Vocational Higher Secondary Education (VHSE)

Second Year

ACCOUNTING AND TAXATION

Reference Book

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FOREWORD

Dear Learners,

This book is intended to serve as a ready reference for learners of vocational higher secondary schools. It offers suggested guidelines for the transaction of the concepts highlighted in the course content. It is expected that the learners achieve significant learning outcomes at the end of the course as envisaged in the curriculum if it is followed properly.

 In the context of the Right- based approach, quality education has to be ensured for all learners. The learner community of Vocational Higher Secondary Education in Kerala should be empowered by providing them with the best education that strengthens their competences to become innovative entrepreneurs who contribute to the knowledge society. The change of course names, modular approach adopted for the organisation of course content, work-based pedagogy and the outcome focused assessment approach paved the way for achieving the vision of Vocational Higher Secondary Education in Kerala. The revised curriculum helps to equip the learners with multiple skills matching technological advancements and to produce skilled workforce for meeting the demands of the emerging industries and service sectors with national and global orientation. The revised curriculum attempts to enhance knowledge, skills and attitudes by giving higher priority and space for the learners to make discussions in small groups, and activities requiring hands-on experience.

The SCERT appreciates the hard work and sincere co-operation of the contributors of this book that includes subject experts, industrialists and the teachers of Vocational Higher Secondary Schools. The development of this reference book has been a joint venture of the State Council of Educational Research and Training (SCERT) and the Directorate of Vocational Higher Secondary Education.

The SCERT welcomes constructive criticism and creative suggestions for the improvement of the book.

With regards,

Dr. P. A. Fathima

Director
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CONTENTS

ABOUT THE COURSE

The overall development of a country largely depends upon the growth of the economy, which can be achieved only through the growth of business and commerce. The main aim of education is to cherish the youth to be a catalyst in this process. The youth can contribute a lot towards the process of building the nation by activily taking part in different creative areas of the fast growing economy.

Accounting and Taxation course is designed to impart the skills in manual accounting, taxation, IT and computerised accounting to the learners. The rapid pace of globalization and industrialization offers large number of employment opportunities in this field in India as well as abroad. This course is intended to create self confidence, hands on industrial experience and self reliance to the learners. The availability of employment opportunities in large number of small and medium scale manufacturing, trading and service providing organizations, BPOs and KPOs make the course more attractive.

This course is designed to cater to the needs of local, national as well as international requirement of skilled employees in the fields of accounting and taxation. The industrial accounting practice especially in BPOs and MNCs leads to divide the accounting cycle into different specialized accounting skills for accounts compilation and analysis. This course will play a pivotal role by providing entry level position to the learners. The possible industrial linkage will provide opportunity for facilitating effective On-the-Job Training and employability through campus recruitment. Moreover, the course is structured to be competent to the courses of NSQF in the same skill area and is expected to reduce the number of higher secondary pass outs going for terminal accounting practice courses offered by private institutions. In addition to the employability in State and Central Government departments, PSUs, private organizations and BPOs; this course offers wide opportunity for self entrepreneurship as commercial tax practitioner. This course aims to develop values and ethics of business accounting and tax practicing amongst the learners.

MAJOR SKILLS

The Module 3 and 4 of this course is designed to impart the following skills among the learners.

A)   Computerised Accounting skill

- Tally ERP9 customisation skill
- Financial Accounting skill (Accounts only)
- Financial Accounting skill (Accounts with Inventory)
- Accounting skill in VAT, TDS and Service Tax
- Bank Reconciliation skill
- Report generating skill
- Online Accounting skill in Quick Books

B)   Tax Practicing skill

- Salary income assessment skill
- Income Tax assessment skill
- Advance Tax assessment skill
- TDS application skill
- Income Tax returns preparation skill
- E-filing skill
- VAT assessment skill
- VAT returns filling skill
- CST application skill
- Service Tax application skill
- Excise duty and customs duty application skill

SYLLABUS

MODULE 3 - COMPUTERISED ACCOUNTING

Unit 3.1 Introduction to Computerised Accounting   (10 periods)

Accounting system-need and benefits of Computerized Accounting-transition from Manual Accounting to Computerized Accounting- list of Accounting softwares.

Unit 3.2 Fundamentals of tally ERP9   (20 periods)

Features of tally- Tally versions -Tally ERP9- requirements for installing tally- steps for installing tally-benefits of tally-tally licensing-gateway of tally/screen components of tally- company creation- select and shut -split company data-Alt company-F12 configuration.

Unit 3.3 Basic Accounting Information in Tally   (30 periods)

Menu related to accounts - groups - predefined groups - managing groups - creating groups and sub group - display, alter and delete groups - multiple groups - ledgers - single ledger creation, display, alt and delete - multiple ledger creation, display and alt.

Unit 3.4 Accounting vouchers in Tally   (60 periods)

Voucher types - configuring vouchers-creating vouchers-display, alt, duplicating and cancelling of vouchers-predefined vouchers.

Unit 3.5 tax Accounting in Tally   (60 periods)

 Enabling VAT (VAT must be replaced with GST when GST is implemented and incorporated in Tally)-Enabling TDS in tally-Enabling Service Tax in tally.

Unit 3.6 Cost centres and inventory information   (60 periods)

Cost categories and cost centres-create, display, alter and delete cost category-cost centre- create, display, alt and delete cost centres-accounts with inventory-stock group- stock category- stock item- godown-units of measures.

Unit 3.7 Orders, invoices and reports   (50 periods)

Purchase order- sales order-invoice-cheque printing-trial balance-balance sheet-profit and loss account-day books-bank reconciliation statement.

Unit 3.8 QuickBooks   (50 periods)

Introduction to Quick Books-features of QB-uses of QB-set up company accounts-QB centre -setup taxes- -Set up customer -create new customer-utility button - reports related to customers-Set up suppliers -create a new supplier-utility button-report related to suppliers- chart of accounts-working with transaction-reports in QB-customizing reports.

SYLLABUS
MODULE 4 - TAXATION

Unit 4.1 Introduction to Taxation   **(20 periods)**

Meaning of Tax - Need for tax - Classification of tax - Meaning of Cess and Surcharge

Unit 4.2 Income Tax   **(100 periods)**

Meaning of Income Tax-Income Tax Act 1961-Income Tax Rule 1962-basic terms - General charging section - Residential status and scope of Income Tax -Heads of income - exempted incomes under sec10(fully exempted only) - Computation of income under the head salary - Computation of GTI - PAN - Deductions - Computation of total income - Income tax rates-computation of tax.

Unit 4.3 Advance tax, TDS and Tax Returns   **(100 periods)**

Advance tax -TDS - Income Tax assessment - Income Tax returns - E-filing.

Unit 4.4 Value Added Tax*(***vat must be replaced with GST when GST is implemented)*   *(100 periods)*

VAT - Basic terms used in KVAT -Input VAT and output VAT - VAT schedules - VAT rates - Presumptive VAT - Compounding of tax - Input tax credit- Computation of VAT - Procedure for e_filing of VAT returns - Liability for registration - Procedure for registration - The CST

Unit 4.5 Other Indirect Taxes *(***this chapter must be replaced with GST when GST is implemented)*   **(20 periods)**

Service Tax - Excise Duty - Customs Duty

MODULE - 3

COMPUTERISED ACCOUNTING

OVER VIEW

The manual method of keeping and maintaining business records found unmanageable in modern business environment due to increase in the volume of transactions. With the introduction of computers in business, the manual method of accounting is being replaced. Moreover, the database technology has revolutionized the accounts departments of business organizations. Need for computerized accounting arises from the advantages of speed, accuracy and lower cost of handling the business transactions. Now a days, small and medium sized business organizations largely depends on online backup and database support for meeting their business accounting requirements.

By learning the first two modules of the course, learners are familiar with the application of information technology in business data processing and how the accounts are prepared manually. Now we look accounting in a computerized environment. It is to be remembered that the fundamental accounting principles and concepts do not change whether books of accounts are maintained manually or are computerized. The basic accounting principles to recognize the debit and credit of assets, liabilities, expenses and incomes in the manual accounting system is applicable as such in computerized environment.

This module is aimed to provide computerized accounting skills and make the learner capable of using computers for accounting and MIS purposes. Since large number of learners go for jobs in accounting field in India as well as abroad; an attempt is made to equip the learners with the capability of managing Tally ERP9 and QUICKBOOKS softwares so that they can be placed to fill the gap of skilled accounts assistants.

UNIT 3.1 :
INTRODUCTION TO COMPUTERIZED ACCOUNTING

Introduction

This unit deals with the importance of computerized accounting in the present scenario of business environment. The limitations of manual accounting emerges the revolution to computerised accounting across the world. At present a number of accounting softwares are available in the market. Let's discuss the demerits of manual accounting as well as the benefits of computerised accounting. This chapter aims to make the learner eager to learn accounting softwares.

> ### *Learning outcomes*
>
> *The Learner:*
> - *Explains Manual Accounting and Computerised Accounting*
> - *Distinguishes Computerised Accounting and Manual Accounting*
> - *Describes the benefits of Computerised Accounting*
> - *Identifies the need of Computerised Accounting*
> - *Outlines the steps involved in the transition of Manual Accounting to Computerised Accounting.*
> - *Lists out the different accounting softwares*

Types of Accounting System

Historically accounting was a manual process using paper books and documents for recording business transactions and for financial information. The volume of business transactions increased consequent to the expansion of business and related activities. Manual method of maintaining books of accounts was found to be insufficient for large scale business units. With the introduction of computers in business, the manual method of accounting is being gradually replaced. Finally, the development in data base technologies influenced accounting process significantly. The need for computerised accounting arises from the advantages of speed, accuracy, storage and cost benefits in maintaining and handling books of accounts. As such, based on the usage of technology, the system of accounting can be classified as

1. Manual Accounting and
2. Computerised Accounting.

Need and benefits of Computerised Accounting

The introduction of computerised system of accounting provides major advantages like

> *Speed*   *Accuracy*
>
> *Visuals*   *Data access*
>
> *Data manipulation*   *Automatic documents generation*
>
> *Up to date information*   *Cost effective*
>
> *Reliability*   *Security*

Manual Accounting Vs. Computerised Accounting

MANUAL ACCOUNTING	COMPUTERISED ACCOUNTING
The transactions are identified manually.	The transactions are identified on the basis of well designed ` programmes.
Transactions are recorded and retrieved through original entries.	Transactions are recorded and stored in well designed data base.
Transactions are recorded twice in journal and ledger.	Data are processed automatically in classified ledger accounts.
Reports are generated manually.	System generated reports.
Opening and closing entries made manually.	Stored in data base.
Chances of incurring errors – high.	Low
Low speed, accuracy, reliability and data manipulation.	High

Transition from Manual Accounting to Computerised Accounting

Transition from manual accounting to computerised accounting can be done with the following steps

1. Assess the needs of an organisation.
2. Learn about the available softwares.
3. Try the software before purchasing it.
4. Gather all of manual accounting records of the organisation.
5. Enter all data for the current accounting period in to the software.
6. Back up the data.

List of accounting softwares

Tally, QuickBooks, Sage, Fresh Books, Wave, Xero, Microsoft Dynamics, Bill.com, AccountEdge, Less Accounting, Intacct, AccountMate, Wings. Daeceassy, Peachtree.

TE QUESTIONS

1. Modern business concerns largely depend on computers for accounting? Do you agree? If yes, give reasons.

2. List out any five differences between manual accounting and computerized accounting.

3. A retail trader is seeking an expert opinion on computerising his accounting system . Being an expert, suggest the steps to be followed?

4. List out any 4 widely used accounting softwares.

5. Take the odd one out:

     (a) Intacct   (b) Daeceassy (c) MS Access   (d) Peachtree.

6. What are the limitations of manual accounting?

7. What are the requirements to install a Computerised accounting system?

8. What are the steps to be followed to convert from manual accounting to com puterised accounting?

9. Fill up the table:

Benefits of computerised accounting	
Accuracy	*Automatic document generation*
....	....
....	....
....	....
Reliability	....

10. Computerised Accounting system is suitable for large scale business units. Do you agree? Justify your opinion.

11. List out any two foreign accounting softwares.

UNIT 3.2
FUNDAMENTALS OF TALLY ERP9

Introduction

One of the most popular and user-friendly accounting softwares in India is Tally ERP9. It was developed by Tally Solutions Private Limited. The Tally software supports concurrent multi-lingual capability. Tally ERP9 maintains all types of books of accounts, financial statements and also maintains platform for statutory compliance to meet the requirements of an organization. Let's discuss the requirements for installing Tally ERP9, steps for installing Tally and Tally licensing. The software can be applied by inserting company information of the user. Create and alter functions may be executed to modify company information and Tally screen components can also be familiarized.

Learning outcomes

The Leaner:

- *Identifies the features of Tally*
- *Explains the requirements for installing Tally*
- *Explains the steps required for installing Tally*
- *Starts Tally ERP9*
- *Lists out the benefits of Tally*
- *Identifies the need for Tally licensing*
- *Describes the types of Tally licensing*
- *Identifies license menu*
- *Describes various Tally components*
- *Creates a company*
- *Selects a company*
- *Shuts a company*
- *Alters company*
- *Fixes company features*
- *Configures the company by using F12*
- *Uses short cut keys*

Tally ERP9

Tally is an application software for accounting purpose. Tally handles different types of vouchers and maintains all primary books of accounts and financial statements. Tally ERP9 is the latest version of Tally software series. Tally ERP9 uses the latest technology and incorporates complex features in simplified manner. It supports the ability to operate an enterprise business from any where as required by the medium and large enterprises.

