

Chapter 10 Accounting for Goods and Service Tax (GST)

Short Answer Question

Question 1

What is GST?

Answer: Goods and services tax (GST) is a tax imposed indirectly on the goods and services supply.

Question 2

Name the two central taxes that have merged into GST.

Answer: The two central taxes that have merged into GST are excise duty and customs duty.

Question 3

Name the two-state taxes that have merged into GST.

Answer: The two-state taxes that have merged into GST are purchase tax and VAT.

Question 4

Give two advantages of GST.

Answer: The two advantages of GST are a) decreases the cost of goods and b) reduces tax invasion.

Question 5

What is the full form of CGST?

Answer: The full form of CGST is Central Goods and Services Tax.

Question 6

What is the full form of SGST?

Answer: The full form of SGST is State Goods and Services Tax.

Question 7

What is the full form of IGST?

Answer: The full form of IGST is Integrated Goods and Services Tax.

Question 8

What is CGST?

Answer: CGST is a tax imposed on supplies of goods and services within the state-imposed by the central government and administered by the CGST Act.

Question 9

What is IGST?

Answer: IGST is a tax imposed on all Inter-state supplies of both import and export of goods and services and is supervised by the IGST Act.

Practical Question

Question 1

Pass entries in the books of Mukerjee & Sons. assuming all transactions have taken place within the state of Uttar Pradesh. Assume CGST @9% and SGST @ 9%.

2018	Particulars
March 01	Bought goods for ₹ 5,00,000 from Mehta Bros.
04	Goods sold for ₹ 8,00,000 to Munjal & Co.
15	Paid for advertisement ₹ 40,000 by cheque.
18	Bought furniture for office use ₹ 50,000 and payment made by cheque.
25	Paid for printing and stationery ₹ 8,000.
31	Payment of the balance amount of GST.

Solution:

Date 2018	Particulars	L.F	Debit (₹)	Credit (₹)
March 01	Purchases A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	5,00,000 45,000 45,000	
	To Mehta Bros. A/c (Bought goods from Mehta bros.)	Dr.		5,90,000
04	Munjal & Co. A/c	.	9,44,000	
	To Sales A/c To Output CGST A/c To Output SGST A/c			8,00,000 72,000 72,000

	(Goods sold to Munjal & Co.)			
15	Advertisement A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	40,000 3,600 3,600	
	To Bank A/c (Advertisement payment)			47,200
18	Furniture A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	50,000 4,500 4,500	
	To Bank A/c (Bought furniture for office)			59,000
25	Printing & Stationery A/c Input CGST A/c Input SGST A/c		8,000 720 720	
	To Cash A/c (Stationery and printing payment)			9,440
31	Output CGST A/c Output SGST A/c		53,820 53,820	
	To Input CGST A/c To Input SGST A/c (Availed Input tax credit)			53,820 53,820
31	Output CGST A/c Output CGST A/c		18,180 18,180	
	To Bank A/c (Payment of balance tax to government)			36,360

			17,93,640	17,93,640
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Question 2

Pass entries in the books of Devdhar & Bros. Odisha, assuming all transactions have been entered within the state, charging CGST and SGST @ 9% each.

2018	Particulars
March 04	Purchased goods for ₹ 5,00,000 from Sunil Bros.
07	Goods returned to Sunil Bros. for ₹ 20,000.
10	Sold goods to Mehta & Co. for ₹ 8,00,000.
12	Goods returned by Mehta & Co. for ₹ 30,000.
20	Goods withdrawn by Proprietor for personal use ₹ 10,000.
25	Goods distributed as free samples ₹ 5,000.
26	Paid advertisement expenses by cheque ₹20,000.
31	Payment made of balance amount.

