as a proof of the payment received. However, a supplier of goods is not required to pay GST on advances as against the supplier of services.
- 5) Refund Voucher:** Sometimes manufacturers demand an advance for the bulk delivery of goods or the service provider ask for it prior to providing the service. In such a case, receipt voucher is issued by the supplier however if the order is cancelled in the future then a refund voucher is issued as a proof of the same.
- 6) Payment Voucher:** This is issued by the receiver of goods or services at the time of making the payment on which reverse charge is applicable. This means that the receiver is required to pay the GST amount directly to the Government instead of the supplier like in case of e-commerce platforms, supplier not registered under GST as against the receiver, etc.

7) Revised Invoice: This is the invoice issued during the period when a supplier of good's or service's application for registration is under way. So, the taxpayer in such a case will have to revise their invoices for the period for which the certificate was not obtained within one month of its issue.

8) Debit and Credit Note: These are issued when invoice amount is to be revised because of return of goods due to poor quality; extra goods are to be issued, etc. Thus in this case, a Debit Note or a Credit note is issued by the supplier or receiver of goods and services respectively.

Mechanism of Goods and Services Tax

Objective

After going through this lesson, you shall be able to understand the following concepts:

- GST rates in India
- Schedule-wise list of GST rates on goods
- Category-wise list of GST rates on services
- Computation of GST and set off procedure
- GST Common Set Off Procedure
- Comparison of GST with Sales Tax, VAT and Service Tax
- Reverse Charge Mechanism

GST rates in India

The structure of GST rates has been divided into two separate categories based on a) Goods and b) Services.

a) GST on Goods:

The standard GST rates applicable on Goods are Nil, 0.25%, 3%, 5%, 12%, 18%, and 28%. Goods falling under these different rates have been listed under seven different schedules.

Schedule-wise list of GST rates on goods:

Schedule	Applicable GST Rate (%)	An extract of list of Goods
I	Nil	Animals and meat of animals, Curd, Lassi, Butter milk put up in unit container, Unbranded Natural Honey, wheat, rice, flour, Sanitary Napkins, etc.
II	0.25	Diamonds, non-industrial unworked or simply sawn, cleaved or bruted, Precious stones (other than diamonds) and semi-precious stones, unworked or simply sawn or roughly shaped, Synthetic or reconstructed precious or semi-precious stones, unworked or simply sawn or roughly shaped.
III	3.0	Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; pearls, natural or cultured, temporarily strung for convenience of transport, Dust and powder of natural or

		synthetic precious or semi-precious stones, Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured, Imitation jewellery, coin , etc.
IV	5.0	Ultra High Temperature (UHT) milk, Milk and cream, concentrated or containing added sugar or other sweetening matter, including skimmed milk powder, milk food for babies [other than condensed milk] Cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa, Chena or paneer put up in unit container and bearing a registered brand name, Natural honey, put up in unit container and bearing a registered brand name, Vegetables (uncooked or cooked by steaming or boiling in water), frozen, Soya-bean oil and its fractions, whether or not refined, but not chemically modified, etc.
V	12.0	Ketchup sauces, Mustard sauces, Toppings, spreads & sauces, Toothpowder, LED appliances for household use, X-ray films for medical use, Fly ash bricks and fly ash blocks, sewing machine, Pasta, spaghetti, macaroni, noodles, etc.
VI	18.0	Horlicks, Bournvita, Boost, Maltova, Baby carriages, Helmet, Headgear and parts thereof, School Bag, Printers [other than multi-function printers], Staplers, Hair oil, Toothpaste, Soap, Mineral water, Sugar Confectionery, LPG stove, etc.
VII	28.0	Molasses, Chewing gum / bubble gum and white chocolate, not containing cocoa, Pan masala, Other non-alcoholic beverages, Marble and travertine, other than blocks, Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations [other than kajal, Kumkum, Bindi, Sindur, Alta], New pneumatic tyres, of rubber [other than of a kind used on/in bicycles, cycle-rickshaws and three wheeled powered cycle rickshaws; and Rear Tractor tyres, Electro-mechanical domestic appliances, with self-contained electric motor, other than vacuum cleaners, etc.

Source: <http://gstcouncil.gov.in/sites/default/files/NOTIFICATION%20PDF/goods-rates-booklet-03July2017.pdf>

b) GST on Services:

The standard GST rates applicable on Services are Nil, 5%, 12%, 18%, and 28%. However, GST rate on supply of services is the same as on supply of similar goods. Services falling under these different rates have been listed under six different categories.

Category-wise list of GST rates on services:

Category	Applicable GST Rate (%)	An extract of list of services
I	Nil	Services by an entity registered under section 12AA of the Income-tax Act, 1961 (43 of 1961) by way of charitable activities, Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having declared tariff of a unit of accommodation below one thousand rupees per day or equivalent, Service by way of access to a road or a bridge on payment of toll charges, Services by the Reserve Bank of India, etc.

II	5.0	Transport of passengers by rail in first class or air conditioned coaches, Transport of passengers by air in economy class, Transport of goods by rail or in a vessel, Supply of tour operators services, etc.
III	12.0	Supply of food/drinks in restaurant not having facility of air-conditioning or central heating at any time during the year and not having license to serve liquor, Transport of goods in containers by rail by any person other than Indian Railways, etc.
IV	18.0	Supply of Food/drinks in restaurant having licence to serve liquor, Accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes where room tariff of ₹2500/- and above but less than ₹7500/- per room per day, Services by way of admission to exhibition of cinematograph films where price of admission ticket is one hundred rupees or less, etc.
V	28.0	Accommodation in hotels including 5 star and above rated hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, where room rent is ₹7500/- and above per day per room, Gambling, etc.
VI	Same rate of GST as on supply of similar goods	Transfer of the right to use any goods for any purpose (whether or not for a specified period), Any transfer of right in goods or of undivided share in goods without the transfer of title thereof

Source:
<http://gstcouncil.gov.in/sites/default/files/NOTIFICATION%20PDF/services-booklet-03July2017.pdf>

Disclaimer : Being a new tax reform, the rates under GST are in the process of being adjusted and thus periodic changes may take place.

Computation of GST and Set off procedure

GST is a destination based tax which means tax is levied at that place where it is finally sold or consumed. It is levied on the value addition done by the manufacturer and seller. Since, we now already know about the different GST rates applicable on various goods and services, the calculation of GST becomes relatively easier. However, while computing the different types of GST, namely IGST, CGST and SGST, the rates may differ. This means that while full GST rate is considered for computation of IGST, the rates for CGST/UTGST and SGST are equally divided between CGST and SGST for computation. For example, if applicable GST rate on condensed milk is 18% then it shall be 18% in case of IGST whereas it will be 9% in case of CGST and SGST each, for both purchaser and seller. Here, seller will consider it as Output GST and purchaser will consider it as Input GST. To avoid the cascading effect of taxes, Input Tax Credit is given to the manufacturer and seller. The mechanism of GST computation and input tax credit or set off procedure can be explained with the help of examples.

GST Common Set Off Procedure

Input Tax Credit	IGST	CGST	SGST
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IGST	First	Second	Last
CGST	Last	First	Nil
SGST	Last	Nil	First

Illustration: 1 (Central and State GST)

Rajneesh is wholesaler from Uttar Pradesh. During financial year ending 31st March 2018, he purchased goods from the local manufactures and sold goods to retailers within Uttar Pradesh only. He paid GST @ 12% on purchases and collected GST on sales @ 12%. Following is the date-wise list of his purchases and sales.

Date	Particulars	Amount (₹)
28.08.2017	Purchases from M/s Dhanu Ram and Sons	20,000
27.09.2017	Sales to Kashi Vishwanath Enterprises	30,000
11.11.2017	Purchases from M/s Shivakashi Manufacturers	50,000
02.02.2018	Sales to Ranjit Brothers	25,000
01.03.2018	Purchases from M/s Dhanu Ram and Sons	40,000

Explanation: In the above illustration we need to note down the following points:

1. Since, both the location of purchases and sales are same i.e. Uttar Pradesh, this is a case of intra-state purchases and sales.
2. In case of intra-state purchases, GST paid is debited to Input GST A/c and for intra-state sales, GST collected is credited to Output GST A/c.
3. Further, both input and output GSTs are shared 50% by state government and 50% by central government.
4. GST for state government is termed as SGST i.e. State Government Goods and Services Tax and GST for central government is termed as CGST i.e. Central Government Goods and Services Tax.
5. Since GST is 12%, all the purchases will attract 6% Input CGST and 6% Input SGST while all the sales will attract 6% Output CGST and 6% Output SGST.