Features of Tally ERP 9:

The main features of Tally are:

- User friendly package
- It can create unlimited companies concurrently (up to 9999 Nos.)
- Accounting features:
  - No accounting codes
  - Unified ledgers
  - Book keeping and comprehensive accounting
  - Multi currency accounting
  - Printing
  - Security control
  - Unlimited cost and profit centres
- Inventory features:
  - Stock control for multi location
  - Warehouse management for multi location
  - Flexible units of measure
  - Recording of stock movement and stock aging
  - Multiple stock valuation
  - Fixing various material levels
- Automation of employees records (payroll)
- Profitability statement of every product/project or service can be easily generated
- Data can be synchronised and updated from multiple locations

♦ It is highly secured against data tampering

♦ It has very powerful audit facility

♦ Tally provides interactive online help

♦ Open data base connectivity facility is available

♦ VAT, Service Tax, TDS and TCS compliant

Versions of Tally

Tally was started with its first version Tally 4.5. It was a MS DOS operating system based programme. The subsequent Tally versions are Tally 5.4, Tally 6.3, Tally 7.2, Tally 8.1,Tally 9 and Tally ERP 9. In ERP 9 version of tally in addition to silver edition, gold edition and auditors edition are also available. ERP 9 provides all necessary payroll compliances such as PF, ESI, Professional Tax computation and Income Tax on Salary income. Remote access can also be done with identity ie, Tally.NET id authentication.

Requirements for installing Tally.

Processor	*:*	*IBM PC with Intel 80586 or better*
RAM	*:*	*256 MB or more*
Disk Storage	*:*	*At least 40 MB*
Installation Drive	*:*	*CD ROM drive*
Operating system	*:*	*Windows 98 or above*

Steps for installing Tally.

Step1 : Insert Tally CD containing Tally programme

Step2 : Double click on 'INSTALL.EXE' .

Step3 : Click on 'NEXT' button to get license agreement screen

Step4 : Click on 'I AGREE' then get New Installation screen where 'application directory', 'data directory', 'configuration directory', 'language directory' etc can be altered.

Step5 : click on 'NEXT' button to select Country and Language

Step6 : After selection of Country and Language click on 'INSTALL' button and finally on 'FINISH' BUTTON

Tally Licensing

The single user licensing or Multi user licensing may be available as per the requirements of the user. Multi user facility is available only with Tally ERP 9 Gold version. To view licensing, sequence is as under:

Gate way of tally >   F12: Configure > Licensing

Gate way of Tally - Screen components

Opening screen of Tally ERP 9 is divided into 6 sections

1. Title Bar   2. Horizontal Button Bar
3. Bottom Pane   4. Main area of the screen
5. Button Panel   6. Calculator area

Company Creation

Press Alt F3 or Click Cmpany Info > select 'Create Company' > Various fields may be properly filled up, press 'enter' to accept the data given > Now the Company gets created.

Select, Shut, and Alt company

1. To select company   :   Gateway of Tally > F1 > Select the Company from the list > Press enter

2. To shut a company   :   Gateway of Tally > Alt+F1 > Select the Company from the list > Press enter

3. To Alter a company   :   Gateway of Tally > Alt+F3>Alter> Press Enter> Give changes and save

Current Period and Current Date

Current period means financial period in which you are working. Tally refuses to accept the date prior to or after the current period. So after creating a company you have to change the current period so that the financial year falls within the current period. If you want to work with another company not with the current period, but to an earlier period you have to change the earlier period to current period to work with that company.

Current period can be changed by pressing 'Alt + F2' and entering into the new period. Current date means the date you worked last during the current period. Vouchers will have same date of current date. To change current date, press 'F2'.

Configuring Company

Configuration changes may affect all active companies created in tally. To configure a created company, click on F12 Function key. Various options in configuration menu are:

1. General
2. Numeric symbols
3. Accts/inventory info
4. Voucher entry
5. Invoice/orders entry.
6. Pay Roll Configuration
7. Banking Configuration
8. Printing
9. E-mailing
10. Data configuration
11. Advanced configuration
12. Product and Features
13. Licensing
14. Quit.

PRACTICAL IN DETAIL

From the following details let's create a company. To navigate between the fields, you can use Enter, Tab, the arrow keys or the mouse.

FIELD	DATA TO BE ENTERED
Directory	Accept what is displayed on the screen.
Name	ROYAL AGENCIES PVT LTD
Printing Name	ROYAL AGENCIES PVT LTD
Address	Balasore, Odisha, India
State	Select 'Orissa' from the list of states displayed.
PIN Code	756001
Telephone No.	9437264738
E-mail Address	royal@gmail.com
Currency Symbol	(pre-defined)
Maintain	Accounts with Inventory

MAINTAIN OPTION	DESCRIPTIONS
Accounts with Inventory	Both Financial Accounts and Inventory Records of the Company
Financial year from	1-4-2016
Books beginning from	1-4-2016
TallyVault Password (if any)	Skip field - Do not enter any details
Use security control	No
Base Currency Information	Skips field automatically

BASE CURRENCY INFORMATION

FIELD	DESCRIPTION
Base Currency Symbol	Pre-set as a default currency Rs. (as specified earlier)
Formal Name	Complete name for the currency symbol. By default, this is set to Indian Rupees.
Number of Decimal Place	By default, this is set to 2.
Show amounts in millions ?	Tally caters to currencies where the different parts of large amounts are called by special names. By default, this is set to 'No.'
Is symbol suffixed to amounts ?	By default, this is set to No.
Put space between amounts and symbols ?	By default, this is set to Yes.
Symbol for Decimal Portion	By default, this is set to paise.
Decimal Places for Printing Amounts in Words	By default, this is set to 2.

Answer- Go to gateway of tally- Press Alt F3 - Select create company - give details as specified above

TE QUESTIONS

1. Briefly explain the features of Tally ERP 9.

2. What are the steps involved in the installation of Tally?

3. The accounting software Tally was developed by---------------

4. --------function key is used for configuring a company.

5. List out the requirements for installing Tally.

6. List out any 8 options in configuration menu.

7. -------is used as a shortcut key for shut company.

8. Explain the steps to create a new company in Tally.

9. What are the steps to be taken for altering an existing company?

10. List the sequence to view licensing in Tally.

11. What is the relevance of current period and current date in Tally?

12. Which key is used to exit from an opened window?

13. The first version of Tally is --------------------

14. List out the Tally screen components.

UNIT 3.3
BASIC ACCOUNTING INFORMATION IN TALLY

Introduction

Once a Company is created in the Tally ERP9, the basic Accounting information in Tally may be analyzed. It is possible to view various menu related to accounts and pre-defined ledger groups. Also see how we can create, alter, delete and display single and multiple ledger groups and sub groups.

Learning outcomes

The Learner:

- *Identifies the menu related to accounts*
- *Creates Accounting Info*
- *Creates Inventory Info*
- *Identifies the ledger groups*
- *Lists out the predefined ledger groups*
- *Manages ledger groups*
- *Creates groups*
- *Creates sub groups*
- *Displays groups*
- *Alters groups*
- *Deletes groups*
- *Creates multiple groups*
- *Displays multiple groups*
- *Alters multiple groups*
- *Explains the meaning of ledgers*
- *Identifies the fields in the ledger creation window*
- *Creates single ledgers*
- *Displays ledgers*
- *Alters ledgers*
- *Deletes ledger*
- . *Creates multiple ledgers*
- *Identifies the fields in multiple ledger creation window*
- *Displays multiple ledgers*
- *Alters multiple ledgers*
- *Uses short cut keys*

Menu related to accounts

Step 1. Select the company by clicking on F1, Select company from the list.

Step 2. Select the option Account Info. Accounts info option gives an overall information of groups, ledgers, Voucher types and Quit and Inventory Info consists of Stock Group, Stock items, Unit of Measures, Voucher types etc.

Groups and Pre-defined Groups

Groups are helpful in classifying and identifying account heads based on their nature. In the modern way of accounting all financial entries are performed using ledgers or account heads. Tally follows 'single ledger concept of accounting'. It is advisable to group/classify ledger Information based on their functions.

Tally provides facility to the user to create an own group. It also provides 28 predefined groups. Out of these, 15 are primary group and 13 are sub groups.

Managing Groups

The Tally user can create own group/sub groups apart from predefined groups. The user can display and alter groups. Inorder to work on groups the following sequence is to be followed.

Gateway of Tally > Accounts Info > Groups

Two types of groups can be created by the user. They are,

(a) Single group : Work on one group at a time

(b) Multiple groups : Permits to work on many groups at a time

Create Groups and Sub Groups

a. Creating a new group:

New primary groups can be created only in advanced mode. For advance mode click on "F12" on the Accts/Inventory Info Configuration to have master configuration screen. Type "Y" for the option "Allow Advanced Entries in Masters" The sequence is

Gateway of Tally > Accounts Info > Groups > Single > create

The user can create new sub groups under another new sub group. Suppose the user wish to create a new sub group 'Interest paid' under sub group 'administrative expenses' which is under the main group 'indirect expenses'

Indirect Expense (main group)

Administrative Expense (sub group)

Interest paid (sub group)

Undertake the following steps.

Step 1   To create main group 'Indirect Expense '

Gateway of Tally > Accounts Info > Groups > Single create

Give the name 'Indirect Expense '.

Step 2   To create sub group 'Administrative Expense' under the main group 'Indirect Expense'

Gateway of Tally> Accounts Info > Groups > Single create

Give the name 'Administrative Expense'.

Type 'indirect expenses' in 'under' field and Save

Step 3   To create sub group 'Interest paid' under the sub group 'Administrative Expense'

Gateway of Tally > Accounts Info > Groups > Single create

Give the name 'Interest Paid'.

Type 'Administrative Expenses' in 'under' field and Save

b.   *Deleting groups : Under take the following steps to delete groups.*

Step 1   Gateway of Tally > Accounts Info > Groups > Single Alter

Step 2   Select the group to be deleted from the pop up list of groups.

Step 3   Then press "Alt+D" for deletion.

Step 4   Press "Yes" for confirm deletion.

Note : The groups cannot be deleted if it has sub groups

Create , Display and Alter Multiple groups:

a.   *Create Multiple Groups:*

It is useful to create a number of sub groups in a group having same properties as their parent group.

Follow the given sequence:

Step 1:   Gateway of Tally > Accounts Info > Groups

Step 2:   From the multiple group option, select 'Create'

Step 3:   Select name of the parent group from the pop up list of groups under which the sub groups are to be created.

b. Display Multiple Groups:

Undertake the following steps to display multiple groups

Step 1:   Gateway of Tally > Accounts Info > Groups

Step 2:   From the multiple group option, select 'Display'

Step 3:   From this window, select the parent group whose sub groups are to be displayed.

c.   Altering Multiple Groups:

Undertake the following steps to alter multiple groups

Step 1:   Gateway of Tally > Accounts Info > Groups

Step 2:   From the multiple group option , select 'Alter' option

Step 3:   From this window, select the parent group whose sub groups are to be altered

Step 4:   Make alterations if any and save changes.

Ledgers.

Create, Display, Alter and Delete Single Ledger

To create a ledger press the highlighted alphabet 'C' or click on 'Create' option in 'Accounts Info' menu. The sequence is:

Gateway of Tally > Accounts Info >   ledgers > Create

The various fields available are:

Name, Alias (means alternative name of ledger account), Under (means name of a main ledger account used for control the ledger), Inventory values are affected (applicable only for purchase and sales ledgers), Mailing info, Tax info, Cost centres are applicable (this is to maintain cost centres - to enable the cost centres press F11 and activate 'maintain cost centre') and Opening Balance.

Single Ledger Display:

Gateway of Tally >   Accounts Info > Ledgers > Single > Display

Single Ledger Altering:

Gateway of Tally > Accounts Info > Ledgers > Single > Alter

Select ledger from the pop up and press enter for alter.

> *To be noted that:*
>
> *(a) Only the authorised user can alter the ledger account.*
>
> *(b) One cannot alter the parent ledger*

Single Ledger Deleting.

Step 1:   Gateway of Tally > Accounts Info > Ledgers > Single > Alter

Step 2:   Select the ledger to be deleted

Step 3:   Press "Alt" and 'D' when the curser rests at 'Under' field.

Note :   If there are transactions or ledger having balance, such ledger cannot be deleted.

Create, Display and Alter Multiple ledger

Create, Display and Alter Multiple ledger

Multiple Ledger Creation:

Step1:   Gateway of Tally > Accounts Info > Ledgers > Multiple > Create

The screen contains 'Under group', 'Name of Ledger', 'Opening balance', 'Dr/Cr' fields.

Multiple Ledger Display:

Step1:   Gateway of Tally > Accounts Info > Ledgers > Multiple > Display

Multiple Ledger Alter:

Step 1:   Gateway of Tally > Accounts Info > Ledgers > Multiple > Alter

Step 2:   Select the ledger to be altered from the pop up list of ledgers

Step3:   Press the 'Enter key' for alteration. Make the desired changes and accept it.

PRACTICAL   IN DETAIL

Qn.1. Create a company with the following information

Name	:	SR and Sons
Mailing Name	:	SR and Sons
Address	:	No.20, Raj Street, MG Road Ernakulam
E-mail address	:	sr&sons@gmail.com
Telephone	:	0484 2670367
Maintain	:	Accounts only
Financial year from	:	1-4-2016
Book beginning from	:	1-4-2016
Tally Vault password if any	:	
Use security Control	:	No
Formal name	:	INR
Number of decimal place	:	2
Is symbol suffixed to amount	:	No.
Show amount in million	:	No
Put a space between amount and Symbol	:	Yes
Decimal places for printing amount in words	:	2

Answer:

1. Click 'Alt+F3' or select 'Com Info' botton at Gateway of Tally menu

2. When Comp Info Menu appears press 'C' or Select create company option and press Enter

3. Enter the above details in the company creation screen

4. Finally press 'Y' to accept the screen

Qn.2. Create the following groups in the above company.

(a) Depreciation   (b) Office Expense   (c) Return Inwards

(d) Drawings   (e) Shop Rent

Answer:

Gateway of Tally > Accounts Info > Groups > Single/Multiple Create

In the group creation screen type the following.