Solution:

Date 2018	Particulars	L.F	Debit (₹)	Credit (₹)
March 04	Purchases A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	5,00,000 45,000 45,000	
	To Sunil Bros. A/c (Bought from Sunil Bros.)			5,90,000
07	Sunil Bros. A/c	Dr.	23,600	
	To Purchases Return A/c To Input CGST A/c To Input SGST A/c (Returned goods to Sunil Bros.)			20,000 1,800 1,800

10	Mehta& Co. A/c	Dr.	9,44,000	
	To Sales A/c			8,00,000
	To Output CGST A/c			72,000
	To Output SGST A/c			72,000
	(Goods sold to Mehta& Co.)			
12	Sales Return A/c	Dr.	30,000	
	Output CGST A/c	Dr.	2,700	
	Output SGST A/c	Dr.	2,700	
	To Mehta & Co. A/c			35,400
	(Returned goods by Mehta & Co.)			
20	Drawings A/c	Dr.	11,800	
	To Purchases Return A/c			10,000
	To Input CGST A/c			900
	To Input SGST A/c			900
	(Withdrawn goods for personal use)			
25	Free Samples A/c	Dr.	5,900	
	To Purchases Return A/c			5,000
	To Input CGST A/c			450
	To Input SGST A/c			450
	(Distributed goods as free samples)			
26	Advertisement A/c	Dr.	20,000	
	To Input CGST A/c	Dr.	1,800	
	To Input SGST A/c	Dr.	1,800	
	To Bank A/c			23,600
	(Advertisement payment)			

31	Output CGST A/c	Dr.	43,650	
	Output SGST A/c	Dr.	43,650	
	To Input CGST A/c			43,650
	To Input SGST A/c			43,650
	(Availed Input tax credit)			
31	Output CGST A/c	Dr.	25,650	
	Output SGST A/c	Dr.	25,650	
	To Bank A/c			25,650
	(Payment of balance tax to government)			
			17,72,900	17,72,900

Question 3

Record the following transactions in the books of Sahdev & Sons assuming all transactions have been entered within the state of Bihar, Charging CGST and SGST @ 9% each.

Particulars
<ol style="list-style-type: none"> 1. Bought goods from Nanak Bros. for ₹ 4,00,000 at 10% trade discount and 3% cash discount on the purchase price. 25% of the amount paid at the time of purchase. 2. Sold goods to Kumar & Sons. for ₹ 2,00,000 at 20% trade discount and 5% cash discount on sale price. 60% of the amount received by Cheque. 3. Received from Gopi Chand ₹ 38,000 by Cheque after deducting 5% cash discount. 4. Paid ₹ 20,000 for rent by Cheque. 5. Paid ₹ 50,000 for salaries by Cheque. 6. Goods worth ₹ 10,000 distributed as free samples. 7. ₹ 5,000 due from Chanderkant are bad-debts. 8. Sold household furniture for ₹ 15,000 and the proceeds were invested into business.

Solution:

Sl.no	Particulars	L.F	Debit (₹)	Credit (₹)
	Purchases A/c	Dr.	3,60,000	
	Input CGST A/c	Dr.	32,400	
	Input SGST A/c	Dr.	32,400	

To Cash A/c			1,03,014
To Nanak Bros. A/c			3,18,600
To Discount Received A/c (Goods purchased)			3,186
Kumar & Sons A/c	Dr.	75,520	
Bank A/c	Dr.	1,07,616	
Discount Allowed A/c	Dr.	5,664	
To Sales A/c			1,60,000
To Output CGST A/c			14,400
To Output SGST A/c (Goods Sold)			14,400
Bank A/c	Dr.	38,000	
Discount Allowed A/c	Dr.	2,000	
To Gopi Chand A/c (Received full settlement from Gopi Chand)			40,000
Rent A/c	Dr.	20,000	
Input CGST A/c	Dr.	1,800	
Input SGST A/c	Dr.	1,800	
To Bank A/c (Paid for rent)			23,600
Salaries A/c	Dr.	50,000	
To Bank A/c (Paid salaries)			50,000
Advertisement A/c	Dr.	11,800	
To Purchases A/c			10,000

	To Input CGST A/c			900
	To Input SGST A/c			900
	(Goods distributed as free samples)			
	Bad Debts A/c	Dr.	5,000	
	To Chanderkant A/c			5,000
	(Debtor proved bad)			
	Cash A/c	Dr.	15,000	
	To Capital A/c			15,000
	(Invested money into business)			
			7,59,000	7,59,000

Question 4

Pass entries in the books of Mr. Roopani of Gujarat assuming CGST @ 9% and SGST@ 9%.