Computation of GST on purchases and sales for the financial year 2017-18:

Date	Particulars	Input CGST@6% (₹)	Input SGST@6% (₹)	Output CGST@6% (₹)	Output SGST@6% (₹)
28.08.2017	Purchases from M/s Dhanu Ram and Sons	1,200	1,200	–	–
27.09.2017	Sales to Kashi Vishwanath Enterprises	–	–	1,800	1,800

11.11.2017	Purchases from M/s Shivakashi Manufacturers	3,000	3,000	–	–
02.02.2018	Sales to Ranjit Brothers	–	–	1,500	1,500
01.03.2018	Purchases from M/s Dhanu Ram and Sons	2,400	2,400	–	–
Total GST		6,600	6,600	3,300	3,300

Analysis: According to the computation table we can conclude that Total GST paid is more than Total GST collected i.e.

Input GST = Input CGST + Input SGST = ₹ 6,600 + ₹ 6,600 = ₹ 13,200

Output GST = Output CGST + Output SGST = Rs.3,300 + ₹ 3,300 = ₹ 6,600

Now, since ₹ 13,200 > ₹ 6,600

So, the Total GST adjustable in the next assessment period:

From State Government = Input SGST – Output SGST = 6,600 – 3,300 = ₹3,300

From Central Government = Input CGST – Output CGST = 6,600 – 3,300 = ₹3,300

*Set Off means adjusting GST paid i.e Input GST from GST collected i.e. Output GST.

Illustration: 2 (Integrated, Central and State GST)

Rajneesh is a wholesaler from Uttar Pradesh. During financial year ending 31st March 2018, he purchased and sold goods to various manufactures across the country. He paid GST @ 12% on purchases and collected GST on sales @ 12%. Following is the date-wise list of his purchases and sales.

Date	Particulars	Amount (₹)
05.07.2017	Purchases from M/s South Manufacturing Hub, Tamil Nadu	1,00,000
28.08.2017	Purchases from M/s Dhanu Ram and Sons, Uttar Pradesh	20,000
27.09.2017	Sales to Kashi Vishwanath Enterprises, Uttar Pradesh	30,000
11.11.2017	Purchases from M/s Shivakashi Manufacturers, Uttar Pradesh	50,000
02.02.2018	Sales to Ranjit Brothers, Uttar Pradesh	25,000
16.02.2018	Sales to Ashutosh Retailers, Haryana	2,00,000
01.03.2018	Purchases from M/s Dhanu Ram and Sons, Uttar Pradesh	40,000

Explanation: In the above illustration we need to note down the following points:

1. The locations of purchases and sales are spread throughout the country such as Uttar Pradesh, Tamil Nadu and Haryana. Thus, this is a case of both intra-state and inter-state purchases and sales.
2. In case of both intra-state and inter-state purchases, GST paid is debited to Input GST A/c and for intra-state and inter-state sales GST collected is credited to Output GST A/c.
3. Further, both input and output GSTs are shared 50% by state government and 50% by central government each, while inter-state GST goes 100% to central government only.

4. Intra-state GST for state government is termed as SGST i.e. State Government Goods and Services Tax, intra-state GST for central government is termed as CGST i.e. Central Government Goods and Services Tax and inter-state GST for central government is termed as IGST i.e. Integrated Goods and Services Tax.

5. All intra-state purchases will attract 6% Input CGST, 6% Input SGST and all the inter-state purchases will attract 12% Input IGST while all the intra-state sales will attract 6% Output CGST, 6% Output SGST and all the inter-state sales will attract 12% Output IGST.

Computation of GST on purchases and sales for the financial year 2017-18:

Date 2017- 18	Particulars	Input CGST@6% (₹)	Input SGST@6% (₹)	Input IGST@ 12% (₹)	Output CGST@6% (₹)	Output SGST@ 12% (₹)	Output IGST@ 12% (₹)
05.07	Inter-state purchases	-	-	12,000	-	-	-
28.08	Intra-state purchases	1,200	1,200	-	-	-	-
27.09	Intra-state sales	-	-	-	1,800	1,800	-
11.11	Intra-state purchases	3,000	3,000	-	-	-	-
02.02	Intra-state sales	-	-	-	1,500	1,500	-
16.02	Inter-state sales	-	-	-	-	-	24,000
01.03	Intra-state purchases	2,400	2,400	-	-	-	-
Total GST		6,600	6,600	12,000	3,300	3,300	24,000

Analysis: According to the computation table we can conclude that Total GST collected is more than Total GST paid i.e.

$$\text{Input GST} = \text{Input IGST} + \text{Input CGST} + \text{Input SGST} = ₹ 12,000 + ₹ 6,600 + ₹ 6,600 = ₹ 25,200$$

$$\text{Output GST} = \text{Output IGST} + \text{Output CGST} + \text{Output SGST} = ₹ 24,000 + ₹ 3,300 + ₹ 3,300 = ₹ 30,600$$

Since, ₹ 30,600 > ₹ 25,200

Hence, Total GST payable to the government is

$$\text{To State Government} = \text{Output SGST} - \text{Input SGST} = 3,300 - 6,600 = ₹ (3,300)$$

To Central Government

$$(i) \text{ Intra-State GST} = \text{Output CGST} - \text{Input CGST} = 3,300 - 6,600 = ₹ (3,300)$$

$$(ii) \text{ Inter-State GST} = \text{Output IGST} - \text{Input IGST} = 24,000 - 12,000 = ₹ 12,000$$

(iii) Net GST payable after setting off intra-state GSTs = Inter-State GST – intra-state SGST and CGST receivable
 $= 12,000 - 3,300 - 3,300 = ₹ 5,400$

Comparing GST with Sales Tax

The concept of Sales Tax and GST can be compared with the table differentiating the two distinct tax systems:

Serial No.	Basis	Sales Tax	Goods and Services Tax
1.	Meaning	Sales Tax is an indirect tax imposed on the sale and purchase of goods at a single level when the transaction between the seller and the buyer finally takes place.	GST is a collective tax which is levied on the consumption of both goods and services.
2.	Components	Sales Tax for States and Central Sales Tax for the Central Government	SGST for States and CGST and IGST for the Central Government
3.	Input Tax Credit	Input Tax Credit cannot be availed	Input Tax Credit can be availed
4.	Cascading Effect	There was the presence of a cascading effect because of multiple taxes.	There is no cascading effect because of single tax structure encompassing multiple tax structure.
5.	Uniformity in tax rates	There was no uniformity in tax rates of states because of different sales tax acts except central sales tax rate.	There is uniformity of sales tax rates across the different states.
6.	Applicability in Jammu and Kashmir	Jammu and Kashmir had its distinct sales tax act known as Sales Tax Act 1962.	GST is applicable throughout the country including J & K.
7.	Taxation of services	Services were not taxed in Sales Tax.	Services are also taxed in GST

Comparing GST with Value Added Tax (VAT) and Service Tax

The concept of VAT/Service Tax and GST can be compared with the table differentiating the two distinct tax systems:

Serial No.	Basis	VAT/Service Tax	Goods and Services Tax
1.	Meaning	VAT is an indirect tax imposed on the addition to the value of a product at each stage of production or distribution. While Service Tax is an indirect tax imposed on the addition to the value of services at each stage of service rendered.	GST is a collective tax which is levied on the consumption of both goods and services.