Name : Depreciation

Under : Indirect Expenses

Enter other details if any and finally press 'Y' to accept the screen

Follow the same procedure to create other groups as follows

Name of group		Under
b. Office Expenses	:	Indirect Expenses
c. Return Inwards	:	Sales Account
d. Drawings	:	Capital Account
e. Shop Rent	:	Indirect Expenses.

Qn.3: Alt the group 'Shop Rent' to 'Rent Account' in the Qn.2.above.

Answer:

Step1. Select the company 'SR and Sons' by pressing F3: Comp Info button

Step2. Gateway of Tally > Accounts Info > Group > Alter

Step3. Select 'Shop Rent' from the List of Groups

Step4. Change the name of Group 'Shop Rent' to 'Rent Account' and finally press 'Y' to accept the screen

Qn.4: Delete the group 'Office Expenses' in the Qn.2. above

Answer:

Step1.   Select the company 'SR and Sons' by pressing F3: Comp Info button

Step2. Gateway of Tally > Accounts Info > Group > Alter

Step3. Select 'Office Expenses' from the List of Groups

Step4. Press 'Alt + D' and press 'Y' to delete the group

Qn.5: Create a Company with your own details in 'Accounts only' mode and create the following 'Ledgers'

(a) Wages	(b) Capital Account
(c) Salaries	(d) Purchase
(e) Commission Received	(f) Sales
(g) Furniture	(h) SBI Current Account

Answer:

Gateway of Tally > Accounts Info > Ledger > Single/Multiple Create

In the Ledger creation screen type the following.

Name   :   Wages

Under   :   Select 'Direct Expenses' from the List of Groups

Enter other details if any and finally press 'Y' to accept the screen

Follow the same procedure to create other ledgers as follow.

Accounts Involved		Under Group
b. Capital Account	:	Capital Account
c. Salaries	:	Indirect Expenses
d. Purchase	:	Purchase Account
e. Commission Received	:	Indirect Income
f. Sales	:	Sales Account
g. Furniture	:	Fixed Asset
h. SBI Current Account	:	Bank Account

Qn.6: From the above question (Qn.4) Alt the ledger 'Furniture' to 'Furniture and Fixtures'.

Answer:

Step1.   Select the company you created by pressing F3: Comp Info button

Step2.   Gateway of Tally > Accounts Info > Ledger > Alter

Step3.   Select 'Furniture' from the List of Ledgers

Step4.   Change the name of Ledger 'Furniture' to 'Furniture and Fixtures' and finally press 'Y' to accept the screen

Qn.7: Delete the Ledger 'Commission Received' in the Qn.4. above.

Answer:

Step1. Select the company you created by pressing F3: Comp Info button

Step2. Gateway of Tally > Accounts Info > Ledger > Alter

Step3. Select 'Commission Received' from the List of Ledgers

Step4. Press 'Alt + D' and press 'Y' to delete the Ledger

Qn.8: Suppose you are posted as accounts assistant in a trading organisation, and you are requested to create the following Ledgers under appropriate Groups in Tally.

1. Rent for the shop
2. Commission Received account
3. Office equipment
4. Indian Bank Account
5. General Reserve
6. Petty Cash

Answer:

Go to Gateway of Tally > Accounts Info > Ledgers > Single Ledger/Multiple Ledger > Create. (Create the above said ledgers under suitable group).If appropriate groups are not available by default, groups should also be created.

SHORT-CUT KEYS	
FUNCTIONS	**KEYS**
To Create Single Ledger	A-L-C
To Create Multiple Ledger	A-L-R
To Display Single Ledger	A-L-D
To Display Multiple Ledger	A-L-I
To Create Single Group	A-G-C
To Create Multiple Group	A-G-R
To Display Single Group	A-G-D
To Display Multiple Group	A-G-I

TE QUESTIONS

1. Tally provides ----------- number predefined groups.

2. Explain the steps involved in the creation of new single group.

3. List out the various fields available for ledger creation.

4. State whether the following statement is true or false.

   'The authorised user can alter the ledger account only and cannot alter the parent ledger.'

5. What do you mean by groups and pre-defined groups?

6. Explain the steps to create multiple groups.

7. Match the following:

Functionality	Short-cut Keys
To Close a Company	Alt + F3
To Change the accounting Period	Alt +F1
To Create/Alter/Shut a company	F2
To Change date	Alt + F2

8. List the sequence to display multiple groups.

9. Explain the steps to create a sub group under main group.

10. Tally provides ------------- number of primary groups and ------------- sub groups.

UNIT 3.4
ACCOUNTING VOUCHERS IN TALLY

Introduction

Recording Journal entry is the primary function of accounting. In Tally the user has to identify debit and credit aspects of transactions and its recording is possible only through voucher entry. To execute voucher entry, the user has to identify the nature of voucher to be selected then configure the mode, content and style of vouchers. Let's discuss the flexibility in creating, altering, deleting, duplicating and cancelling the vouchers in this chapter. For making easy learning of voucher entry, company in 'Accounts only' mode may be adopted.

Learning outcomes

The Learner:

- *Identifies the vouchers in Tally*
- *Configures vouchers*
- *Creates vouchers*
- *Displays vouchers*
- *Alters vouchers*
- *Duplicates vouchers*
- *Cancels vouchers*
- *Lists out predefined vouchers in tally*
- *Uses Short cut Keys*

Voucher in Tally

Vouchers are used for recording day to day transactions. Tally has several predefined vouchers with different formats for different types of transactions.

Voucher Types

1. Contra vouchers: This voucher is used for fund transfer between cash and bank only

    Gate way of Tally > Accounting Voucher > Contra (F4)

2. Purchase vouchers: This voucher is used for recording all entries related to credit purchase

    Gate way of tally > Accounting Voucher > Purchase (F9)

3. Sales Voucher: Records all entries related to credit sales

    Gate way of Tally > Accounting Voucher > Sales (F8)

4. Payment voucher: This voucher records all the payments made through bank or cash

    Gate way of Tally > Accounting Voucher > Payment (F5)

5. Receipt voucher: This voucher is recorded all receipts with bank or cash account

    Gate way of Tally > Accounting Voucher > Receipt (F6)

6. Journal voucher: This type of voucher is used for the internal adjustment of account. For activating this voucher, press 'F7'.

    Gate way of Tally > Accounting Voucher > Journal (F7)

7. Credit note: This voucher is used to record returns of goods by the customers.

    Gate way of Tally > Accounting Voucher > Credit Note (Ctrl+F8)

8. Debit Note: This voucher is used to record returns of goods to suppliers.

    Gate way of Tally > Accounting Voucher > Debit Note (Ctrl+ F9)

    (To activate 'credit note ' and 'debit note', go to F11 Features and type "Yes" in debit note /credit note option under the heading 'Invoicing'.)

Configuration of vouchers

Perform the following steps to configure the vouchers.

Step 1: Click on F12 Configure button on the button panel if the user wish to configure Voucher

Step 2: Click on 'Voucher Entry'

Step 3: Activate /deactivate the option by typing "Yes" or "No" as per the requirement.

Create, Display, Alt and Delete Vouchers

1. Creating Vouchers:

Gate way of Tally > Account Info > Voucher Type > Create

a. **Name**: Type the name of new voucher type to be created.

b. **Type of voucher**: Select the type of voucher from the list of predefined vouchers.

c. **Abbr**: Give an abbreviation name for the voucher.

d. **Method of voucher numbering**: This is to give numbers to the voucher automatically or manually.

2. **Displaying Vouchers:**

        Gate way of Tally > Account Info > Voucher Type > Display

3. **Altering Vouchers:**

        Gate way of Tally > Account Info > Voucher Type > Alter and save changes.

4. **Deleting Vouchers**:

        Gate way of Tally > Account Info > Voucher Type > Alter

        Press 'Alt +D' for deleting.

3.4.1.4. Duplicating and Cancelling of vouchers

1. Duplicating Vouchers:

    Step.1.   Display the day book by following sequence:

                Gate way of Tally > Display > Day Book

    Step 2:   Select the vouchers to be duplicating and press 'Alt+2'.Make the desired changes and save it.

2. Cancelling a voucher:

    Step1:   Display the day book by following the sequence

                Gate way of Tally > Display > Day Book

    Step 2:   Select the vouchers to be cancelled and press 'Alt + X'

                The cancelled vouchers are also be listed in day book with zero value and the voucher number will also be reserved.

PRACTICAL IN DETAIL

Qn.1: Enter the following Transactions in Payment Voucher.

    a.   Bought Furniture for Rs.60,000/-

    b.   Paid Rent for Rs.15,000/-

    c.   Paid Wages for Rs.50,000/-

    d.   Paid Cash to Anandu, a supplier for Rs.25,000/-

    e.   Paid Carriage outward for Rs.5,000/-

Answer:

Step1. Create a new company or select an existing company.

Step2. Create Ledger accounts   Single/Multiple as shown below.

Accounts involved	Under (Group)
Furniture	Fixed Asset
Rent	Indirect Expenses
Wages	Direct Expenses
Carriage outward	Indirect Expenses

(While creating the ledger accounts, need not enter the amount in the 'Opening Balance' Field)

Step 3 :   Enter the voucher.

Gateway of Tally > Accounting Vouchers > F5 Payment

Step 4 :   Select 'Cash' from the list, if it is a cash payment or select 'Bank' if the payment is made through Bank

Step 5 :   Select 'Furniture' and type the amount Rs.60,000/- and press enter to give narration and finally press 'Y' to accept the screen.

Follow the same procedure to make voucher entries for Rent, Wages and Carriage Outward.

Qn.2: Enter the following Transactions in Receipt Voucher.

a. Started business with cash for Rs.5,00,000/-

b. Commission Received for Rs.10,000/-

c. Dividend Received for Rs.15,000/-

Answer:

Step 1.   Create a new Company or select an existing company.

Step 2.   Create Ledger Accounts, single/Multiple as shown below

Accounts involved	Under (Group)
Capital	Capital
Commission Received	Indirect Income
Dividend	Indirect Income

(While creating the ledger accounts, need not enter the amount in the 'Opening Balance' field)

Step 3 :   Enter the voucher.

Gateway of Tally > Accounting Vouchers > F6 Receipt

Step 4 :   Select 'Cash' from the list, if it is a cash receipt or select 'Bank' if the receipt is made through Bank.

Step 5 :   Select 'Capital' and type the amount Rs.5,00,000/- and press enter to give narration and finally press 'Y' to accept the screen.

Follow the same procedure to make the voucher entries for Commission and Dividend.

Qn.3: Enter the following Transactions in Contra Voucher.

a. Deposited into SBI current account for Rs.75,000/-

b. Withdrew Cash from Bank for Rs.25,000/-

Answer:

Step1.   Create a new Company or select an existing company.

Step2.   Create Ledger Accounts, Single/Multiple as shown below

Accounts involved	Under (Group)
SBI	Bank Account

(While creating the ledger accounts, need not enter the amount in the 'Opening Balance' Field.)

Step 3 :   Enter the voucher.

Gateway of Tally > Accounting Vouchers > F4 Contra

Step 4 :   Select 'Cash' from the list

Step 5 :   Select 'SBI' and type the amount Rs.75,000/- and press enter to give narration and Press 'Y'to accept the screen.

Step 6 :   To make cash withdrawal voucher entry do the following:

Gateway of Tally > Accounting Vouchers > F4 Contra select SBI from the list in the account field (Cr) select cash from the list and enter the amount, give narration and press 'Y' to accept the screen

Qn.4:   Enter the following Transactions in Purchase Voucher.

a. Purchased goods from M/s. Anandu Trading Co. Ltd.for Cash Rs.50,000/-

    b. Purchased goods from M/s. Kalyani Traders for Cash Rs.75,000/-

Answer:

Step 1.	Create a new Company or select an existing company
Step 2.	Create Ledger accounts single/multiple as given below

Accounts involved	Under (Group)
Purchase	Purchase
Kalyani	Sundry Creditors
Anandu	Sundry Creditors

Step 3 :	Enter the voucher.
	Gateway of Tally > Accounting Vouchers > F9Purchase
Step 4 :	Select Kalyani Traders as 'Party's A/c Name' from the list and enter the amount Rs.50,000/- press enter
Step 5 :	Select 'Purchase' and press enter to give narration and finally press 'Y' to accept the screen.

Follow the same procedure to make the voucher entry of M/s. Anandu Traders.

Qn.5: Enter the following Transactions in Sales Voucher are:

    a. Sold goods to Raj for Cash Rs.35,000/-

    b. Sold goods to Amalkrishna for Cash Rs.25,000/-

Answer:

Step 1.	Create a new Company or select an existing company.
Step 2.	Create Ledger accounts single/Multiple as shown below

Accounts involved	Under (Group)
Sales	Sales
Raj	Sundry Debtors
Amalkrishna	Sundry Debtors

Step 3.	Enter the voucher.
	Gateway of Tally > Accounting Vouchers > F8 Sales

Step 4.   Select Raj as 'Party's A/c Name' from the list and enter the details if applicable and press enter

Step 5.   Select 'Sales' and press enter to give narration and finally press 'Y' to accept the screen.

Follow the same procedure to make the voucher entry of Amalkrishna.

Qn.6: Enter the following transactions in Debit Note voucher.

a. Returned goods to Manoharan and Sons Rs.5000/-

b. Returned goods to Anjali Traders Rs.3,500/-

Answer:

Step 1.   To activate Debit Note voucher do the following:

Gateway of Tally > Accounting Vouchers

Press F11: Features and select 'Yes' in the field use Debit/Credit Notes under invoicing.

Step 2.   Create a new Company or select an existing company.

Step 3.   Create Ledger accounts single/Multiple as show below

Accounts involved	Under (Group)
Purchase Return	Purchase Account
Manoharan and Sons	Sundry Creditors
Anjali Traders	Sundry Creditors

Step 4.   Enter the voucher.

Gateway of Tally > Accounting Vouchers > Debit Note (Press Ctrl + F9 or click Debit Note button from button panel.