Particulars
<ol style="list-style-type: none"> 1. Purchased goods for ₹ 2,00,000 from Suryakant of Jaipur (Rajasthan) on Credit. 2. Sold goods for ₹ 1,50,000 to Mr. Pawar of Mumbai (Maharashtra) and the cheque received was sent to bank. 3. Sold goods for ₹ 2,50,000 within the state on credit. 4. Paid insurance premium of 20,000 by cheque. 5. Purchased furniture for office for ₹ 60,000 by cheque. 6. Payment made of balance amount of GST.

Solution:

Sl.no	Particulars	L.F	Debit (₹)	Credit (₹)
1	Purchases A/c	Dr.	2,00,000	
	Input IGST A/c	Dr.	36,000	
	To Suryakant's A/c			2,36,000
	(Goods purchased on credit)			

2	Bank A/c	Dr.	1,77,000	
	To Sales A/c To Output IGST A/c (Sold Goods)			1,50,000 27,000
3	Debtors A/c	Dr.	2,95,000	
	To Sales A/c To Output CGST A/c To Output SGST A/c (Sold goods on credit)			2,50,000 22,500 22,500
4	Insurance Premium A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	20,000 1,800 1,800	
	To Bank A/c (Insurance premium payment)			23,600
5	Office Furniture A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	60,000 5,400 5,400	
	To Bank A/c (Bought office furniture)			70,800
6	Output IGST A/c	Dr.	27,000	
	To Input IGST A/c (Availed Input Tax credit up to Rs.27,000 and balance to be adjusted against Output CGST)			27,000
7	Output CGST A/c	Dr.	22,500	
	To Input CGST A/c			7,200

	To Input SGST A/c			9,000
	To Bank A/c			6,300
	(Availed Input tax credit and paid balance)			
8	Output SGST A/c	Dr.	22,500	
	To Input SGST A/c			7,200
	To Bank A/c			15,300
	(Availed Input tax credit availed and paid balance)			
			8,74,400	8,74,400

Working Note:

Procedure for GST Common Set Off:

	Output IGST (₹)	Output CGST (₹)	Output SGST (₹)
	27000	22500	22500
Input IGST	-27,000 (36000-9000)	-9000	-
Input CGST	-	-7,200 (1800 + 5400)	-
Input SGST	-	-	-7,200 (1800 + 5400)
Payable	Nil	6,300	15,300

Question 5

Pass entries in the books of Sh. Jagdish Mishra of Lucknow (U.P.) assuming CGST @ 6% and SGST @ 6%.

March	Particulars
5	Purchased goods for ₹ 2,50,000 from Virender Yadav of Patna (Bihar).

12	Sold goods costing ₹ 60,000 at 50% profit to Partap Sinha of Ranchi.
14	Purchased goods for ₹ 70,000 from Ram Nath of Kanpur against cheque.
18	Sold goods at Varanasi (U.P.) Costing ₹ 2,25,000 at 33½% profit less trade discount 10% against cheque which was deposited into the bank.
20	
31	Paid rent ₹ 25,000 by cheque.
	Payment made of balance amount of GST.