2.	Intra & Inter-State	VAT for the intra-state supply of goods.	SGST and CGST for intra-state supply of goods & services and IGST for the Inter-State supply.
3.	Input Tax Credit	Input Tax Credit can be availed during the same financial year.	Input Tax Credit can be availed during the next financial year.
4.	Cascading Effect	There was a presence of cascading effect because taxes other than VAT. Input tax credit on VAT could be availed for the same state but not for the other.	There is no cascading effect because of single tax structure encompassing multiple tax structure.
5.	Uniformity in tax rates	There was no uniformity in tax rates of states because of variation in VAT rate across different states.	There is uniformity of sales tax rates across the different states.
6.	A major source of revenue	VAT was a major source of revenue for all the state and UTs of India except Andaman and Nicobar Islands and Lakshadweep.	GST is applicable throughout the country.
7.	Taxation of services	Services were taxed separately under the Service Tax Act	Services are also taxed in GST
8.	Threshold for Registration under the act	A dealer is supposed to be registered under VAT Act in case his annual turnover is ₹10,00,000 or more.	A dealer is supposed to be registered under GST Act in case his annual turnover is ₹20,00,000 or more.

Reverse Charge Mechanism

The normal mechanism under GST is that the seller of the goods or services charges GST and then pays it to the government. However, sometimes it may happen that the supplier of the goods or services is not registered under GST hence in such a case the receiver will have to pay the GST directly to the government. This called the reverse charge mechanism. Here, the obligation of GST falls on the buyer of the goods. He can thus claim the input tax credit on the same.

Following goods and services fall under Reverse charge mechanism:

- ✓ Purchase of goods and services from a person who is not registered under the GST Act.
- ✓ Fee paid to the lawyers
- ✓ Payment against usage of copyright
- ✓ Sponsorship services
- ✓ Transport Services
- ✓ Insurance Commission



Reverse Charge Mechanism

Accounting Treatment of GST

After going through this lesson, you shall be able to understand the following concepts:

- List of different journal entries
- Specimen of accounting vouchers
- Treatment of GST in ledger accounts
- Treatment of GST in Cash Book and Subsidiary Book
- Treatment of GST in depreciation accounting
- Treatment of GST in Bills of Exchange
- Treatment of GST in final accounts of a sole proprietor

Common Journal Entries

Journal Entries for the accounting of GST Paid or Collected

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
1.	Purchase of Fixed Assets Fixed Assets A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. Input IGST A/c Dr. To Vendor's A/c (Being fixed asset purchased and input CGST, input SGST and input IGST claimed)			
2.	Purchase of Goods Purchases A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. Input IGST A/c Dr. To Creditor's A/c (Being goods purchased plus input CGST, SGST and IGST)			
3.	Sale of Goods Debtor's A/c Dr. To Sales A/c To Output CGST A/c To Output SGST A/c To Output IGST A/c			

	(Being goods sold plus output CGST, output SGST and output IGST)			
4.	Return of goods purchased Creditor's A/c Dr. To Purchases Return A/c To Input CGST A/c To Input SGST A/c To Input IGST A/c (Being goods purchased returned and input GST reversed.)			
5.	Return of goods sold Sales Return A/c Dr. Output CGST A/c Dr. Output SGST A/c Dr. Output IGST A/c Dr. To Debtor's A/c (Being goods sold returned and output GST reversed.)			
6.	Journal entry for expenses Printing and Stationery Expenses A/c Dr. Telephone Expenses A/c Input CGST A/c Dr. Input SGST A/c Dr. To Cash/ Bank A/c (Being stationery purchased and telephone bill for the __ month paid and input CGST and SGST claimed)			
7.	Journal entry for Drawings of goods by properietor, goods distributed as free samples, goods destroyed by fire, goods stolen etc. Drawings A/c Dr. Advertisement A/c Dr. Loss by fire A/c Dr. Loss by Theft A/c Dr. To Purchases A/c To Input CGST A/c To Input SGST A/c To Input IGST A/c (Being goods withdrawn for personal use, destroyed, lost by fire and Input GST reversed)			
8.	Setting off input CGST against Output CGST Output CGST A/c Dr. To Input CGST A/c (Being the Input CGST set off against Output CGST)			
9.	Setting off input CGST against Output IGST Output IGST A/c Dr. To Input CGST A/c (Being the Input CGST set off against Output IGST)			
10.	Setting off input SGST against Output SGST			

	Output SGST A/c To Input SGST A/c (Being the Input SGST set off against Output SGST)	Dr.			
11.	Setting off input SGST against Output IGST Output IGST A/c To Input SGST A/c (Being the Input SGST set off against Output IGST)	Dr.			
12.	Setting off input IGST against Output IGST Output IGST A/c To Input IGST A/c (Being the Input IGST set off against Output IGST)	Dr.			
13.	Setting off Debit balance in input CGST, input SGST against credit balance in Output IGST Output IGST A/c To Input CGST A/c To Input SGST A/c (Being the Input CGST and input SGST set off against Output IGST)	Dr.			
14.	Payment of GST into Government Account OutputCGST A/c OutputSGST A/c OutputIGST A/c To Bank A/c or Electronic Cash Ledger A/c (Being GST payable deposited into Government Account)	Dr. Dr.			

Specimen accounting vouchers

1) Accounting Voucher-Debit Cash Voucher

<div style="writing-mode: vertical-rl; transform: rotate(180deg);">Received ₹</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Revenue Stamp</div>	Dishant Fireworks, Sivakasi, Tamilnadu GSTIN : 33BCPPT8975K1ZB		Date: January 1, 2018
	Voucher No.		Amount ₹
	Debit: <div style="margin-left: 20px;"> Furniture A/c Input CGST A/c Input SGST A/c (Purchased Furniture for ₹10,000 vide Cash Memo No. 210; CGST and SGST @ 6% each paid.) </div>		10,000 600 600 11.200
	Sd/- Manager		Sd/- Accountant

2) Accounting Voucher-Credit Cash Voucher

Dishant Fireworks, Sivakasi, Tamilnadu GSTIN : 33BCPPT8975K1ZB	
Date: January 24, 2018	
Voucher No.	Amount ₹
Credit: Sales A/c Output CGST A/c Output SGST A/c (Sold 1000 units of firecrackers vide Cash Memo No. 1560; CGST and SGST Charged @ 6% each.)	3,000 180 180 3,360
Sd/- Manager	Sd/- Accountant

3) Accounting Voucher-Non Cash Voucher

Dishant Fireworks, Sivakasi, Tamilnadu GSTIN : 33BCPPT8975K1ZB	
Date: January 10, 2018	
Voucher No.	Amount ₹
Debit:	
Purchases A/c	20,000
Input CGST A/c	1,200
Input SGST A/c	1,200
	22,400
Credit:	
M/s. Madras Store (Garments Purchased vide Bill No. 291; CGST and SGST @ 6% each payable.)	22,400
	22,400
Sd/- Manager	Sd/- Accountant

Treatment of GST in ledger accounts

Treatment of GST in the preparation of ledger accounts includes 6 new different accounts under two major categories i.e. Input GST and Output GST. Input GST is considered as an asset for the business while output GST is considered as a liability for the business.

Further Output GST is categorised into the following three accounts:

Dr.				Output IGST Account				Cr.	
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)		

Dr.				Output CGST Account				Cr.	
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)		

Dr. Output SGST Account				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)

Input GST is categorised into the following three accounts:

Dr. Input IGST Account				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)

Dr. Input CGST Account				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)

Dr. Input SGST Account				Cr.			
Date	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)

Treatment of GST in Cash Book and Subsidiary Books

Cash Book: Treatment of GST in the cash book can be explained with the help of an example:

Suppose Ram purchased a machinery in cash for (₹)20,000 plus 6% intra-state GST and sold goods by cheque for (₹)10,000 plus 18% inter-state GST. Now the journal entry for these transactions shall be as under-

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Machinery A/c Dr.		20,000	
	Input CGST A/c Dr.		1,200	
	Input SGST A/c Dr.		1,200	
	To Cash A/c			22,400
	Bank A/c Dr.		11,800	
	To Sales A/c			10,000
	To Output IGST A/c			1,800

Instead of passing the above journal entry we can directly post the transaction in Cash Book:

Cash Book (Two columns)
(An Extract)

Dr.					Cr.				
Date	Particulars	L.F.	Cash	Bank	Date	Particulars	L.F.	Cash	Bank
	Sales A/c			10,000		Machinery A/c		20,000	
	Output IGST A/c			1,800		Input IGST A/c		Nil	
	Output CGST A/c			Nil		Input CGST A/c		1,200	
	Output SGST A/c			Nil		Input SGST A/c		1,200	
				11,800				22,400	

Petty Cash Book: Treatment of GST in Petty cash book can be explained with the help of an example:

Suppose Ram purchased stationery in cash for (₹)200 plus 6% intra-state GST. Now the journal entry for this transaction shall be as under-

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Stationery A/c Dr.		200	
	Input CGST A/c Dr.		12	
	Input SGST A/c Dr.		12	
	To Petty Cash A/c			224

Instead of passing the above journal entry we can directly post the transaction in an Analytical Petty Cash Book.