Step 5.   Select 'Manoharan and Sons' (Dr) from the list and enter the amount Rs.5,000/- press enter.

Step 6.   Select 'Purchase Return' (Cr) and press enter to give narration and finally press 'Y' to accept the screen.

Follow the same procedure to make the voucher entry of 'Anjali Traders'.

Qn.7: Enter the following transactions in Credit Note voucher.

a. Raju returned goods worth Rs.4,000/-

b. Manu returned goods worth Rs.2,000/-

Answer:

Inorder to activate Credit Note voucher:

Gateway of Tally > Accounting Vouchers

Press F11: Features and select 'Yes' in the field use Debit/Credit Notes under invoicing.

Step1.   Create a new Company or select an existing company.

Step2.   Create Ledger accounts single/Multiple as show below.

Accounts involved	Under (Group)
Sales Return	Sales Account
Raju	Sundry Debtors
Manu	Sundry Debtors

Step 3.   Enter the voucher.

Gateway of Tally > Accounting Vouchers > Credit Note (Press Ctrl + F8 or click Credit Note button from button panel

Step 4.   Select 'Raju' (Cr) from the list and enter the amount Rs.5,000/- press enter

Step 5.   Select 'Sales Return' (Dr) and press enter to give narration and finally press 'Y' to accept the screen.

Follow the same procedure to make the voucher entry of 'Manu'.

Qn.8:   Enter the following transactions in appropriate vouchers and display ledger accounts.

1.   Purchased goods from George Rs.15,000/-

2.   Sold goods to Anil Rs.8,000/-

3.   Cash Deposited to SBI for Rs.5,000/-

4.   Paid Rent Rs.2,500/-

5.   Received cash from Anil Rs.2,000/-

6.   Paid cash to George Rs.4,000/-

7.   Purchased Furniture from Luis and Sons Rs.6,000/-

8.   Returned goods to George Rs.4,000/-

9.   Goods returned by Anil Rs.3,000/-

10. Received commission Rs.2,000/-

Answer:

Step 1.   Create a new company with your own details

Step 2.   Create the required ledger accounts.

Step 3.   Enter the Vouchers.

Gateway of Tally > Accounting Vouchers

(Make voucher entry as per the given table)

Sl No.	Accounts Involved	Dr/Cr	Amount	Voucher to be used
1	Purchase George	Dr Cr	15,000	Purchase
2	Anil Sales	Dr Cr	8,000	Sales
3	SBI Cash	Dr Cr	5,000	Contra
4	Rent Cash	Dr Cr	2,500	Payment
5	Cash Anil	Dr Cr	2,000	Receipt
6	George Cash	Dr Cr	4,000	Payment
7	Furniture Luis and Sons	Dr Cr	6,000	Journal
8	George Purchase Return	Dr Cr	4,000	Debit Note
9	Sales Return Anil	Dr Cr	3,000	Credit Note
10	Cash Commission	Dr Cr	2,000	Receipt

Step4.   Display Ledger Accounts

Gateway of Tally > Display > Account Books > Ledger

Qn9: On 1-4-2016 Mr. Senapathy started a business named Royal Agencies by bringing Capital of Rs.25,00,000 by cheque and deposited the same in HDFC Bank account.

3-4-2016   Mr. Senapathy withdrew Rs.60,000 for Shop Expenditure from Bank (Cheque No-503451)

5-4-2016   Mr. Senapathy purchased Furniture and Fixture worth Rs. 2,50,000 for the Shop by Cheque. (Ch. No-530452)

8-4-2016   Mr. Senapathy rented a premises for his business at Rs. 3,500 per month. He paid a Security Deposit of Rs.50,000 by cheque. (Ch. No- 503453)

10-4-2016   Mr. Senapathy issued a cheque to M/s QRS for the purchase of the following. Assets (Ch. No-503454).

Cost of assets are:

Cell Phone	Rs.15,500
Computer	Rs. 35,000
Electrical Fittings	Rs. 15,000
Total	Rs. 65,500

You are requested to help him by creating voucher entries for the above transactions in Tally.

Qn10: The closing balances in the Books of Accounts of M/s AK Traders, are given below. You are requested to bring the Ledger Accounts as opening in the next financial year.

Share Capital	Rs.2,500,000/-
Reserves	Rs. 4,50,000/-
Profit	Rs.2,50,000/-
Bank Loan	Rs.15,00,000/-
Bills Payable	Rs.2,00,000/-
Provision for bad debts	Rs.3,00,000/-

Accounts Payable:

M/s.Eminent traders	Rs.45,000/-
M/s.Primier Dealers	Rs.34,000/-
Provision for Income Tax	Rs. 75,000/-
VAT Payable	Rs.4,5000/-
TDS (Cr.)	Rs.3,800/-

Land	Rs.20,00,000/-
Premises	Rs.10,00,000/-
Stock	Rs.12,00,000/-

Accounts Receivable:

M/s.Raj Traders	Rs.28,000/-
M/s.MohanRaj	Rs.35,000/-
M/s.Maharaj Traders	Rs.29,000/
M/s/Royal Electronics	Rs.76,800/-

Bank Accounts:

SBT Current Account (Acoount No. 340000765)	Rs 56,000/- (Dr.)
SBT SB Account (Account No. 548700098)	Rs.78,000/-(Dr.)
Fixed Deposit (SBT)	Rs.9,00,000/-

SHORT-CUT KEYS

FUNCTIONS	KEYS
To Create Voucher type	A-V-C
To Display Voucher type	A-V-D
To Alter Voucher type	A-V-A

TE QUESTIONS

1. List out the various voucher types in tally. Also mention the function key used for each.

2. The voucher used to transfer fund between cash and bank is---------

   (a) Payment voucher (b) Receipt voucher (c) Contra voucher (d) Journal voucher

3. Explain the steps involved in the configuration of vouchers.

4. Explain the procedures involved in the duplication and cancellation of vouchers.

5. Match the following

Name of Vouchers	Keys
Payment Voucher	F4
Contra Voucher	F7
Sales Voucher	F5
Journal Voucher	F8

6.   Explain the steps to cancel a purchase voucher.

7.   State the voucher type for the following transactions.

    (a) Opens a Bank account

    (b) Bought Machinery from Mr. Abu and Co. on Credit

    (c) Sold goods to Mr. Alex

    (d) Paid salary

8. Fill in the blanks

Name of Ledger	Under group
1. Furniture	--------
2. --------	Indirect Expense
3. Bills Payable	--------
4. Commission received	--------

9. The term *'Alias'* refers to ————————

10. Which short-cut key is used to display Multiple Groups.

UNIT 3.5
TAX ACCOUNTING IN TALLY

Introduction

In most of the financial transactions we can see that there is some sort of Tax element. ie, VAT, TDS, Service Tax etc in it. Tally ERP9 facilitates to incorporate the above said taxes and statutory deductions by configuring taxes menu. This chapter deals with enabling VAT, TDS and Service Tax in a user's business. For enabling VAT and making voucher entry for VAT, the company in 'Accounts with inventory mode' may be adopted.

Learning outcomes

The Learner:
- *Identifies VAT terminologies*
- *Enables VAT*
- *Lists out ledgers pertaining to VAT*
- *Makes voucher entry with VAT*
- *Computes VAT*
- *Enables TDS*
- *Lists ledgers pertaining to TDS*
- *Creates TDS voucher types*
- *Makes voucher entry with TDS*
- *Makes TDS reports*
- *Computes TDS*
- *Enables Service Tax in tally*
- *Identifies ledgers pertaining to service tax*
- *Creates service tax ledgers*
- *Makes voucher entry with Service Tax*

Enabling VAT in tally

Step1.   Gateway of Tally > F11 Features > Statutory & Taxation.

Step2.   Activate the option 'Enable Value Added Tax' and 'Set/Alter VAT details' by typing 'Yes' against these options. Then give the following details:

State: Give the name of State

Type of dealer: Select 'Regular'

Regular VAT applicable form: Type the relevant date

                                   Finally accept the screen

Ledger pertaining to VAT

The ledgers that are affected VAT are:

- ➢ Sales Ledger
- ➢ Purchase Ledger
- ➢ Party Ledger
- ➢ Input VAT Ledger
- ➢ Output VAT Ledger

Sales Ledger

Step.1.   Gateway of Tally > Accounts info > Ledgers > Single Create

Step.2.   Fill in the information in this screen to create sales @ 5% ledger.

Type 'Yes' against the field 'Inventory values are affected'

Type 'Yes' against the field 'Used in VAT return'

Select the required classification (sales @ 5%) Finally accept the screen.

Purchase Ledger

Step.1.   Gateway of Tally > Accounts info > Ledgers > Single Create

Step.2.   Fill in the information in this screen to create Purchase @ 5% ledger.

Type 'Yes' against the field 'Inventory values are affected'

Type 'Yes' against the field 'Used in VAT return'

Select the required classification (Purchase @ 5%) Finally accept the screen.

Party Ledger

Step.1.   Gateway of Tally > Accounts info > Ledgers > Single Create

Step.2.   Fill in the information in this screen and accept.

Input VAT Ledger

Step.1.	Gateway of Tally > Accounts info > Ledgers > Single Create	
Step.2.	Fill in the information in this screen to create 'Input VAT@5%' ledger	
Step.3.	Select 'Duties and Taxes' in 'under group'	
Step.4.	Select the required classification (VAT) from the drop down list.	
Step.5.	Select VAT sub type 'Input VAT'	
Step.6.	Select VAT/Tax Class 'Input VAT@5%'	
Step.7.	Set the field 'inventory values are affected' as 'No'	
Step.8.	Rounding Method is: 'Not applicable' and finally accept the screen.	

Output VAT Ledger

Step.1.	Gateway of Tally > Accounts info > Ledgers > Single Create	
Step.2.	Fill in the information in this screen to create 'Output VAT@5% ledger'	
Step.3.	Select 'Duties and Taxes' in 'under group'	
Step.4.	Select the required classification (VAT) from the drop down list.	
Step.5.	Select VAT sub type 'Output VAT'	
Step.6.	Select VAT/Tax Class 'Output VAT@5%'	
Step.7.	Set the field 'inventory values are affected' as 'No'	
Step.8.	Rounding Method is: 'Not applicable' and finally accept the screen	

Meaning of TDS

TDS means the amount of tax required to be paid by the person who is liable to pay any income to the other person. Thus the tax is deducted at the source of income itself. It is one of the methods of collecting income tax, which ensure a regular flow of income to the government.

Enabling TDS

Gate way of Tally > F11 Features > F3:Statutory& Taxation

Set 'YES' to Enable TDS

Set 'YES' to Set/Alter TDS Details.

Fill the appropriate columns 'in company TDS deductor details' and save it.

Note : PAN is mandatory otherwise TDS @ 20% will be deducted.

Ledgers Pertaining to TDS

TDS ledgers may be created depending upon the type of TDS expenses.

Ledger	Group/Under
Tax Ledger	Duties & Taxes
Party Ledger	Sundry Debtors/ Creditors
Expenses Ledger	All Direct/ Indirect Expenses

Creating Tax Ledger

Creating Tax Ledger namely 'TDS @ 10%'

Undertake the following steps to get ledger creation screen

Gateway of Tally > Accounts info > Ledgers > Single Creating

Fill the fields in the screen as follows

- ✓ Name : It is the name of the Tax Ledger ie, TDS @10%
- ✓ Under : It is for grouping. Select Duties & Taxes from the drop down list
- ✓ Type of Duty/Tax: select TDS.
- ✓ Nature of Payment: From the drop down list select 'an item applicable for TDS
- ✓ Finally accept the screen.

Creating Party Ledger

Gateway of Tally >Accounts info > Ledgers > Single Creating

Fill the fields in the screen as follows:

- ✓ Name : It is the name of the supplier / party
- ✓ Under : Select sundry Creditor from the drop down list

- ✓ Maintain balance bill by bill : Select 'Yes'
- ✓ Is TDS applicable: Set it to 'Yes'.
- ✓ Deductee type: select the Individual/HUF-Resident from the pop up list
- ✓ Fill the various columns and finally accept the screen.

Creating Expenses Ledger

Gateway of Tally > Accounts info > Ledgers > Single Creating

Fill the fields in the screen as follows:

- ✓ Name : It is the name of Expense Ledger
- ✓ Under : Select 'Indirect Expenses' from the drop down list
- ✓ Inventory values are affected : Select "No"
- ✓ Is TDS applicable: Set it to 'Yes'
- ✓ Default Nature of Payment : Select from the drop down list(Select the same item selected as nature of payment at the time of tax ledger creation)
- ✓ Use for assessable value calculation : Select "No" and save it.

TDS Voucher Entry

Create new voucher types -'TDS Payment' and 'TDS Journal'

(a) **TDS Payment voucher type**: Perform the following sequence

Gateway of Tally > Accounts info > voucher type > Create.

Type the following against the name:

Name	:	TDS Payment
Type of voucher	:	Payment
Abbr	:	TDS Pymnt

Use advanced configuration: 'yes' and finally save it.

(b) **TDS Journal Voucher type**:

Gateway of Tally > Accounts info > voucher type > Create.

Type the following against the name:

Name	:	TDS Journal
Type of voucher	:	Journal
Abbr	:	TDS Jrnl

Use advanced configuration : 'Yes' and finally save it

TDS Reports

The following TDS reports are generated automatically by the system.

- ➢ Challan
- ➢ TDS computation
- ➢ TDS Payables
- ➢ Ledger Outstanding

Challan:

The TDS payment vouchers are printed as challan. It is a list of all transactions ie, payment vouchers having Dr. amount to Tax ledgers for a particular period.

Gateway of Tally > Display > Day Book > Press Alt+F12: range button to have only the TDS payment vouchers for a specified period.

TDS Computation:

This report gives a list of party and TDS ledger name for which the TDS bills are pending till date.

Gateway of Tally > Display > Statements of accounts > TDS outstanding > TDS computation.