Solution:

Sl.no	Particulars	L.F	Debit (₹)	Credit (₹)
5	Purchases A/c Input IGST A/c	Dr. Dr.	2,50,000 30,000	
	To Virender Yadav A/c (Purchased goods on credit)			2,80,000
12	Partap Sinha A/c	Dr.	1,00,800	
	To Sales A/c To Output IGST A/c (Goods Sold on credit)			90,000 10,800
14	Purchases A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	70,000 4,200 4,200	
	To Bank A/c (Goods bought against cheque)			78,400
18	Bank A/c	Dr.	3,02,400	
	To Sales A/c To Output CGST A/c To Output SGST A/c (Goods sold against cheque)			2,70,000 16,200 16,200

20	Rent A/c Input CGST A/c Input SGST A/c	Dr.	25,000 1,500 1,500	
	To Bank A/c (REnt paid by cheque)			28,000
31	Output IGST A/c	Dr.	10,800	
	To Input IGST A/c (Availed input tax credit)			10,800
31	Output CGST A/c	Dr.	16,200	
	To Input CGST A/c To Input IGST A/c To Bank A/c (Availed input tax credit)			5,700 10,500
31	Output SGST A/c	Dr.	16,200	
	To Input SGST A/c To Input IGST A/c To Bank A/c (Availed input tax credit and paid balance)			5,700 8,700 1,800
			8,32,800	8,32,800

Question 6

Pass entries in the books of all parties in the following cases assuming CGST @ 6% and SGST @ 6%.

March	Particulars
1	Mahesh Chandra of Bihar purchased goods for ₹ 1,00,000 from Sunil Soren of Jharkhand and sold the same to Deepak Patnaik of Odisha for ₹ 1,50,000.

5	Deepak Patnaik sold goods to Suresh Yadav of Odisha for ₹ 1,80,000.
10	Suresh Yadav sold goods to Ravi Chakravarti of West Bengal for ₹ 2,50,000.
14	Ravi Chakravarti sold goods costing ₹ 2,50,000 to Sanjay Diwedi of West Bengal at a profit of 40% on cost.

Solution:

Journal of Mahesh Chand, Bihar				
Sl.no 2018	Particulars	L.F	Debit (₹)	Credit (₹)
March 1	Purchases A/c Input IGST A/c	Dr. Dr.	1,00,000 12,000	
	To Sunil Soren (Goods purchased plus 12% IGST)			1,12,000
March 1	Deepak Patnaik	Dr.	1,68,000	
	To Sales A/c To Output IGST A/c (Goods sold plus 12% IGST)			1,50,000 18,000
Total			2,80,000	2,80,000

Journal of Sunil Soren, Jharkhand				
Sl.no 2018	Particulars	L.F	Debit (₹)	Credit (₹)
March 1	Mahesh Chand	Dr.	1,12,000	
	To Sales A/c To Output IGST A/c (Goods sold plus 12% IGST)			1,00,000 12,000

Journal of Deepak Patnaik, Odisha				
Sl.no 2018	Particulars	L.F	Debit (₹)	Credit (₹)
March 1	Purchases A/c Input IGST A/c	Dr. Dr.	1,50,000 18,000	
	To Mahesh Chand (Goods purchased plus 12% IGST)			1,68,000
March 5	Suresh Yadav A/c	Dr.	2,01,600	
	To Sales A/c To Output CGST A/c To Output SGST A/c (Sold goods plus 6% CGST and SGST each)			1,80,000 10,800 10,800
Total			3,69,600	3,69,600

Journal of Suresh Yadav, Odisha				
Sl.no 2018	Particulars	L.F	Debit (₹)	Credit (₹)
March 5	Purchases A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	1,80,000 10,800 10,800	
	To Deepak Patnaik (Goods purchased plus 12% IGST)			2,01,600
March 10	Ravi Chakravarti A/c	Dr.	2,80,000	

	To Sales A/c To Output IGST A/c (Sold goods plus 12% IGST)			2,50,000 30,000
Total			4,81,600	4,81,600