Analytical Petty Cash Book
(An Extract)

Receipts (₹)	Date	Voucher No.	Particulars	Total Payment (₹)	Stationery (₹)	Input IGST (₹)	Input CGST (₹)	Input SGST (₹)
			By Stationery A/c	200	200			
			By Input IGST A/c			Nil		
			By Input CGST A/c	12			12	
			By Input SGST A/c	12				12
			Total	224	200	–	12	12

Purchases Book: Treatment of GST in Purchases book which is now named as Analytical Purchases Book can be explained with the help of an example:

Suppose Sahni Electronics purchased 10 Refrigerators from M/s Rajneesh Sales Corporation on credit for (₹)12,000 each plus 9% intra-state GST. Now the journal entry for this transaction shall be as under-

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Purchases A/c (10×12,000) Dr.		1,20,000	
	Input CGST A/c Dr.		10,800	
	Input SGST A/c Dr.		10,800	
	To M/s Rajneesh Sales Corporation			1,41,600

Instead of passing the above journal entry we can directly post the transaction in an Analytical Purchases Book.

In the books of Sahni Electronics
Analytical Purchases Book

Date	Particulars (Supplier's Name)	Invoice No.	L.F.	Details (₹)	Purchases (₹)	Input CGST (₹)	Input SGST (₹)	Input IGST (₹)	Total (₹)
	M/s Rajneesh Sales Corporation 10 Refrigerators			1,20,000					

@ (₹)12,000 each								
Add: CGST@9%			10,800					
Add: SGST@9%			10,800					
			1,41,600	1,20,000	10,800	10,800	-----	1,41,600
				1,20,000	10,800	10,800	-----	1,41,600

Purchases Return Book: Treatment of GST in Purchases Return book or Returns Outward Account which is now named as Analytical Purchases Return Book can be explained with the help of an example:
 Suppose Sahni Electronics returned 2 Refrigerators purchased from M/s Rajneesh Sales Corporation on credit for (₹)12,000 each plus 9% intra-state GST. Now the journal entry for this transaction shall be as under-

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	M/s Rajneesh Sales Corporation Dr.		28,320	
	To Purchases Return A/c (2×12,000)			24,000
	To Input CGST A/c			2,160
	To Input SGST A/c			2,160

Instead of passing the above journal entry we can directly post the transaction in an Analytical Purchases Return Book.

In the books of Sahni Electronics
Analytical Purchases Return Book

Date	Supplier's Name	Debit Note No.	L.F.	Details (₹)	Purchases Return (₹)	Input CGST (₹)	Input SGST (₹)	Input IGST (₹)	Total (₹)
	M/s Rajneesh Sales Corporation			24,000					
	2 Refrigerators @ (₹)12,000 each			2,160					
	Add: CGST@9%			2,160					
	Add: SGST@9%			28,320	24,000	2,160	2,160	-----	28,320

					24,000	2,160	2,160	-----	28,320

Sales Book: Treatment of GST in Sales book which is now named as Analytical Sales Book can be explained with the help of an example:

Suppose M/s Singh Cycle Wala sold 20 bi-cycles to Rahi Cycles on credit for (₹) 2,000 each plus 6% intra-state GST. Now the journal entry for this transaction shall be as under-

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Rahi Cycles Dr. To Sales A/c (20×2,000) To Input CGST A/c To Input SGST A/c		44,800	40,000 2,400 2,400

Instead of passing the above journal entry we can directly post the transaction in an Analytical Sales Book.

In the books of Singh Cycle Wala
Analytical Sales Book

Date	Particulars (Purchaser's Name)	Invoice No.	L.F.	Details (₹)	Sales (₹)	Output CGST (₹)	Output SGST (₹)	Output IGST (₹)	Total (₹)
	Rahi Cycles 20bi-cycles@ 2,000 each Add:CGST@6% Add:SGST@6%			40,000 2,400 2,400 44,800					
					40,000	2,400	2,400	-----	44,800
					40,000	2,400	2,400	-----	44,800

Sales Return Book: Treatment of GST in Sales Return book or Returns Inward Account which is now named as Analytical Sales Return Book can be explained with the help of an example:

Suppose Rahi Cycles returned 5 bi-cycles purchased from M/s Singh Cycle Wala on credit for (₹)2,000 each plus 6% intra-state GST. Now the journal entry for this transaction shall be as under-

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Sales Return A/c (5 × 2,000) Dr.		10,000	
	Output CGST A/c Dr.		600	
	Output SGST A/c Dr.		600	
	To M/s Rahi Cycles			11,200

Instead of passing the above journal entry we can directly post the transaction in an Analytical Sales Return Book.

In the books of M/s Singh Cycle Wala
Analytical Sales Return Book

Date	Particulars (Purchaser's Name)	Credit Note No.	L.F.	Detail Rs.	Sales Return Rs.	Output CGST Rs.	Output SGST Rs.	Output IGST Rs.	Total Rs.
	Rahi Cycles								
	5 bi-cycles@ Rs.2,000 each			10,000					
	Add: CGST@6%			600					
	Add: SGST@6%			600					
				11,200	10,000	600	600	-----	11,200
					10,000	600	600	-----	11,200

Treatment of GST in depreciation accounting

The effect of GST in Depreciation Accounting can be seen in the journal entries related to purchases and sales only. While preparing the Asset Account, there is no effect of GST in the preparation of Asset Account.

This could be explained with the help of an example.

Suppose Randhir Ltd. purchased a machinery by cheque for (₹) 30,000 from Nishant Ltd. plus 9% intra-state GST. After some days the same machinery after using was sold for 25,000 to a dealer of the neighbouring state by cheque. Now the journal entries for these transactions shall be as under-

Journal of Randhir Ltd.

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Machinery A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To Bank A/c		30,000 2,700 2,700	35,400
(ii)	Bank A/c Dr. To Machinery A/c		28,000	25,000

Now, on analysing the above entries it can be concluded that in case of first entry Machinery Account was debited with only cost of asset and this amount does not include GST amount. But, in second entry Machinery Account was credited with only sales value of the asset but not with any amount of GST as there is no GST on used machinery. Hence, it can be concluded that GST amount does not affect the Asset Account.

Treatment of GST in Bills of Exchange

Under Bills of Exchange accounting, only the Sale or Purchase transactions get affected by GST while all other transactions remain the same.

Journal of Drawer

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	For Sale of goods Drawee Dr. To Sales A/c To Output GST A/c			

Journal of Drawee

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	For purchase of goods Purchases A/c Dr. Input GST A/c Dr. To Drawer			

Treatment of GST in final accounts of a sole proprietor

Treatment of GST in the preparation of financial statements of a sole proprietor is limited to the last part of these statements i.e. Balance Sheet. Now, we know that Input GST is an asset for the business while Output GST is a liability for the business. But, while preparing

the Balance Sheet instead of showing Input GST on the asset side and Output GST on the liability side, a net of both after set off is shown in the Balance Sheet.

This can be made clear with an example as under:

Following is an extract of the Trial Balance of a business at the closing of the financial year.