TDS Payables:

This report gives a list of party and TDS pending amount for a particular TDS Ledger.

Gateway of Tally > Display > Statements of accounts > TDS outstanding > TDS Payables.

Ledger Outstanding:

This report is used to find the outstanding status of a particular ledger.

Gateway of Tally > Display > Statements of accounts > TDS outstanding > Ledger.

Service Tax in Tally

Meaning:

It is an indirect tax levied by the Govt. of India on certain category of services provided. Current service tax rate on taxable services is 14.5% including Swatch Bharath Cess. From June 1st 2016 onwards .5% Krishi Kalyan Cess will be added to this.

***   *For more details visit www.servicetax.gov.in*

Enabling Service Tax in Tally

On company information menu click on 'F11:Features' > Statutory and Taxation option and press 'enter' to have 'company operations alterations' screen.

Set "Yes" against the following options:

- ✓ Enable Service Tax? : Yes
- ✓ Set/Alter Service Tax details : Yes. Press enter

In 'company service tax details screen' need to fill the following details.

- ✓ Service Tax Registration Number : Type the Registration number allotted by the service tax department.
- ✓ Date of Registration
- ✓ Assessee code: Enter the code given by the service tax department.
- ✓ Premises Code No.
- ✓ Type of organisation: Enter the type of organisation from the list
- ✓ Enter the details of Division, Range and Commissionerate.
- ✓ Finally accept the screen.

Ledgers pertaining to Service Tax

The ledgers affected by service tax are:

- ❖ Sales Ledger
- ❖ Purchase Ledger
- ❖ Party Ledger
- ❖ Duties and Taxes

Creating Sales Ledger

Step.1.   Gateway of tally >Accounts info > Ledgers > Single Create

Step.2.   Fill in the information in the screen to create sales ledger

Type the name of service in name field.

Select 'Sales Account' from pop up list in under field.

Type "Yes" against "is service taxes applicable"

Select the 'Default service category' name

Finally accept the screen.

Creating Purchase Ledger

Step.1.   Gateway of tally >Accounts info > Ledgers > Single Create

Step.2.   Fill in the information in the screen to create Purchase ledger

Type the name of service in name field.

Select 'Purchase account' from pop up list in under field.

Type "Yes" against "is service taxes applicable"

Select the 'Default service category' name

Finally accept the screen.

Creating Party Ledger

Step.1.   Gateway of tally >Accounts info > Ledgers > Single Create

Step.2.   Fill in the information in the screen to create Party ledger

Type the name of person or company provides the service in the   name field

Select 'Sundry creditor' or 'Sundry debtor' whichever is applicable for sale or purchase from pop up list in under field.

Type 'Yes' against 'is service taxes applicable'

Select the required category name

Type service tax number and service registration date.

Finally accept the screen.

Creating Duties and Taxes.

Step 1.   Gateway of tally>Accounts info>Ledgers >Single Create

Step 2.   The ledgers to be created for sale of service are:

1. **Service Tax on sale**

    (Under- 'Duties and Taxes ', Type of Duty -'Service Tax'   and Tax Head- 'Service tax')

2. **Education Cess service tax on sales** :

    (Under- 'Duties and Taxes',

    Type of Duty -'Service Tax', and Tax Head- 'Education cess Service tax')

    (Under- 'Duties and Taxes', Type of Duty -'Service Tax', and Tax Head- 'Service tax')

3. **Secondary Education Cess service tax on sales** :

(Under- 'Duties and Taxes', Type of Duty -'Service Tax', and Tax Head- 'Secondary Education cess Service tax') (Under- 'Duties and Taxes', Type of Duty - 'Service Tax', and Tax Head- 'Service tax')

Step 3.　　The ledgers to be created for purchase of service are:

1. **Service Tax on purchase**

(Under- 'Duties and Taxes ', Type of Duty - 'Service Tax', and Tax Head- 'Service tax')

2. **Education Cess service tax on purchase** :

(Under- 'Duties and Taxes', Type of Duty -' Service Tax', and Tax Head- ' Education cess Service tax')

(Under- 'Duties and Taxes', Type of Duty -' Service Tax', and Tax Head- 'Service tax')

3. **Secondary Education Cess service tax on purchases** :

(Under- 'Duties and Taxes', Type of Duty -' Service Tax', and Tax Head- ' Secondary Education cess Service tax')

Entering vouchers entry sale of service

Step.1.　　Gateway of tally >Accounting vouchers > sales (F8)

Step 2.　　Give party name (to whom service is rendered)

Step 3.　　Select 'Sales' in particulars window

Step 4.　　Give description for sales of service:

Such as 'Ref no', 'Name', 'Type of Service', 'Category of service', 'Service Amount' etc.

Entering vouchers entry purchase of service

Step.1.　　Gateway of tally >Accounting vouchers > purchase (F9)

Step 2.　　Give party name (from whom service is received)

Step 3.　　Select 'Purchase' in particulars window

Step 4.　　Give description for purchase of service:

Such as 'Ref no', 'Name', 'Type of Service', 'Category of service', 'Service Amount' etc.

Display service tax payable

Gate way of tally > Display > Statutory reports > Service tax payable > Bill date wise.

PRACTICAL IN DETAIL

Qn.1. Enter the following transactions in appropriate vouchers and prepare VAT computation report.

01/04/2016   Purchase from Royal Vegetables 10 Kg. Tomato @Rs.30 per Kg.

02/04/2016   Sold 5 Kg Tomato to Anandu and Company @Rs.35 per Kg.

VAT Rate for Tomato is 5%.

Answer:

Step 1.   Create a new company with your own details.

Step 2.   Press F11: Features > Statutory & Taxation > Enable VAT > finally accept the screen.

Step 3.   Create the following Ledger Accounts.

Ledger	Under Group
Purchase	Purchase Account (Set 'Yes' to 'used in VAT returns' in Statutory information, select Purchase@5% from the list)
Input VAT @5%	Duties and Taxes (Type of Duty/Tax is 'VAT', VAT sub Type is 'Input VAT', VAT/Tax Class: Select 'Input VAT@5%' from the list, finally Save the screen
Sales	Sales Account (Set 'Yes' to 'used in VAT returns' in Statutory information, select Sales @5% from the list)
Output VAT @5%	Duties and Taxes (Type of Duty/Tax is 'VAT', VAT sub Type is 'Output VAT', VAT/Tax Class: Select 'Input VAT@5%' from the list, finally Save the screen
Royal Vegetables	Sundry Creditors
Anandu and Company	Sundry Debtors

Step 3. Enter Vouchers

(1) Purchase Voucher: Gateway of Tally > Accounting Vouchers > F9 > Party's A/c field : Royal Vegetables> Enter > Purchase Ledger: Purchase > Select Purchase > Enter Amount > Select Input VAT@5% (Amt automatically displayed) press 'Yes' to accept.

(2) Sales Voucher:Gateway of Tally > Accounting Vouchers > F8 > Party's A/c field : Anandu Traders > Enter > Sales Ledger: Sales > Select Sales > Enter Amount > Select Output VAT@5% (Amt automatically displayed) press 'Yes' to accept

Step 4. Display VAT computation Report

Gateway of Tally > Display > Statutory Report > VAT > VAT Computation.

Qn.2: On 1-4-2016 Abraham and Bros purchased two wheelers from JJ Motors. The following details on purchase are given below:

Code No.	Product	Category	VAT	Qty.	Rate	Amt
001	Honda Activa	Two wheeler	14.5%	10	58,000	5,80,000
002	Victor	-do-	14.5%	23	62,000	14,26,000
003	Passion Plus	-do-	14.5%	15	70,000	10,50,000
004	Duke	-do-	14.5%	16	83,000	13,28,000

The following are the details of sales made during the month of April 2016.

Code No.	Product	Category	VAT	Qty.	Rate
001	Honda Activa	Two wheeler	14.5%	08	65,000
003	Passion Plus	-do-	14.5%	12	80,000
004	Duke	-do-	14.5%	13	95,000

Prepare VAT Computation Report for the month April 2016.

Qn.3: M/s. Facto Factors company Ltd. K.P Road Kollam, is a factory servicing agency, paid Rs.35,000/- to Mr.Sabin Subhash (PAN- APJRT7369D) one of its agents on 2/4/2016, as 'Commission and Brokerage' for his service. Generate TDS Computation report and TDS Payable.

Answer

Step 1.　Create the company with the above details

Step 2.　Enable TDS 'Yes' in F11: Features (Statutory and Taxation)

Step 3.　Create the following Ledger:

(a)　Commission and Brokerage: Under Indirect Expense, Enable TDS

(b)　TDS on Commission and Brokerage : Under duties and Taxes, Enable TDS

(c)　Subin Subhash: Under Sundry Creditors, Enable TDS, Give PAN in Tax Information

(if PAN is not given tally will automatically deduct 20% as service tax)

Step 4.　Create the following Voucher type:

(a)　TDS Payment: Gateway of Tally > Accounting Info > Voucher Type > Create

(b)　TDS Journal:　Gateway of Tally > Accounting Info > Voucher Type > Create

Step 5.　Voucher Entry: Gateway of Tally > Accounting Voucher > F7(Journal) > TDS Journal

Step 6.　Gateway of Tally > Display > Statutory Report > TDS Report > Computation.

Qn.4:　Pathanjali Insurance Servicing Agencies of Ernakulam paid the following expenses to Mr. Alex Joseph (PAN - PNJRS3721Q)

Name of Expense	Amount (Rs)
Insurance Commission	38,000
Fee for professional service	49,000

Generate TDS Computation report and TDS Payable

Answer: Follow the procedure explained in Qn3 above.

Qn5: You are requested to make the following voucher entries after enabling VAT and TDS in TallyERP9 in your existing Company.

1/4/2016 - Opened a savings bank account with SBT for Rs 45,00,000/- a/c number 009876218762.

Bought on credit from M/s Ram Hardwares, invoice number 8775

500 packets of Ramco cement @ Rs 400/pack VAT 14.5%

100 tones steel pipes @Rs.4500/ per tone VAT 10%

2/4/2016 - Cash sales made Invoice number 101.

150 packets of Ramco cement@ Rs.450/packet VAT 14.5%

3/4/2016 - Received commission (10% TDS has been deducted) Rs.72,000 by cheque No.123045

4/4/2016 - Sold on credit to M/s Sree Ram Construction Company Invoice number102.
250 packets of Ramco cement @ Rs 420/packet VAT 14.5% 30 tone steel @ Rs.5,000/tone. VAT 10%

5/4/2016 - Rent paid by cheque No.5464323 Rs 25,000/- .TDS 10%

SHORT-CUT KEYS	
FUNCTIONS	*KEYS*
To Create Single Cost Category	*A-O-C*
To Create Multiple Cost Category	*A-O-R*
To Display Single Cost Category	*A-O-D*
To Display Multiple Cost Category	*A-O-I*
To Alter Single Cost Category	*A-O-A*
To Alter Multiple Cost Category	*A-O-T*
To Create Single Cost Centre	*A-C-C*
To Create Multiple Cost Centre	*A-C-R*
To Display Single Cost Centre	*A-C-D*
To Display Multiple Cost Centre	*A-C-I*
To Alter Single Cost Centre	*A-C-A*
To Alter Multiple Cost Centre	*A-C-T*

TE QUESTIONS

1. Illustrate the steps involved in enabling VAT in tally.

2. List out the ledgers pertaining to VAT in tally.

3. A trader wants to create a sales @14.5% ledger in Tally. Help him by summarizing the steps involved.

4. Explain the meaning of the terms TDS and Service Tax.

5. List out and explain various TDS reports automatically generated by Tally.

6. List out the various VAT terminologies.

7. TIN stands for-------------

8. Summarise the steps required to enable TDS in Tally.

9. What are the steps to create an 'Input VAT Ledger'?

10. What are the ledgers pertaining to Service Tax?

UNIT 3.6
COST CENTRES AND INVENTORY INFORMATION

Introduction

In manufacturing and trading organisations where various types of inventories and spares are to be maintained, inventory control and management is a very difficult task. Tally ERP9 facilitates the option to execute inventory control and management. Inventory control is made possible by creating, altering groups of inventory, items of inventory and godowns where they are stored. It also provides space to create cost centers, helps to cost ascertainment and control.

Learning outcomes

The Learner:

- *Defines cost categories*
- *Creates cost categories*
- *Displays cost categories*
- *Alters cost categories*
- *Deletes cost categories*
- *Defines cost centres*
- *Creates cost centres*
- *Displays cost centre*
- *Alters cost centre*
- *Deletes cost centre*
- *Explains Accounts with inventory*
- *Identifies stock groups*
- *Creates stock groups*
- *Creates stock category*
- *Displays stock categories*
- *Alters stock categories*
- *Deletes stock categories*
- *Defines stock item*
- *Creates stock item*

- *Creates multiple stock items*
- *Displays stock items*
- *Alters stock items*
- *Creates godowns*
- *Displays godowns*
- *Alters godowns*
- *Creates multiple godowns*
- *Displays multiple godowns*
- *Alters multiple godowns*
- *Defines units of measure*
- *Creates units of measure*
- *Displays units of measure*
- *Alters units of measure*
- *Uses short cut keys*

Cost Categories and Cost Centres

Cost Categories: It allows allocation of a transaction to cost centres.

Cost Centres: Cost centres are the centers where cost or expenses are allocated.

Create, Display, Alter and Delete cost categories.

1.   Create, Display, Alter and Delete cost categories.

Creating cost categories:

Type 'Yes' for the option 'Maintain Cost Centres' and 'Morethan ONE Pay Roll/Cost Category' in 'F11 Company features' screen.

Perform following steps to create cost categories:

Step.1.   Gateway of tally > Accounts Info > Cost Category >Single > create.

The cost category creation screen contains:

1.   Create, Display, Alter and Delete cost categories.

Type 'Yes' for the option 'Maintain Cost Centres' and 'Morethan ONE Pay

Roll/Cost Category' in 'F11 Company features' screen.