Journal of Ravi Chakravarti, West Bengal				
Sl.no 2018	Particulars	L.F	Debit (₹)	Credit (₹)
March 10	Purchases A/c Input IGST A/c	Dr. Dr.	2,50,000 30,000	
	To Suresh Yadav (Goods purchased plus 12% IGST)			2,80,000
March 14	Sanjay Diwedi	Dr.	3,92,000	
	To Sales A/c To Output CGST A/c To Output SGST A/c (Sold goods costing ₹ 2,50,000 at 40% Profit plus 6% CGST and SGST each)			3,50,000 21,000 21,000
Total			6,72,000	6,72,000

Question 7

Pass entries in the books of Krishnan of Bengaluru (Karnataka) in the following cases:

Particulars
1. Purchased goods from Karunakaran of Chennai for ₹ 1,00,000. (IGST @18%)
2. Sold goods to Ganeshan of Bengaluru for ₹ 1,50,000. (CGST @ 6% and SGST @ 6%)

3. Sold goods to S. Nair of Kerala for ₹ 2,60,000. (IGST @18%)
4. Purchased a Machinery for ₹ 80,000 from Surya Ltd. against cheque. (CGST @ 9% and SGST @ 9%)
5. Paid rent ₹ 30,000 by cheque. (CGST @ 6% and SGST @ 6%)
6. Purchased goods from Ram Mohan Rai of Bengaluru for ₹ 2,00,000. (CGST @ 6% and SGST @ 6%)
7. Paid insurance premium ₹ 10,000 by cheque. (CGST @ 9% and SGST @ 9%)
8. Received commission ₹ 20,000 by cheque which is deposited into bank. (CGST @ 9% and SGST @ 9%)
9. Payment made of balance amount of GST

Solution:

Sl.no	Particulars	L.F	Debit (₹)	Credit (₹)
1	Purchases A/c Input IGST A/c	Dr. Dr.	1,00,000 18,000	
	To Karunakaran A/c (Goods purchased on credit)			1,18,000
2	Ganeshan A/c	Dr.	1,68,000	
	To Sales A/c To Output CGST A/c To Output SGST A/c (Sold goods on credit)			1,50,000 9,000 9,000
3	S. Nair A/c	Dr.	3,06,800	
	To Sales A/c To Output IGST A/c (Sold goods on credit)			2,60,000 46,800
4	Machinery A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	80,000 7,200 7,200	

	To Bank A/c (Motorbike purchased against cheque)			94,400
5	Rent A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	30,000 1,800 1,800	
	To Bank A/c (Rent paid by cheque)			33,600
6	Purchases A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	2,00,000 12,000 12,000	
	To Ram Mohan Rai A/c (Goods purchased on credit)			2,24,000
7	Insurance Premium A/c Input CGST A/c Input SGST A/c	Dr. Dr. Dr.	10,000 900 900	
	To Bank A/c (Insurance premium paid by cheque)			11,800
8	Bank A/c	Dr.	23,600	
	To Commission A/c To Output CGST A/c To Output SGST A/c (Commission received and deposited in bank)			20,000 1,800 1,800
9	Output IGST A/c	Dr.	18,000	
	To Input IGST A/c			18,000

	(Input tax credit availed)			
10	Output CGST A/c Output SGST A/c	Dr. Dr.	10,800 10,800	
	To Input CGST A/c To Input IGST A/c (Input tax credit availed)			10,800 10,800
11	Output IGST A/c	Dr.	28,800	
	To Input SGST A/c To Input IGST A/c To Bank A/c			11,100 11,100 6,600
			10,48,600	10,48,600

Question 8

Prepare a book for all the parties mentioned below assuming CGST and SGST 9% each.

2018	
April 5	Goods sold by manufacturer Anu of Delhi to a dealer Biraj of Delhi for ₹50,000
April 7	Sold goods by Biraj to Chandan of Punjab for ₹1,20,000
April 15	Sold goods by Chandan to Deepa of Punjab for ₹1,50,000
April 20	Sold goods by Deepa to Eila of Maharashtra for ₹1,50,000 at a profit of 33 ½% on cost.