Trial Balance as on 31st March' 2018
(An Extract)

S. No.	Accounts	L.F.	Dr. Amount (Rs.)	Cr. Amount (Rs.).
	Input IGST A/c		4,000	
	Input CGST A/c		1,000	
	Input SGST A/c		1,000	
	Output IGST A/c			2,000
	Output CGST A/c			2,500
	Output SGST A/c			2,500

Let us show the above figures of GST amounts after using the common set off procedure:

Particulars	Output IGST	Output CGST	Output SGST
Input GST	2,000 (4,000)	2,500 (1,000)	2,500 (1,000)
Set off-Against CGST	(2,000) 1,500	1,500 (1,500)	1,500 -----
Set off-Against SGST	(500) 500	Nil -----	1,500 (500)
GST Payable	Nil	Nil	1,000

Explanation to GST common set-off procedure:

On observing the above table, it is very clear that amount of Input IGST is more than Output IGST by (₹)2,000 (4,000-2,000) which can be set off against Output CGST and Output SGST as both Output CGST and SGST are in excess by (₹)1,500 after setting off their respective input GST credit. But the excess of Input IGST is first adjusted against Input CGST as both CGST and IGST relate to central government and at last it is adjusted against Output SGST.

After doing complete set-off, it is clear that an amount of (₹)1,000 against Output SGST is payable to the state government.

Balance Sheet
as on March 31, 2018
(An Extract)

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Current Liabilities			
GST Payable-OutputSGST	1,000		

Comprehensive Examples on GST

Objective

After going through this lesson, you shall be able to solve the practical problems on:

- Journal entries
- Accounting vouchers
- ledger accounts
- Cash Book and Subsidiary Book
- Depreciation accounting
- Bills of Exchange
- Final accounts of a sole proprietor

Journal entries

Question 1 Dishant Mehra a businessman from Raipur, Chhatisgarh deals in electric rods which are much in demand not in his state only rather across the entire country. Following are the details of his business activities during the month of May 2018.

Date 2018	Particulars	Amount (₹)
May 01	Purchased Raw Material from Premji Bhai Patel, Gujarat	1,50,000
May 02	Deposited cash in his Current Account with Bank of Baroda	50,000
May 10	Paid wages to the workers for the month of April 2018	40,000
May 16	Sold iron rods to Jagan Bhai Bhujwal, Anand (Gujarat)	80,000
May 22	Sold iron rods in cash to a local trader	20,000

You are required to pass journal entries including GST set off entries assuming inter-state GST @ 18% and 9% for intra-state GST.

Solution:

Journal of Dishant Mehra

Date	Particulars	L. F.	Dr. Amount (₹)	Cr. Amount (₹)
May 01	Purchases A/c	D r.	1,50,000	
	Input IGST A/c	D r.	27,000	
	To Premji Bhai Patel (Being goods purchased on credit with 18% inter-state GST)			1,77,000
May 02	Bank A/c	D r.	50,000	
	To Cash A/c (Being cash deposited in Bank)			50,000
May 10	Wages A/c	D r.	40,000	
	To Cash A/c (Being wages paid for the last month)			40,000
May 16	Jagan Bhai Bhujwal	D r.	94,400	
	To Sales A/c			80,000
	To Output IGST A/c (Being goods sold on credit with 18% inter-state GST)			14,400
May 22	Cash A/c	D r.	23,600	
	To Sales A/c	D r.		20,000
	To Output CGST A/c	D r.		1,800
	To Output SGST A/c (Being goods sold in cash with 9% intra-state GST)			1,800
May 31	Output IGST A/c	D r.	14,400	
	Output CGST A/c	D r.	1,800	
	Output SGST A/c		1,800	

	To Input IGST A/c (Being GST set off)			18,000
--	--	--	--	--------

Input IGST Set Off	Output IGST	Output CGST	Output SGST
First: Against Output IGST	14,400 (27,000)	1,800	1,800
Balance Second: Against Output CGST	(12,600) 1800	1,800 (1,800)	1,800
Last: Against Output SGST	(10,800) 1,800	Nil -----	1,800 (1,800)
GST Payable/ (Receivable)	(9,000)*	Nil	Nil

*** This amount will be recorded in the Balance Sheet under Current Assets.**

Accounting Vouchers

Question 2 Prepare the relevant accounting vouchers in the books of Dishant Fireworks, Sivakasi, Tamilnadu (GSTIN : 33BCPPT8975K1ZB) using the Source Vouchers:

Date 2018	Particulars	Amount (₹)
May 01	Purchased goods in cash vide Cash Memo No. 298 including 5% inter-state GST	10,500
May 08	Received commission vide Cash Receipt No. 1001 including 6% intra-state GST	1,120
May 15	Sold goods to M/s Armaan Brothers, Trichi, Tamilnadu vide Bill No. 1587 including 6% intra-state GST	22,400
May 28	Amortised goodwill	5,000

Solution: 2(i)

<div style="writing-mode: vertical-rl; transform: rotate(180deg);">Received ₹</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Revenue Stamp</div>	Dishant Fireworks, Sivakasi, Tamilnadu GSTIN : 33BCPPT8975K1ZB		Date: May 1, 2018
	Voucher No. 1		Amount ₹
	Debit: Purchases A/c Input IGST A/c (Bought goods vide Cash Memo no. 298; IGST @ 5% paid in cash)		10,000 500
			10,500
	Sd/- Manager		Sd/- Accountant

Dishant Fireworks, Sivakasi, Tamilnadu GSTIN : 33BCPPT8975K1ZB	
Date: May 15, 2018	
Voucher No. 3	Amount ₹
Debit: M/s Armaan Brothers	22,400
	22,400
Credit: Sales Output CGST A/c Output SGST A/c (Sold goods vide Bill No. 1587 including 6% intra-state GST)	20,000
	1,200
	1,200
	22,400
Sd/- Manager	Sd/- Accountant

Dishant Fireworks, Sivakasi, Tamilnadu GSTIN : 33BCPPT8975K1ZB	
Date: May 08, 2018	
Voucher No. 2	Amount ₹
Credit: Commission Received A/c Output CGST A/c Output SGST A/c (Received commission vide Cash Receipt No. 1001 including 6% intra-state GST)	1,000
	60
	60
	1,120
Sd/- Manager	Sd/- Accountant

Dishant Fireworks, Sivakasi, Tamilnadu GSTIN : 33BCPPT8975K1ZB	
Date: May 28, 2018	
Voucher No. 4	Amount ₹
Debit: Amortisation A/c	5,000
	5,000
Credit: Goodwill A/c (Goodwill amortised)	5,000
	5,000
Sd/- Manager	Sd/- Accountant

Ledger accounts and Trial Balance

Question 3 Ram Prasad a businessman from Chawri Bazar, Delhi deals in ready-made garments for ladies and kids. Following an excerpt of the transactions took during the last month of the financial year 2017-18. You are required to post them into ledger accounts, balance them and check the arithmetical accuracy of the account balances by preparing a Trial Balance for the year ended 31st March 2018. Applicable GST rates are:
(i) CGST and SGST @ 6% each and;
(ii) IGST @12%.

Date 2018	Particulars	Amount (₹)
March 01	Balances brought forward: Cash Rs. 80,000; Bank Rs. 1,35,000; Bank Loan Rs. 1,00,000; Furniture Rs. 10,000; Purchases Rs. 52,000; Sales Rs. 84,000; Arnav (Dr.) Rs. 10,000; Sagar (Cr.) Rs. 50,000; Input IGST Rs. 2,050; Input CGST Rs. 1,500; Input SGST Rs. 1,500 and Output IGST Rs. 400	
March 05	He purchased goods in cash from Surat	20,000
March 08	He sold goods costing Rs.30,000 to Arnav of Nepa Nagar, MP	40,000
March 15	He purchased another office furniture from Mohit of Delhi	10,000
March 18	He gifted a suit to his daughter on her birthday purchased from Surat	2,000

March 25	He paid to Sagar by cheque in full settlement	49,000
March 28	He purchased stationery for cash	1,000
March 31	Paid rent by cheque	20,000
March 31	Paid wages and salaries to his staff	40,000

Solution:

In the books of Ram Prasad, Chawri Bazar, Delhi
Computation of balance in capital account as on 1st March 2018

Capital = Cash + Bank + Furniture + Purchases + Arnav (Dr.) + Input IGST + Input CGST + Input SGST - Bank Loan - Sales - Sagar (Cr.) - Output IGST
Capital = 80,000 + 1,35,000 + 10,000 + 52,000 + 10,000 + 2,050 + 1,500 + 1,500 - 1,000,000 - 84,000 - 50,000 - 400 = 57,650