Perform following steps to create cost categories:

Step.1.   Gateway of tally > Accounts Info > Cost Category >Single > create.

The cost category creation screen contains:

❖ Name: Type the name of cost category

❖ Alias: Type an alternative name of cost category

❖ Allocate Revenue items: Enable it by typing 'Yes' or 'No' for this option.

❖ Allocate Non-Revenue items: Type "Yes" to enable capital expenditure incurred on cost centres.

Displaying Cost categories:

Gateway of tally > Accounts Info > Cost Category > Single > Display.

Altering Cost categories:

Perform the following steps to alter a cost category.

Step.1.   Gateway of tally> Accounts Info > Cost Category > Single > Alter.

Step.2.   Select the cost category to be altered from the pop up list and make desired change and accept it.

Deleting Cost category:

Step.1.   Gateway of tally > accounts info > cost category > single >Alter.

Step.2.   Select the cost category to be deleted from the pop up list.

Step.3.   Press 'Alt+D' to delete the cost category.

Note : Cost category cannot be deleted if it has transaction.

Creating, Displaying and Altering Multiple Cost Category:

Create Multiple Cost Categories

Gateway of tally > Accounts Info >Cost Categories > Multiple > Create

Type the name of Cost Categories to be created and allocate them to Revenue item/Non-Revenue item and Save it.

Displaying Multiple Cost Category:

Gateway of tally > Accounts info > Cost Category > Multiple > Display.

Altering Multiple Cost Category:

Gateway of tally > Accounts Info > Cost Category > Multiple > Alter.

Create, Display, Alter and Delete Cost Centre:

Creating a Cost Centre:

Gateway of tally > Accounts Info > Cost Centre > Single > Create.

The fields to be filled are:

➢ Category: By default tally creates primary cost category to which all cost centres are allocated.

➢ Name: Type the name of cost centre

➢ Alias: Specify the alternative name

➢ Under: Cost centre being created can be a primary or secondary cost centre and press "Yes" to accept.

Displaying Cost Centre:

Gateway of tally > Accounts Info > Cost Centre > Single > Display.

Altering Cost Centre:

Gateway of tally > Accounts Info > Cost Centre > Single > Alter.

Make necessary changes and accept it.

Deleting Cost Centre:

Step.1.   Gateway of tally > Accounts Info > Cost Centre > Single > Alter

Step.2.   Select the cost centre to be deleted from the pop up list.

Step.3.   Press 'Alt + D' to delete the cost centre and confirm delete.

Create, Displaying and Altering Multiple Cost Centres:

Create Multiple Cost Centres:

Gateway of tally > Accounts Info > Cost Centres > Multiple> Create

Select the followings:

Under Cost Centre   :   All items

Category   :   Select the name of category from the pop up list

Name of Cost Centre: Give the name of Cost Centre

Under   :   Primary

Displaying Multiple Cost Centre

Gateway of tally > Accounts Info > Cost Centres > Multiple > Display

Altering Multiple Cost Centre:

Gateway of tally > Accounts Info > Cost Centres > Multiple > Alter

> *Cost category summary report can be viewed as follows:*
>
> *Gateway of tally > Display > Statements of account > Cost Centres > Category summary*

Accounts with Inventory:

If the company is created as 'Accounts with Inventory', then only the user can avail inventory information menu.

Creating Stock Group:

Gateway of tally > Inventory Info > Stock Groups > Single > Create.

The fields in the screen are:

❖ Name : Type the name of Stock Group

❖ Under : A list consists of existing stock group pop up. Select 'Primary' for creating a new stock group

❖ Can quantities of item be added : By pressing 'Yes' the user can add stock groups in same unit of measure. Finally accept the screen.

Displaying Stock Group:

Gateway of tally > Inventory Info > Stock group > Single > Display.

Altering Stock group.

Gateway of tally > Inventory Info> Stock group > Single > Alter and save changes

Create, Display and Altering Multiple Stock Group:

Creating Multiple Stock Group:

Gateway of tally > Inventory Info > Stock Group > Multiple > Create.

Displaying Multiple Stock Group:

Gateway of tally > Inventory Info > Stock Group > Multiple > Display.

Alter Multiple Stock Group:

Gateway of tally > Inventory Info > Stock Group > Multiple > Alter.

Creating Stock categories.

Gateway of tally > Inventory Info > Stock Category > Single > Create.

Displaying stock Categories:

Gateway of tally > Inventory Info> Stock Category>Single > Display.

Altering Stock Categories.

Gateway of tally > Inventory Info > Stock Category > Single > Alter.

Deleting Stock Category:

Step.1.   Gateway of tally > Inventory Info > Stock Category > Single > Alter.

Step.2.   Select the Stock category to be deleted from the pop up list.

Step.3.   Press 'Alt + D' to delete the Stock category

Create, Display and Alter Multiple Stock Categories:

Creating Multiple Stock Categories:

Gateway of tally > Inventory Info > Stock Categories > Multiple > Create.

DisplayingMultiple Stock Categories:

Gateway of tally > Inventory Info > Categories > Multiple > Display.

Alter Multiple Stock Categories:

Gateway of tally > Inventory Info > Stock Categories > Multiple > Alter.

Create, Display, Alter and Delete Stock items:

These are elementary inventory entities, which can be issued and received.

Stock Ledger account is opened for each item which is referred as stock item.

Creating stock item:

Gateway of tally > Inventory info > Stock items > Single > Create

Fields in the screen are:

➢ Name : Type the name of item

➢ Alias: Give alternative name or number

➢ Under: Type the stock group to which the item belongs.

➢ Category: Allocate the stock item to the category desired.

➢ Units: Select unit of measure of stock.

➢ Give details of 'Tax Information' on the right side of the screen and save it.

Displaying Stock items:

Gateway of tally >Inventory Info > Stock items > Single > Display

Altering Stock items:

Gateway of tally >Inventory Info > Stock items > Single > Alter

Deleting Stock items:

Gateway of tally >Inventory Info > Stock items > Single > Alter Select the stock item to be deleted from the list of stock items and press 'Alt + D'and confirm by typing 'Yes'

Creating Multiple Stock Items

Gateway of tally >Inventory Info >Stock items > Multiple > Create.

Displaying Multiple Stock Items

Gateway of tally >Inventory Info >Stock items>Multiple > Display.

Alter Multiple Stock Items

Gateway of tally >Inventory Info > Stock items > Multiple > Alter

Godowns and Units of measures.

Godowns: It is a place to store stocks. Godowns may be single or multiple.

Create Godowns:

Gateway of tally > Inventory info > Godowns> Single > Create

The fields available in the screen are:

❖ Name: Name of the godown

❖ Under: The user can create 'Primary Godown' or 'Secondary Godown' under a godown and   save it.

Displaying Godowns.

Gateway of tally > Inventory Info > Godowns > Single > Display.

Alter Godowns..

Gateway of tally > Inventory info > Godowns > Single > Alter

Deleting Godown

Gateway of tally > Inventory Info > Godowns > Single > Alter

Select the Godown to be deleted from the list of godowns and press 'Alt + D'

Creating Multiple Godowns

Gateway of tally > Inventory Info > Godown > Multiple > Create.

Displaying Multiple Godowns

Gateway of tally > Inventory Info > Godowns > Multiple > Display.

Alter Multiple Godowns

Gateway of tally > Inventory Info > Godowns > Multiple > Alter.

Unit of Measure:

Unit of measure is of two types:

(a) Simple: Simple units consists of one single unit. Examples are Nos., Kg, Meters, etc

(b) Compound: Compound unit have multiplier or conversion factor. Examples: a box of 10 pieces etc

Creating Units of Measures.

Gateway of tally > Inventory Info > Unit of Measure > Create.

- ➢ Type   : Simple or Compound.
- ➢ Symbol   : It is the abbreviated form by which a stock item is identified. Example, the abbreviation 'pec' indicates 'pieces'.
- ➢ Formal Name   : This represent the complete or formal name of symbol used in creating a unit. For example, the symbol for number (Formal name) can be 'Nos' or 'Num'.
- ➢ No. of decimal place : Specify the number of decimal places.

Displaying Units of Measure

Gateway of tally > Inventory Info > Units of Measure > Display.

Alter Units of Measure

Gateway of tally > Inventory Info > Units of Measure > Alter.

PRACTICAL IN DETAIL

Qn.1: Aravind Trading Company, MG. Road Ernakulam has three department such as 'Purchase', 'Production' and 'Sales'. Allocate the following expenses among them.

Expense	Total Amount	Purchase	Production	Sales
Salary	75,000	22,000	30,000	23,000
Electricity	28,000	8,000	15,000	5,000
Telephone Charge	18,000	7,500	2,500	8,000

Answer:

Step 1.   Create a new company with the above details

Step 2.   Set 'Yes' to the option 'Maintain Cost Centre' at F11:Feature

Step 3.   Create Cost Centers namely 'Purchase', 'Production' and 'Sales'

Step 4.   Create the Ledger Accounts as shown below.

Accounts Involved	Under Group
Salaries	Indirect Expenses
Electricity	Indirect Expenses
Telephone charges	Indirect Expenses

Step 5.   Enter Voucher.

Gateway of Tally > Accounting Vouchers > Payment.

[Account: Cash > Press enter > Press Space bar Key > Select Salary > Enter Rs.75,000>Press enter > Press Space bar Key > Select Purchase Department > Enter Rs.22,000> Press Space Bar Key > Select Production Department > Enter Rs.30,000> Press Space Bar Key > Select Sales Department > Enter Rs.23,000> Give narration if any and press 'Yes' to accept the screen]

Likewise make the voucher entry of Electricity and Telephone Charges.

Step 6.   Display Cost Category summary

Gateway of Tally > Display > Statement of Accounts > Cost Centres> Category Summary

Qn.2: Information relating to a company is given below.

Name	:	Anand Trading Company
Address	:	MC Road Kottayam
Financial year	:	1-4-2016
Maintain	:	Accounts with Inventory

The Company is having two factories at Kollam and Ernakulam. The two products manufactured at Kollam are (1) Electronic choke and (2) Capacitor. At Ernakulam the company manufactured (1) LCD Monitor and (2) UPS. Transactions for the month of April 2016 are:

1. 1-4-2016 Purchased raw material for Kollam (1/3 for Electronic Choke and 2/3 of Capacitor) for Rs.15,000/-

2. 5-4-2016 Purchased raw material for Ernakulam (Equally used by the two products)Rs.20,000/-

3. 30-4-2016 Paid wages at Kollam (1/3 for Electronic Choke and 2/3 of Capacitor) Rs.24,000/-

4. 30-4-2016 Paid wages at Ernakulam (equal for two products) 42,000/-

All the units manufactured were sold. The amount of sales were Electronic Choke Rs.15,500/-, Capacitor Rs.25,000/-, LCD Monitor Rs.38,000/- and UPS Rs.34,500/-

Create the company, cost category and cost centres and also display the result after entering the above transactions

Answer:

Step1.		Create Company
Step2.		Set 'Yes' to the option 'Maintain Cost Centre' and 'More than ONE Payroll/Cost Categories at F11:Features
Step3.		Create the require Ledger Accounts.
		(While creating Ledger accounts type 'Yes' to the option Cost Centre are applicable)
Step4.		Create Cost Categories. Two cost categories at Kollam and Ernakulam can be created
Step5.		Create Cost Centres. Two Cost Centres 'Electronic Choke' and 'Capacitor' can be created at Kollam and two cost centres 'LCD Monitor' and 'UPS' can be created under Ernakulam.

Step 6. Make Voucher entries

Qn.3: KalyaniTextiles, a leading textile show room in Palakkad. They wish to open two godowns for categorise their textile items. Being an expert in Tally, help them to create Godowns, Stock Categories, Stock Items and Unit of measures from the following information.

Godowns   : (1) Thrisur   (2) Malappuram

Stock Categories : (1) Gents Wear   (2) Ladies Wear

Stock Group   : (1) Vimal   (2) Live

                    (3) Roshni   (4) Karishma

Unit of Measures : (1) Number   (2) Meter

Stock Items   :

Sl.No.	Name	Stock Group	Stock Category	Unit of Measure
1	Jeans Pants	Live	Gents Wear	Number
2	Shirting	Vimal	Gents Wear	Meter
3	Churidar	Roshni	Ladies Wear	Number
4	Blouse piece	Karishma	Ladies Wear	Meter

They Purchased the following goods for the Main Location

(a) 250 Nos. of Jeanse Pants @Rs.1400/Pant

(b) 500 Mtrs. of Shirting @525/Meter

(c) 400 Nos. of Churidar @ 1200/Churidar

(d) 300 Mtrs of Blouse piece @120/Meter

Sales of the Textiles are as follows.

(a) 100 Nos. of Jeanse Pants @Rs.1600/Pants from Malappuram Godown

(b) 150 Nos. of Churidar @Rs.1450/Churidar from Thrisur Godown

Answer:

Step 1. Create the above company with 'Accounts with Inventory' mode

Step 2. Set 'Yes' to the option 'Maintain Multiple Locations' and 'Maintain Stock Categories' at F11:Features. (Inventory Features)

Step 3. Create Godowns: Gateway of Tally > Inventory Info > Locations

Step 4. Create Stock Categories :Gateway of Tally > Inventory Info >Stock Categories

Step 5. Create Stock Group :Gateway of Tally > Inventory Info >Stock Groups

Step 6. Create Stock Units of Measure :Gateway of Tally > Inventory Info >Units of Measure

Step 7. Create Stock Items :Gateway of Tally > Inventory Info >Stock Items

[Name: Jeans Pants > Under: Live > Category: Gents Wear > Unit: No. > Alternate Unit: Not Applicable> Press enter > Press 'Yes' to accept the screen.]