Solution:

Journal For Anu				
Date	Particular	L.F	Amount Dr. ₹	Amount Cr. ₹
2018	Biraj Dr.		59,000	50,000

April 5	To Sales A/c			4,500
	To Output CGST A/c			4,500
	To Output SGST A/c			

Journal For Biraj

Date	Particular	L.F	Amount Dr. ₹	Amount Cr. ₹
2018 April 5	Purchase A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To Anu (Goods purchased within the same state)		50,000 4,500 4,500	59,000
April 7	Chandan Dr. To Sales A/c To Output IGST A/c (Goods sold outside the state)		1,41,000	1,20,000 21,600

Journal For Chandan

Date	Particular	L.F	Amount Dr. ₹	Amount Cr. ₹
2018 April 7	Purchase A/c Dr. Input IGST A/c To Biraj (Goods purchased from outside the state)		1,20,000 21,000	1,41,600
April 15	Deepa Dr. To Sales A/c To Output CGST A/c		1,77,000	1,50,000 13,500 13,500

	To Output SGST A/c (Goods sold within the same state)			
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Journal For Deepa				
Date	Particular	L.F	Amount Dr. ₹	Amount Cr. ₹
2018 April 15	Purchase A/c Dr. Input CGST A/c Input SGST A/c To Chandra (Goods purchased within the same state)		1,50,000 13,500 13,500	1,77,000
April 20	Eila Dr. To Sales A/c To Output IGST A/c (Goods sold outside the state costing ₹1,50,000 at a profit of 33 ½% on cost)		2,36,000	2,00,000 36,000
Journal For Eile				
Date	Particular	L.F	Amount Dr. ₹	Amount Cr. ₹
2018 April 5	Purchase A/c Dr. Input IGST A/c Dr. To Deepa (Goods purchased from outside the state)		2,00,000 36,000	2,36,000

Question 9

Pass entries in the books of Ashok Bros. assuming that all transactions have been entered within Delhi and assuming CGST @6% and SGST @ 6%.

2018	
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Jan 2	Purchased goods for ₹2,00,000
5	Sold goods for ₹3,00,000 on credit
10	Purchased computer printer for office for ₹50,000 and payment made by cheque
20	Paid legal consultation fee ₹10,000
22	Paid rent ₹20,000 by cheque
31	Payment made of the balance amount of GST

Solution:

	Journal of Ashok Bros.				
Date	Particular		L.F	Amount Dr. ₹	Amount Cr. ₹
2018 Jan 2	Purchase A/c	Dr.		2,00,000	
	Input CGST A/c	Dr.		12,000	
	Input SGST A/c	Dr.		12,000	
	To Creditor A/c (Purchase of goods on credit)				2,24,000
Jan 5	Debtors A/c	Dr.		3,36,000	
	To Sales A/c				3,00,000
	To Output CGST A/c				18,000
	To Output SGST A/c (Sales of goods on credit)				18,000
Jan 10	Office Equipment A/c	Dr.		50,000	
	Input CGST A/c	Dr.		3,000	
	Input SGST A/c	Dr.		3,000	
	To Bank A/c (Purchased computer printer)				56,000

Jan 20	Office Equipment A/c	Dr.		10,000	
	Input CGST A/c	Dr.		600	
	Input SGST A/c	Dr.		600	
	To Cash A/c (Paid legal consultation fee)				11,200
Jan 22	Rent A/c	Dr.		20,000	
	Input CGST A/c	Dr.		1,200	
	Input SGST A/c	Dr.		1,200	
	To Bank A/c (Paid rent)				22,400
Jan 31	Output CGST A/c (working note)	Dr.		18,000	
	Output SGST A/c	Dr.		18,000	
	To Input CGST A/c				16,800
	To Input SGST A/c				16,800
	To Bank A/c (₹1,200 + ₹1,200)				2,400
	(Adjustment of GST and payment of balance amount)				
	Total ₹			6,85,600	6,85,600