Ledger Accounts
Capital Account

Dr.				Cr.			
Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.31	Balance c/d		57,650	Mar.1	Balance b/d		57,650

Cash Account

Dr.				Cr.			
Date 2018	Particulars	J.F.	Amount (₹)	Date	Particulars	J.F.	Amount (₹)
Mar.1	Balance b/d		80,000	Mar.05	Purchases		20,000
				Mar.05	Input IGST A/c		2,400
				Mar.28	Stationery A/c		1,000
				Mar.28	Input CGST A/c		60
				Mar.28	Input SGST A/c		60
				Mar.31	Wages and Salaries A/c		40,000
				Mar.31	Balance c/d		16,480
			80,000				80,000

Drawings Account

Dr.				Cr.			
Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.18	Purchases A/c		2,000	Mar.31	Balance c/d		2,240
Mar.18	Input IGST A/c		240				

			2,240				2,240

Dr. Bank Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.01	Balance b/d		1,35,000	Mar.25	Sagar		49,000
				Mar.31	Rent A/c		20,000
				Mar.31	Input CGST A/c		1,200
				Mar.31	Input SGST A/c		1,200
				Mar.31	Balance c/d		63,600
			1,35,000				1,35,000

Dr. Bank Loan Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.31	Balance c/d		1,00,000	Mar.01	Balance b/d		1,00,000

Dr. Purchases Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.01	Balance b/d		52,000	Mar.18	Drawings A/c		2,000
Mar.05	Cash A/c		20,000	Mar.31	Balance c/d		70,000
			72,000				72,000

Dr. Furniture Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.01	Balance b/d		10,000	Mar.31	Balance c/d		20,000
Mar.15	Mohit		10,000				
			20,000				20,000

Dr. Stationery Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.28	Cash A/c		1,000	Mar.31	Balance c/d		1,000

Dr. Input IGST Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.01	Balance b/d		2,050	Mar.18	Drawings A/c		240
Mar.05	Cash A/c		2,400	Mar.31	Balance c/d		4,210
			4,450				4,450

Dr. Output IGST Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.31	Balance c/d		5,200	Mar.01	Balance b/d		400
			5,200	Mar.08	Arnav		4,800
							5,200

Dr. Input CGST Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.01	Balance b/d		1,500	Mar.31	Balance c/d		3,360
Mar.15	Mohit		600				
Mar.28	Cash A/c		60				
Mar.31	Bank A/c		1,200				
			3,360				3,360

Dr. Input SGST Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.01	Balance b/d		1,500	Mar.31	Balance c/d		3,360
Mar.15	Mohit		600				
Mar.28	Cash A/c		60				
Mar.31	Bank A/c		1,200				
			3,360				3,360

Dr. Sales Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.31	Balance c/d		1,24,000	Mar.01	Balance b/d		84,000
			1,24,000	Mar.08	Arnav		40,000
							1,24,000

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Dr. Arnav's Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.01	Balance b/d		10,000	Mar.31	Balance c/d		54,800
Mar.08	Sales A/c		40,000				
Mar.08	Output IGST A/c		4,800				
			54,800				54,800

Dr. Sagar's Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.25	Bank A/c		49,000	Mar.01	Balance b/d		50,000
Mar.25	Discount Received A/c		1,000				
			50,000				50,000

Dr. Mohit's Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.31	Balance c/d		11,200	Mar.15	Furniture A/c		10,000
				Mar.15	Input CGST A/c		600
				Mar.15	Input SGST A/c		600
			11,200				11,200

Dr. Wages and Salaries Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.31	Cash A/c		40,000	Mar.31	Balance c/d		40,000

Dr. Rent Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.31	Bank A/c		20,000	Mar.31	Balance/d		20,000

Dr. Discount Received Account Cr.

Date 2018	Particulars	J.F.	Amount (₹)	Date 2018	Particulars	J.F.	Amount (₹)
Mar.31	Balance c/d		1,000	Mar.25	Sagar's A/c		1,000

Trial Balance as on 31st March' 2018

S. No.	Accounts	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
1.	Cash A/c		16,480	
2.	Capital A/c			57,650
3.	Drawings A/c		2,240	
4.	Bank A/c		63,600	
5.	Bank Loan A/c			1,00,000
6.	Purchases A/c		70,000	
7.	Sales A/c			1,24,000
8.	Furniture A/c		20,000	
9.	Stationery A/c		1,000	
10.	Arnav's A/c		54,800	
11.	Discount Received A/c			1,000
12.	Rent A/c		20,000	
13.	Mohit			11,200
14.	Wages and Salaries A/c		40,000	
15.	Input IGST A/c		4,210	
16.	Output IGST A/c			5,200
17.	Input CGST A/c		3,360	
18.	Input SGST A/c		3,360	
	Total		2,99,050	2,99,050

Cash Book and Subsidiary Books

Cash Book:

Question 4 Knight Group Textiles provides you with the following information regarding its transactions took place during the month of May 2018. You are required to prepare a Cash Book using the given information:

Date	Particulars	Amount (₹)
2018 May 01	Cash in hand	45,000

May 01	Bank Overdraft	2,000
May 02	Purchased goods @ 6% intra-state GST on credit	12,000
May 05	Purchased goods @12% inter-state GST in cash	15,000
May 08	Purchased Machinery @ 6% intra-state GST in cash	20,000
May 14	Sold goods to Manchand Traders @12% inter-state GST and received a cheque including GST	56,000
May 18	Paid Cartage	1,700
May 23	Drew cash from Bank for office use	12,000
May 30	Salary paid to staff 60% in cash and balance by cheque	20,000
May 31	Withdrew from bank for personal use	5,000

Solution:

Cash Book

Date 2018	Particulars	L.F.	Cash	Bank	Date 2018	Particulars	L.F.	Cash	Bank
May 01	Balance b/d		45,000		May 01	Balance b/d			2,000
May 14	Sales A/c			50,000	May 05	Purchases A/c		15,000	
May 12	Output IGST A/c			6,000	May 05	Input IGST A/c		1,800	
					May 08	Machinery A/c		20,000	
May 23	Bank A/c	C	12,000		May 08	Input CGST A/c		1,200	
					May 08	Input SGST A/c		1,200	
					May 18	Cartage A/c		1,700	
					May 23	Cash A/c	C		12,000
					May 30	Salary A/c		12,000	8,000
					May 31	Drawings A/c			5,000
					May 31	Balance c/d		4,100	29,000
			57,000	56,000				57,000	56,000

Petty Cash Book: Question 5 Mr Navneet Singh, junior cashier, has been assigned the job of keeping a record of the petty cash expenses. He requests you to help him in preparing an Analytical Petty Cash Book on the imprest system from the following information of his company:

Date 2018	Particulars	Amount (₹)
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Jan. 01	Balance in the Petty Cash Book	2,290
Jan. 01	Shortage in imprest received from the head cashier	2,710
Jan. 01	Paid taxi fare	430
Jan. 02	Purchased stationery including 5% inter-state GST	105
Jan. 08	Paid Bus fare	50
Jan. 10	Paid for cartage expenses incurred on the purchase of goods	120
Jan. 22	Paid power bill	765
Jan. 30	Paid for a registered post to Amritsar	78

Solution:

Analytical Petty Cash Book

Recei pts (₹)	Date 2018	Vouch er No.	Particulars	Total Payment (₹)	Statio nery (₹)	Carta ge (₹)	Conve yance (₹)	Pow er Bill (₹)	Posta ge (₹)	Input IGST (₹)
2,290	Jan.01		To Balance b/d	----						
2,710	Jan.01		To Cash A/c	----						
	Jan.01		By Conveyance A/c	430			430			
	Jan.02		By Stationery A/c	100	100					
	Jan.02		By Input IGST A/c	5						5
	Jan.08		By Conveyance A/c	50			50			
	Jan.10		By Cartage A/c	120		120				
	Jan.22		By Power Bill A/c	765				765		
	Jan.30		By Postage A/c	78					78	
	Jan.31		By Balance c/d	3,452						
5,000				5,000	100	120	480	765	78	5
3,452	Feb.01		To Balance b/d							
1,548	Feb.01		To Cash A/c							

Day Books:

Question 6 Mr. Dinesh Sachdeva, a wholesale dealer of stationery items in Amritsar, Punjab presents a detailed list of sales and purchases during the month of August 2018. He wants you to prepare following day books:

- Analytical Purchases Book;
- Analytical Sales Book;
- Analytical Returns Outward Book and;

(iv) Analytical Returns Inward Book.