Follow the same procedure to create the other Stock Items

Step 8. Create 'Purchase Ledger' and 'Sales Ledger'

Step 9. Make Purchase Voucher of the above transactions

Step 10. Make Sales Voucher of the above Transactions

Step 11. Display:

Gateway of Tally > Display > Statement of Inventory > Location & Category

Gateway of Tally > Display > Inventory Books > Stock Item & Group Summary

Qn.4: You are requested to create the under mentioned cost categories and cost centres of your campany

Cost Categories:	Departments	Employees	Branches
Cost Centres :	Maintenance	Mr.Alex	Mumbai
	Marketing	Ms. Soorya	Chennai
	Administration	Mr. Akash	Kochi

You are also requested to make the following voucher entries enabling the above said Cost centers.

a) Mr. Alex incurs conveyance expense for Rs.2000/ for maintenance of a product in Mumbai.

b) Paid Salary for the month of April 2016 to Ms. Soorya Rs.35000/-

c) Paid office expense to Mumbai Branch Rs.3575/-

Qn.5: Create a Company with 'Accounts with Inventory' and also requested to create the following

Stock Group	Stock Category	Stock Item	Measures	Godown
Books	Novels	Arachar	Nos.	Bin 12
	Drama	Pattabakki	Nos	Bin 13
Stationery	Pen	Parker	Nos	Bin 01
		Lexi	Nos	Bin 02
	Paper	A4 size	Coir	Bin 05
		A3Size	Coir	Bin 06

SHORT-CUT KEYS

FUNCTIONS	KEYS
To Create Single Stock Group	I-G-C
To Create Multiple Stock Group	I-G-R
To Display Single Stock Group	I-G-D
To Display Multiple Stock Group	I-G-I
To Alter Single Stock Group	I-G-A
To Alter Multiple Stock Group	I-G-T
To Create Single Stock Categories	I-C-C
To Create Multiple Stock Categories	I-C-R
To Display Single Stock Categories	I-C-D
To Display Multiple Stock Categories	I-C-I
To Alter Single Stock Categories	I-C-A
To Alter Multiple Stock Categories	I-C-T
To Create Single Stock Items	I-I-C
To Create Multiple Stock Items	I-I-R
To Display Single Stock Items	I-I-D
To Display Multiple Stock Items	I-I-I
To Alter Single Stock Items	I-I-A
To Alter Multiple Stock Items	I-I-T
To Create Single Godown	I-D-C
To Create Multiple Godown	I-D-R
To Display Single Godown	I-D-D
To Display Multiple Godown	I-D-I
To Alter Single Godown	I-D-A
To Alter Multiple Godown	I-D-T

TE QUESTIONS

1. 'Cost category and cost centres are not one and the same.' Critically evaluate this statement in the context of Tally.

2. List out the steps involved to create, display, alter and delete cost categories.

3. Explain the various fields available in the single stock group creation screen in Tally.

4. List out the steps involved in the creation of single godown in Tally.

5. Define Cost centres.

6. Explain the steps to create stock groups.

7. Which short-cut key is used to create single cost category?

8. Units of measures are of two types. Which are they?

9. Which short-cut keys are used to display and alter single stock items?

10. List the sequence to alter Unit of measure.

UNIT 3.7
ORDERS, INVOICES AND REPORTS

Introduction

As a part of Enterprise Resource Planning, Tally ERP9 provides facility to Create Invoices, Orders and even Cheque printing of various banks. Various types of reports required to a user relating to business may be generated. Reports in the form of Financial statements in vertical and horizontal forms, Funds flow and Cash Flow Statements, Ratio analysis etc. can also be generated. The data in Tally can be exported to other softwares such as Ms excel,XML, HTML,PDF format etc. required for MIS. Let's discuss how Tally helps us to generate various Invoices, Orders and other Financial Reports.

Learning outcomes

The Learner:

- Identifies purchase order
- Creates purchase order
- Alters purchase order
- Deletes purchase order
- Identifies sales order
- Creates sales order
- Alters sales order
- Deletes sales order
- Views order position
- Locates invoices
- Activates invoicing
- Makes invoice Entry
- Configures invoices
- Prints invoices
- Prints cheque
- Identifies the reports generated in Tally
- . Generates reports
- Displays Trial Balance
- Configures Trial Balance
- Configures Balance Sheet
- Configures Profit and Loss account
- Displays Day Books
- Displays Balance Sheet and Profit and Loss account.
- Prepares Bank Reconciliation Statement
- Uses Short cut Keys

Purchase and sale orders can be generated by Tally and get printed. Copy of the same can be sent to the supplier or customer. The order position can be seen in the order summary.

Purchase Order :

Activate the option 'Allow Purchase Order processing' in 'Inventory Features' of F11   Features for enabling the purchase order.

Creating Purchase Order.

Gateway of tally > Inventory Vouchers > Press Alt + F4 or Click on Purchase Order

The various fields to be filled in the screen are:

- ✓ Party's A/c Name : Select the supplier's name from the list of Ledger A/c.

- ✓ Order Number : Enter the purchase order number.

- ✓ Purchase Ledger : Select from the pop up list.

- ✓ Name of item : Select from the pop up list.

- ✓ Due on : Specify the item delivery date.

- ✓ Location : Select the location from the list of Godowns.

- ✓ Qty, rate and Amt. : Enter the quantity of the item required and its rate. The amount will be automatically calcu lated.

- ✓ Rate of duty : Specify the Tax Rate. The Tax ledger account must be created. If not created press "Alt + C" for ledger creation at this stage.

Altering Purchase Order.

Gateway of tally > Display > Day Book Select the Purchase Order to be altered and make necessary changes and save it.

Deleting Purchase Order.

Gateway of tally > Display > Day Book

Select the Purchase Order to be deleted and press "Alt +D" and confirm.

Sales Order.

Activate the option 'Allow Sales Order processing' in 'Inventory Features of F11 Features for enabling the Sales Order.

Creating Sales Order.

Gateway of tally > Inventory Vouchers > Press Alt + F5 or Click on Sales Order

- ✓ The various fields to be filled in the screen are:

- ✓ Party's A/c Name   :   Select the Customer's name from the list of Ledger Account Press "Alt + C" to create new account.

- ✓ Order Number   :   Order number is automatically displayed.

- ✓ Sales Ledger   :   Select from the pop up list.

- ✓ Name of item   :   Select from the pop up list.

- ✓ Due on   :   Specify the item delivery date.

- ✓ Location   :   Select the location from the list of Godowns.

- ✓ Quantity, Rate and

  Amount   :   Enter the quantity of the item required and its rate. The amount will be automatically calculated.

- ✓ Rate of duty   :   Specify the Tax Rate. The Tax ledger account must be created. If not created press "Alt + C" for ledger creation at this stage.

Altering Sales Order.

Gateway of tally > Display > Day Book

Select the Sales Order to be altered and make necessary changes and save it.

Deleting Sales Order.

Gateway of tally > Display > Day Book

Select the Sales Order to be deleted and press 'Alt +D' and confirm 'Yes'.

Invoice.

Activate the option 'Allow Invoicing' in 'Inventory Features of 'F11:Features' for enabling the Invoice.

Invoice Entry.

Step.1.   Gateway of tally > Accounting vouchers.

Step.2.   Press 'F8 Key' to select sales voucher.

Step.3.   Press 'Cntrl + V' for sales invoice.

Step.4.   Give details of sales and save it.

Invoice Configuration.

Step.1.   Press F12 configure button to have invoice configuration screen

Step.2.   Now set 'Yes' or 'No' for the various options to enable or disable

Invoice Printing.

Select/Display the voucher or invoice to be printed. Press 'Alt+ P' to print the displayed Invoice or Voucher.

Cheque Printing.

Activate 'enable cheque printing' and 'Set/Alter cheque printing configuration' options in F11:Features menu by typing 'yes' against it.

Type the name of the company and bank details and press enter. Finally click on 'print button' to print cheque in set format.

Reports.

Tally automatically generates a number of reports once the vouchers are entered.

Display Trial Balance:

To display'Trial Balance', select 'Display' option in Gateway of Tally and select Trial Balance

Display Balance Sheet:

To display 'Balance Sheet' select 'Display' option in Gateway of Tally and select Balance Sheet

Display Profit and Loss Account:

To display'Profit and Loss Account' select 'Display' option in Gateway of Tally and select Profit and Loss account

Display Day Book:

To display 'Day Book' select 'Display' option in Gateway of Tally and select Day Book.

Bank Reconciliation Statement.

Bank Reconciliation Statement is one of the pre requisites of audit. It is advised to give an *Effective Date for Reconciliation* during the creation of bank accounts.

Perform the following steps:

Step.1. Display the monthly summery of bank book. Follow the sequence:

Gateway of tally > Display > Account books > Ledger > Select 'Bank' > Press 'F5 key' or select 'F5:Reconcil'.

Step.2. Enter the date of each transaction of Bank statements in the field "Bank Date".

PRACTICAL IN DETAIL

Qn.1. Prepare a Purchase Order in Tally with the following information

Name of Supplier	:	M/s. Khalid & Sons, Chinnakkada, Kollam
Order No	:	1003
Name of Item	:	Reymond Readymade shirts -40 medium
Quantity	:	200 Nos
Rate	:	Rs. 1200/-
Amount	:	Rs.240000/-

You are also requested to prepare a Sales Invoice when 50 Nos. of shirts are sold to M/s AK Textiles @ Rs.1400/-Invoice No.3002.

Qn.2. From the following data you are requested to prepare SBI Current account (A/c. No. 0000657845) of M/s. A.K. Traders in Tally ERP9, thereafter prepare a Bank Reconciliation Statement in Tally as on 30/04/2015 using the Bank statement given below:

M/s AK TRADERS, KOLLAM
SBI Current Account (A/c. No.0000657845)
DATE	RECEIPTS	CH. NO.	AMOUNT	DATE	PAYMENTS	CH. NO.	AMOUNT
1/4/2015	Balance b/d		24558	6/4/2015	Madhu	157008	14500
4/4/2015	Mohan	2498702	25000	10/4/2015	Rent	157009	5000
8/4/2015	Cash		5000	12/4/2015	AK Traders	157010	25000
10/4/2015	Rajendran	5678903	10000	18/4/2015	Ram & Associates	157011	15000
15/4/2015	Manilal	7650098	20000	20/4/2015	Cash	157012	10000
20/4/2015	Sudheer	4536700	35000	25/4/2015	Sumesh& Co.	157013	17500
30/4/2015	Ravindran	6780065	75000	30/4/2015	Balance c/d		107558
	Total		**194558**		**Total**		**194558**

STATE BANK OF INDIA
Branch : Chinnakkada

NAME OF ACCOUNT HOLDER : M/s. A.K Traders, Kollam
CURRENT A/C No.0000657845

Date	Particulars	Deposits Rs.	Withdrawals Rs.	Balance Rs.	Dr./Cr. Rs.
1/4/2015				24,558	Cr.
8/4/2015	Ch.No. 2498702	25,000		49,558	Cr.
8/4/2015	Cash	5,000		54,558	Cr.
8/4/2015	Ch. No.157008		14,500	40,058	Cr.
12/4/2015	Ch. No.157009		5,000	35,058	Cr.
15/4/2015	Ch. No.5678903	10,000		45,058	Cr.
15/4/2015	Ch.No. 157010		25,000	20,058	Cr.
18/4/2015	Sudheer	35,000		55,058	Cr.
20/4/2015	Cash Ch. No. 157012		10,000	45,058	Cr.
20/4/2015	Rajesh Ch. No. 456090	30,000		75,058	Cr.
21/4/2015	Charges		500	74,558	Cr.
23/4/2015	LIC -ECS		1,500	73,058	Cr.
25/4/2015	Dividend UTI	15,000		88,058	Cr.
30/4/2015	Interest	750		88,808	Cr.

SHORT-CUT KEYS

	FUNCTIONS	KEYS
To Display :	Balance Sheet	B
	Profit and Loss Account	P
	Stock Summary	S
	Ratio Analysis	R
	Trial Balance	D-T
	Day Book	D-D
	BR Statement	D-A-C

TE QUESTIONS

1. List out the various fields in the purchase order creation window.

2. Explain the steps to create, alter. display and modify purchase order.

3. Explain the steps to create, alter. display and modify sales order.

4. How can the cheque printing be enabled in Tally?

5. Summarise the sequences to display Trial Balance, Profit & Loss account and Balance Sheet.

6. Illustrate the procedure to make an Invoice Entry.

7. Describe the steps to enable Purchase order and Sales order in Tally.

8. Explain the steps to prepare BRS in Tally.

9. The date from which we want to reconcile bank transaction is known as……………..

10. Special combination keys used to duplicate a voucher is ………………

HOT KEYS IN TALLY

Windows	Functionality	Availability
F1	To Select a Company	At all masters Menu screen
F2	To change the current date. select company Inventory	Almost all screen in TallyTo At the F11 Features screen features
F4	To select the Contra Voucher	At Accounting/Inventory Voucher creation and alteration screen
F5	To select the Payment Voucher	At Accounting/Inventory Voucher creation and alteration screen
F6	To select the Receipt Voucher	At Accounting/Inventory Voucher creation and alteration screen
F7	To select the Journal Voucher Voucher creation and alteration	At accounting/Inventory screen
F8	To Select the Sales Voucher	At accounting/Inventory Voucher creation and alteration screen

F9	To Select Purchase Voucher	At accounting/Inventory Voucher creation and alteration screen
F10	To Select the Reversing Journal	At accounting/Inventory Voucher Voucher creation and alterationscreen
F11	To Select Functions and Features	At all the screen in Tally
F12	To Select Configure screen	At all the screen in Tally

SPECIAL COMBINATION KEYS

Windows	Functionality	Availability
Alt + F1	To Close a Company To View detailed Report To explode a line into its details To select Inventory Vouchers to alter To select the inventory to view the detailed or condensed repor	At all Menu screen At almost all report Screen At almost all screen in Tally At the Inventory/Pay Roll Voucher creation or alteration menu screen At the Inventory/Payroll Voucher relation and alteration screen in almost all reports
Alt + F2	To change period	At almost all screens in Tally
Alt + F3	To Select the company info To create/Alter/Shut a company	Gateway of Tally Screen
Alt + F4	To select the Purchase Order Voucher type	At Accounting/Inventory Voucher creation and alteration
Alt + F5	To Select the Sales Order Voucher type	At Accounting/Inventory Voucher creation and alteration