The applicable rates of GST are 5% for inter-state supplies and 2.5% for intra-state supplies.

2018	Particulars	Party Name	Units	Rate per unit (₹)	Trade discount	Mode of Payment
Aug. 01	Purchased A4 size white paper	Lubhna Paper Mart, Chandni Chowk, Delhi	1500 rim	100	10%	Cash
Aug. 02	Purchased College Note Books	The Divine Book Sellers, Panaji, Goa	250 nos.	20	20%	Credit
Aug. 08	Sold A4 size white paper	M/s Printing Press Co., Haryana	400 rims	150	10%	Credit
Aug. 12	Returned A4 size white paper to	Lubhna Paper Mart, Chandni Chowk, Delhi	100 rims	100	10%	Credit
Aug. 16	Purchased satchels	Gurdas Traders, Amritsar, Punjab	150 nos.	280	15%	Credit
Aug. 19	Sold College Note Books	M/s Ramsevak, Traders, Ambala, Punjab	50 nos.	30	10%	Credit
Aug. 24	Sold Satchels	GuruHarkishan Public School, Ludhiana, Punjab	80 nos.	400	10%	Credit
Aug. 26	College Note Books Returned by	M/s Ramsevak, Traders, Ambala, Punjab	10 nos.	30	10%	Credit
Aug. 26	College Note Books Returned to	The Divine Book Sellers, Panaji, Goa	10 nos.	20	20%	Credit
Aug. 30	Returned A4 size white paper by	M/s Printing Press Co., Haryana	150 rims	150	10%	Credit

Solution:

Analytical Purchases Book

Date 2018	Particulars (Supplier's Name)	Invoice	L.F.	Details (₹)	Purchases (₹)	Input CGST (₹)	Input SGST (₹)	Input IGST (₹)	Total (₹)
Aug.01	The Divine Book								

Aug.16	Sellers, Panaji, Goa 250 College Note Books @ Rs.20 each <i>Less:</i> Trade discount @ 20%. <i>Add:</i> IGST @ 5%			5,000					
				(1,000)					
				4,000					
				200					
				4,200	4,000			200	4,200
Aug.31	Gurdas Traders, Amritsar, Punjab 150 satchels @ 280 each <i>Less:</i> Trade discount @ 15% <i>Add:</i> CGST@2.5 % <i>Add:</i> SGST@2.5 %			42,000					
				(6,300)					
				35,700					
				892.50					
				892.50					
				37,485	35,700	892.50	892.50	-----	37,485
					39,700	892.50	892.50	200	41,685

Analytical Sales Book

Date 2018	Particulars (Purchaser 's Name)	Invoi ce	L.F.	Details (₹)	Sales (₹)	Outp ut CGST (₹)	Outpu t SGST (₹)	Outpu t IGST (₹)	Total (₹)
Aug.08	M/s Printing Press Co., Haryana								

Aug.19	400 rims of A4 size white paper @ Rs.150 each <i>Less: Trade discount @ 10%.</i>		60,000						
			(6,000)						
	<i>Add: IGST @ 5%</i>		54,000 2,700						
			56,700	54,000	----- -	-----	2,700	56,700	
Aug.24	M/s Ramsevak, Traders, Ambala, Punjab 50 College Note Books @ 30 each <i>Less: Trade discount @ 10%</i>		1,500 (150)						
	<i>Add:CGST@ 2.5%</i>		1,350 33.75						
	<i>Add:SGST@ 2.5%</i>		33.75						
			1,417.50	1,350	33.7 5	33.75	-----	1,417.50	
	Guru Harkishan Public School, Ludhiana, Punjab 80 satchels @ Rs. 400 each <i>Less: Trade discount @ 10%</i>		32,000 (3,200)						
			28,800						

Aug.31	Add: CGST @ 2.5% Add:SGST@ 2.5%			720	28,800	720	720	-----	30,240				
				720									
	30,240			84,150						753. 75	753.75	2,700	88,357.5 0

Date 2018	Particulars (Purchaser's Name)	Debit Note No.	L.F.	Details (₹)	Sales (₹)	Output CGST (₹)	Output SGST (₹)	Output IGST (₹)	Total (₹)
Aug.12	Lubhna Paper Mart, Chandni Chowk, Delhi 100 rims of A4 size white paper @ Rs.100 each Less: Trade discount @ 10%.			10,000	9,000	-----	-----	450	9,450
				(1,000)					
				9,000 450					
Aug.26	The Divine Book Sellers, Panaji, Goa 10 College Note Books @ Rs.20 each Less: Trade discount @ 20%.			9,450	160	-----	-----	8	168
				200					
				(40)					
Mar.23	The Divine Book Sellers, Panaji, Goa 10 College Note Books @ Rs.20 each Less: Trade discount @ 20%.			160 8	160	-----	-----	8	168
				168					
Aug.31					9,160	-----	-----	458	9,618

Analytical Returns Outward Book

Analytical Returns Inward Book

Date 2018	Particulars (Seller's Name)	Credit Note No.	L.F.	Details (₹).	Sales (₹)	Output CGST (₹)	Output SGST (₹)	Output IGST (₹)	Total (₹)
Aug.26	M/s Ramsevak, Traders, Ambala, Punjab 10 College Note Books @ 30 each Less: Trade discount @ 10%			300 (30)					
	Add:CGST@2.5%			270 6.75					
	Add:SGST@2.5%			6.75					
				283.50	270	6.75	6.75	-----	283.50
Mar.23	M/s Printing Press Co., Haryana 150 rims of A4 size white paper @ Rs.150 each Less: Trade discount @ 10%.			22,500 (2,250)					
	Add: IGST @ 5%			20,250 1,012.50					
				21,262.50	20,250	-----	-----	1,012.50	21,262.50
					20,520	6.75	6.75	1,012.50	21,546

Depreciation accounting

Question 7 Sushant Bohra the owner of Apex Chemicals Pvt. Ltd. purchased a boiler for its Vadodara Chemical Factory on 5th March 2017 for Rs. 20,00,000. On 30th of August 2017, He purchased a machinery for the same chemical factory for Rs. 5,00,000. While purchasing this machinery the supplier informed him that GST has been introduced in India w.e.f. 1st July 2017. Hence, he had to pay intra-state GST @ 9% on the sales value of machinery. On 15th April 2018, Sushant sold the machinery purchased in 2017 for Rs.4,50,000 and purchased a new machinery including 12% inter-state GST for Rs. 2,24,000. The accountant of the firm provides depreciation @ 10% per annum according to the SLM method. Depreciation is to be provided on the asset for the whole month irrespective to the day of purchase. You are required to:

- Pass necessary journal entries for the purchase of assets and;
- Prepare Plant and Machinery Account for 2017 and 2018. The Books are closed on

December 31 each year.

Solution: (i)

Journal of Apex Chemicals Pvt. Ltd.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2017 Mar. 05	Plant & Machinery A/c Dr. To Bank A/c (A boiler purchased)		20,00,000	20,00,000
Aug. 30	Machinery A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To Bank A/c (Purchased machinery with 6% intra-state GST)		5,00,000 45,000 45,000	5,90,000
2018 Apr. 15	Bank A/c Dr. To Machinery A/c To Input IGST A/c (Machinery 2 purchased)		2,24,000	2,00,000 24,000

(ii)

Dr.			Plant & Machinery Account			Cr.	
Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)		Amount (₹)
2017 Mar. 05	Bank A/c-Boiler	20,00,000	2017 Dec. 31	Depreciation on-			
Aug. 30	Bank A/c (M1)	5,00,000		Boiler	1,66,667		
				M1	20,833		1,87,500
			Dec. 31	Balance c/d			
				Boiler	18,33,333		
				M1	4,79,167		23,12,500
		25,00,000					25,00,000
2018 Jan. 01	Balance b/d		2018 Apr. 15	Depreciation (M1)			16,667
	Boiler 18,33,333		Apr. 15	Bank A/c (Sale of M1- WN)			4,50,000

Apr. 15	M1	4,79,167	23,12,500	Apr. 15	Profit and Loss A/c (<i>Loss on sale</i>)	12,500
	Bank A/c (M2)		2,00,000	Dec. 31	Depreciation on-	
					Boiler	2,00,000
					M2	15,000
				Mar. 31	Balance c/d	2,15,000
					M1	16,33,333
					M3	1,85,000
			25,12,500			18,18,333
						25,12,500

Working Note:

Calculation of Sale Value of M1 and Profit/Loss on sale

Particulars	Amount (₹)
Value of M1 as on 30 th August 2017	5,00,000
Less: Depreciation up to 31 st December 2017	(20,833)
Value of M1 as on 31 st December 2017	4,79,167
Less: Depreciation up to 15 th April 2017	(16,667)
	4,62,500
Less: Sale Value	(4,50,000)
Loss on sale	12,500

Bills of Exchange

Question 8 On April 01, 2018 Shrikant sold goods to Ramakant for Rs 50,000 @ 12% interstate GST. Ramakant requested Shrikant to pay the price of goods after 2 months date as he was unable to pay the price of the goods immediately. Shrikant drew a bill for 2 months on Ramakant on a condition that GST amount shall be payable in cash immediately. Ramakant agreed on this and accepted the bill. On 2nd April 2018, Shrikant endorsed the bill to his creditor which was immediately discounted by Umakant from his bank on nominal discounting charges of Rs. 200. On the due date, Ramakant approached Shrikant to renew the previous bill for another 2 months so as to avoid the dishonour of bill on maturity. Shrikant agreed on this and drew a new bill including interest @ 2% p.a for the extended time period. On maturity, the bill was honoured. However, Shrikant and Umakant had to pay money due against them to Umakant and Bank respectively. Pass the Journal Entries in the books of all the parties.

Solution:

In the books of Shrikant

Date	Particulars	L.F.	Dr. Amount	Cr. Amount
------	-------------	------	---------------	---------------

			(₹)	(₹)
2018 April 01	Ramakant To Sales A/c To Output IGST A/c (Goods sold at 12% intrer-state GST)	Dr.	56,000	50,000 6,000
April 01	Cash A/c Bills Receivable A/c To Ramakant (Acceptances received from Ramakant along with GST in cash)	Dr. Dr.	6,000 50,000	56,000
April 02	Umakant To Bills Receivable A/c (Bill endorsed in favour of our creditor)	Dr.	50,000	50,000
June 01	Ramakant To Umakant (Bill drawn on Ramakant and endorsed to Umakant cancelled)	Dr.	50,000	50,000
June 01	Umakant To Cash A/c (Amont due paid in cash)	Dr.	50,000	50,000
June 01	Ramakant To Interest A/c (Interest due for 2 months)	Dr.	167	167
June 01	Bills Receivable-2 A/c To Ramakant (New bill drawn for another 2 months)	Dr.	50,167	50,167
Aug. 04	Cash A/c To Bills Receivable-2 A/c (Bill no. 2 honoured on maturity)	Dr.	50,167	50,167

In the books of Ramakant

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2018 April 01	Purchases A/c Input IGST A/c	Dr.	50,000 6,000	

April 01	To Shrikant (Goods purchased at 12% inter-state GST)			56,000
	Shrikant Dr.	56,000		
June 01	To Bills Payable A/c To Cash A/c (Acceptance given to Shrikant along with GST in cash)			50,000 6,000
	Bills Payable A/c Dr.	50,000		
June 01	To Shrikant (Bill drawn on us cancelled)			50,000
	Interest A/c Dr.	167		
June 01	To Shrikant (Interest due for 2 months)			167
	Shrikant Dr.	50,167		
Aug. 04	To Bills Payable-2 A/c (New bill accepted for another 2 months)			50,167
	Bills Payable-2 A/c Dr.	50,167		
	To Cash A/c (Bill no. 2 honoured on maturity)			50,167

In the books of Umakant

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2018 April 02	Bills Receivable A/c Dr.		50,000	
April 02	To Shrikant (Bill received from our debtor)			56,000
	Bank A/c Dr.		49,800	
June 01	Discounting Charges A/c Dr.		200	
	To Bills Receivable A/c (Bill discounted from our bank)			50,000
June 01	Cash A/c Dr.		50,000	
	To Shrikant			50,000

June 04	(Amount received against bill cancelled by our debtor)			
	Shrikant Dr.		50,000	
	To Bank A/c (Amount received from our debtor paid to our bank against cancelled bill)			50,000

Final accounts of a sole proprietor

Question 9 Prepare a Trading Account, Profit and Loss Account and Balance Sheet from the given below Trial Balance as on 31st March 2018.

Trial Balance as on 31st March' 2018

Accounts	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
Opening Stock		5,000	
Cash		15,000	
Capital			3,20,000
Drawings		5,000	
Bank Overdraft			2,000
Purchases		22,000	
Sales			45,000
Returns		5,000	2,000
Furniture		20,000	
Building		2,00,000	
Cartage		200	
Sundry Debtors		70,000	
Sundry Creditors			28,200
Discount		2,000	1,500
Rent		5,000	
Wages		10,000	
Salaries		40,000	
Input IGST		2,500	
Input CGST		1,200	
Input SGST		1,200	
Output IGST			2,400
Output CGST			1,500
Output SGST			1,500
Total		4,04,100	4,04,100

Additional Information:

(a) Closing Stock was Rs. 10,000.

- (b) Provide depreciation on furniture @ 10% per annum and 20% on Building.
(c) The proprietor used goods costing Rs. 10,000 for his household work these goods were purchased @ 5% inter-state GST.
(d) Create 5% provision for bad and doubtful debts.

Solution:

Dr.

Trading Account

Cr.

for the year ended March 31, 2018

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening Stock	5,000	Sales	45,000
Purchases	22,000	Less: Returns	(5,000)
Less: Drawings	(10,000)	Closing Stock	10,000
Returns	(2,000)		
Cartage	200		
Wages	10,000		
Gross Profit c/d	24,800		
	50,000		50,000

Dr.

Profit and Loss Account

Cr.

for the year ended March 31, 2018

Particulars	Amount (₹)	Particulars	Amount (₹)
Discount Allowed	2,000	Gross Profit b/d	24,800
Rent	5,000	Discount Received	1,500
Salaries	40,000	Net Loss t/d to Capital A/c	66,200
Provision for doubtful debts	3,500		
Depreciation on Furniture	2,000		
Depreciation on furniture	40,000		
	92,500		92,500

Balance Sheet

as on March 31, 2018

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	3,20,000	Fixed Assets	
Less: Net Loss	66,200	Furniture	20,000
Less: Drawings	15,500	Less: Depreciation	(2,000)
Current Liabilities	2,38,300	Building	2,00,000

Bank Overdraft	2,000	Less: Depreciation	(40,000)	1,60,000
Sundry Creditors	28,200	Current Assets		
Output IGST	400	Cash	15,000	
Output CGST	300	Sundry Debtors	70,000	
Output SGST	300	Less: Provision	(3,500)	66,500
		Stock		10,000
	2,69,500			2,69,500

Working Notes:

(1) GST Set Off Procedure

Particulars	Output IGST	Output CGST	Output SGST
	2,400	1,500	1,500
Input Set off (2,500 – 500*)	(2,000)	(1,200)	(1,200)
GST Payable	400	300	300

**GST against goods withdrawn for personal use by the proprietor.*

(2) Journal Entry for goods used for household purpose by the proprietor:

Drawings A/c	Dr.	10,500	10,000
To Purchases A/c			500
To Input IGST A/c			
(Goods used for personal purpose)			

(3) Computation of amount of drawings

Particulars	Amount (₹)
Drawings as given in the Trial balance	5,000
Goods withdrawn for personal use	10,000
Input IGST on goods withdrawn	500
Total drawings to be deducted from Capital	15,500