Alt + F6	To select the Rejection Out voucher type To change Sales Order Voucher Type	At Accounting/Inventory Voucher creation and alteration
Alt + F7	To select the Stock Journal Voucher type To Accept all the Audit lists	At Accounting/Inventory Voucher creation and alteration At Tally Audit Listing Screen
Alt + F8	To select Delivery Note Voucher type	At Accounting/Inventory Voucher creation and alteration
Alt + F9	To Select the Receipt Note Voucher type	At Accounting/Inventory Voucher creation and alteration
Alt + F10	To Select the physical stock voucher type	At Accounting/Inventory Voucher creation and alteration
Alt + F12	To filter the information based on monetary value	At almost all report screens
Ctrl + F1	To Select Pay Roll Voucher type	At Accounting/Inventory Voucher creation and alteration
Ctrl + F8	To Select Credit Note Voucher	At accounting/Inventory Voucher creation and alteration screen
Ctrl + F9	To Select Debit Note Voucher	At accounting/Inventory Voucher creation and alteration screen
Ctrl + F10	To Select Memorandum Voucher	At accounting/Inventory Voucher creation and alteration screen
Ctrl+Alt+F12	Advanced Configuration	At the Gateway of Tally

Windows	Functionality	Availability
Alt + 2	To Duplicate a Voucher	At list of vouchers – create a voucher similar to the one where you positioned the cursor and used this key combination
Alt + A	To add a voucher To alter the column in columnar report	At list of vouchers - adds a voucher after the one where you positioned the cursor and used this key combination Alter the column in all the reports which can be viewed in columnar format
Alt + C	To create a master at a voucher screen To access Auto Value Calculator in the amount field during voucher entry	At voucher entry and alteration screens, at a field where you have to select a master from a list. If the necessary account has not been created already, use this key combination to create the master without quitting from the voucher screen. At all reports screen which can be viewed in a columnar format
Alt + D	To delete a Voucher To delete a master To delete a column in any columnar report	At voucher and master (Single) alteration screens. Masters can be deleted subject to conditions, as explained in the manual. All the repots screen which can be viewed in a columnar format.
Alt + E	To export the report in ASCII, Excel, HTML or XML format	At all reports screen in Tally
Alt + I	To Insert a Voucher To toggle between item and Accounting invoice	A list of Vouchers- inserts a voucher before the one where you positioned the cursor and used this key combination At certain of sales and purchase invoice.

Windows	Functionality	Availability
Alt + M	To e-mail the report	At all reports screen in Tally
Alt + P	To Print the report	At all reports screen in Tally
Alt + X	To cancel a voucher in Day Book/List of vouchers	At all Voucher screen in Tally
Alt + G	To select language for Tally interface	At almost all screen in Tally
Alt + K	To select the key board configuration	At almost all screen in Tally
Alt + L	To select the language configuration	At almost all screen in Tally
Alt + O	To upload the report at website	At almost all screen in Tally
Alt + N	To view the report in automatic columns	At all the report where columns can be added
Alt + R	To remove a line in a report	At all the report screen in Tally
Alt + S	To bring back a line you removed using Alt + R	At all the report screen in Tally
Alt + U	To retrieve the last line which is deleted using Alt + R	At all the report screen in Tally
Alt + V	From invoice screen to bring stock journal screen	At invoice screen > quantity field > Alt + V to select the stock journal
Alt + R	To Register Tally	At almost all screen in Tally
Ctrl + B	To Select the Budget	

Windows	Functionality	Availability
Ctrl+Alt+B	To check the company statutory detail	At all menu screens
Ctrl + C	To select the Cost Centre To select Cost Category	At groups/Ledgers/Cost Centres/ Budget/Voucher types/Currencies (Accounts Info) creation and alteration screen At stock groups/Stock Categories/ Stock items/Reorder levels/ Godowns/Voucher types/Unit of measures (Inventory info) creation/alteration screen
Ctrl + E	To select the currencies	At groups/Ledgers/Cost Centres/ Budget/Voucher types/Currencies (Accounts Info)creation and alteration screen
Ctrl + G	To select the Group	At groups/Ledgers/Cost Centres/ Budget/Voucher types/Currencies (Accounts Info)creation and alteration screen
Ctrl + H	To view the support centre	At almost all screen in Tally
Ctrl + I	To select the stock items	At stock groups/Stock Categories/ Stock items/Reorder levels/ Godowns/Voucher types/Unit of measures (Inventory info) creation/alteration screen
Ctrl + L	To select the Ledger To mark a voucher as optional	At groups/Ledgers/Cost Centres/ Budget/Voucher types/Currencies (Accounts Info)creation and alteration screen At the creation and alteration of Vouchers
Ctrl + O	To Select the godowns	At stock groups/Stock Categories/ Stock items/Reorder levels/ Godowns/Voucher types/Unit of measures (Inventory info) creation/alteration screen

Windows	Functionality	Availability
Ctrl + Q	To abandon a form - wherever use this key combination, it quits that screen without making any changes to it	At almost all screen in Tally
Ctrl + R	To repeat narration in the same voucher type	At creation/alteration of voucher screen
Ctrl+Alt+R	Rewrite the data for a company	From Gateway of Tally Screen
Ctrl + S	Allows you to alter the stock item master	At stock voucher report and godown voucher report
Ctrl + U	To select the Units	At stock groups/Stock Categories/Stock items/Reorder levels/Godowns/Voucher types/ Unit of measures (Inventory info) creation/alteration screen
Ctrl + V	To select the Voucher Types	At groups/Ledgers/Cost Centres/Budget/Voucher types/ Currencies (Accounts Info) creation and alteration screen
	To toggle between the Invoice and Voucher	At creation of Sales/Purchase Vouchers screen

Windows	Functionality	Availability
PgUp	To display previous voucher during voucher entry/alter	At voucher entry and alteration screens
PgDn	To display next voucher during voucher entry/alter	At voucher entry and alteration screens
Enter	To accept anything you type into a tally field To accept a Voucher or master To get a report with further details of an item in a report	At most areas in the Tally At the receivable report - press enter at a pending bill to get transactions relating to this bill
Esc	To remove what you typed into a field To come out of a screen To indicate you do not want to accept a voucher or master	At almost all screen in Tally
Shift + Enter	Collapse next level details	At Voucher register screen and Trial Balance report
Shift + Enter	To explode a line into its details	At a Group/Stock group/Cost category/Godown/Stock category - display sub groups and Ledgers/Stock items/Cost Centres/Secondary godowns/Secondary stock categories. At a Voucher - display its entries and narration At a stock items - displays its godowns and batch details At Voucher register scree - display the next level details At Trial Balance report - displays the next level details
Ctrl + Enter	To alter a master, while making an entry or viewing a report	At voucher entry and alteration screen At all reports

UNIT 3.8
QUICKBOOKS

Introduction

Quick Books is one of the most popular accounting softwares developed by Intuit, a US based company in 1983. QuickBooks is designed for those who are unfamiliar with accounting or book keeping. Simply enter our sales and expenses, and QuickBooks will do the rest. In a few clicks, we can create invoices, estimates, statements, expense reports, and more. Keep all of our accounting data organized at our fingertips with QuickBooks. QuickBooks is an all-in-one small business financial management software to manage Customers, Suppliers, Employees, Inventory and Accounting.

QuickBooks has about 4.5 million users around the world. QuickBooks is a low cost high performance software which can help the small and medium size firms to manage the data and can provide all the required facilities in one time purchase.

Due to involvement of cloud computing technology, this software just needs network connectivity. One can operate it from any place and at any time. The data can be accepted from various devices. It can be said it's like an e-mail id which can be operated if one has internet connection. QuickBooks can be accessed from various devices including PC, Tablet, Mobile, etc. provided are connected to the internet. This chapter is designed to equip the learners capable of handling international accounting environment and help to seek jobs abroad.

Learning outcomes

The Learner:

- *Explains Quick Books (QB)*

- *Explains uses and features of QB*

- *Sets up company and customise business*

- *Defines and list out QB Center*

- *Sets up Service Tax and VAT*

- *Customises invoices*

- *Navigates chart of accounts*

- *Adds and edits accounts*
- *Creates customers*
- *Creates invoices, Receipts, Estimates and Credit Note*
- *Lists out and generates reports related to customer*
- *Sets up suppliers*
- *Makes billable expenses*
- *Creates purchase order, Invoce, Payment and Debit Note*
- *Lists out and create reports related to suppliers*
- *Customises reports*
- *Works with transactions*
- *Sets account numbers*
- *Identifies and lists out default accounts*
- *Explains the nature of QB online reports*
- *Lists types of reports*

Introduction to Quick Books

QuickBooks is the most well-known product developed by Intuit which is currently in the market. Intuit was founded in 1983 and gained popularity with its first personal financial management software, Quicken. After its success, the company set out to create an accounting solution for small businesses. QuickBooks gained a solid share of the small business accounting market upon its initial release. It is a low cost high performance software which can help the small and medium size firms to manage the data and can provide all the required facilities in one time purchase.

Objectives

The main objective of developing this software is to keep accurate financial records, to provide accurate financial information about current operations and the financial condition of a company, so that the stakeholders can make informed decisions about the business.

Features of QuickBooks

1. **Anytime, Anywhere access**: To access QuickBooks Online, Login to QuickBooks from any Internet connected Machine, PC or Mobile phone. Using Computer browsers, users can have complete access to perform from anywhere, at any time, any of the tasks

2. **Online Banking**: For Online Banking, Link QuickBooks account with bank and automatically download all accounted transactions from bank. It can reduce data entry errors and virtually eliminate reconciliation errors using information coming directly from bank.

3. **Data Backup and Security**: Automatic data backup system and centralized servers secures data from sudden loss. Security system in QuickBooks is as safe as that of with banking services.

4. **Multiple Access across Locations**: It connects users in different locations by allowing multiple users to access their account. It allows to set up 7 users which include 5 normal users and 2 accountants in the software.

5. **Creating Invoices and Professional Estimates**: Create and manage professional invoices, then print or send them via email.

6. **Instantly Access Reports and Company Snapshots**: QuickBooks reports give valuable insight into

   company's finances to make better business decisions, from basic financial reports to reports for specialized business activities. See the state of business instantly with the Company Snapshot, a single screen that shows exactly how the business is doing.

7. **Easy Service Tax and VAT Computation**: QuickBooks has also been designed software for the Indian tax system. It computes Service Tax and VAT in a single click.

8. **Inventory Tracking**: For businesses that carry product inventory, the Inventory Tracking feature manages and track orders with confidence. Know at any time which items are in inventory, how much have been sold, and how much have on hand.

9. **Special Accountant Access**: All QuickBooks Online (QBO) accounts have free Accountant login. Special accountant access provides special privileges and tools to help save time and effort. Two users with accountant privileges can be added to login under one account.

10. **Easy to Create and Track Budget**: It provides facility to its clients to plan well through budgeting. Be more efficient by creating client's budgets easily which are meant for income and expenditure accounts.

11. **Tracking Profitability by Locations and Business Units**: Easily track profitability across business units and geographic locations through class wise accounting and segment wise accounting.

12. **No Software installation required and avoid Version and Data Mismatch:** The usage of latestversion of the software with the Data being automatically backed up, thus totally avoiding version and data mismatches.

Uses of QuickBooks

QuickBooks is a software made for small and medium size businesses and is also useful for non-profit organisations. QuickBooks is useful generally for service sector and trading sector businesses.

Major Uses of QuickBooks are:

All documents and reports can be customised to the business needs. Reports can be readily exported to other applications.

- QuickBooks is easy to use. Once properly setup, the software does an excellent job of recording, organizing and reporting the financial information of the business enterprise in accordance with established accounting standards and methods.

- It is very stable, reliable and cost effective.

- QuickBooks allows users to create invoices to track how much money is owed to them. This information can easily be pulled up to find out which customers owe money and exactly how much they owe.

- QuickBooks allows users to keep track of how much money the company is spending on supplies, utilities, and other company expenses.

- QuickBooks can easily save contact information for repeat customers and vendors.

Set up Company Account:

Starting a QuickBooks Online company is very easy. Here are the steps:

Go to the link http://www.QuickBooks.in to create a Trial Account with QuickBooks.

1. Link will take you to the home page of QuickBooks India.

2. If you are an existing QuickBooks User, then just Sign In to your Account.

3. In case to use free trial of QuickBooks, Click on Free Trial option.

4. It takes you to the Sign Up screen, fill the information required and click on Get Started to start Free Trial Version.

5. Now your new QuickBooks Online Company Account is created.

Customise for Business:

QuickBooks also provides a unique feature to customise our account as per our industry requirements. QuickBooks offer generalized software which can easily be customised as per the nature and type of the industry (business) of the user. Customisation is one time procedure; whereby user needs to be careful while customizing the company account. With such customisation enabled, QuickBooks helps to:

- creates a list of Products and Services as per requirement of industry.
- builds a Chart of Accounts best suited to industry.
- customises invoice fields.
- selects the best reports for the business.
- enables Estimates.
- enables Rate and Quantity.

QuickBooks Center:

QuickBooks Center is a place that gathers all of the relevant transactions as well as other information, such as the names and addresses of customers, vendors, or employees. We can customise how information to be displayed in the Customers, Vendors, or Employees Center. We can also run some common reports from within each Center. QuickBooks centers are generally divided into three parts. They are:

Major centers:

The main centers of QuickBooks are:

A) **Customers Center:**

The Customers Center gives us access to all of our customers', jobs, contact information of each customer and billing information of customer transactions.

B) **Suppliers Center:**

The Suppliers Center gives us quick access to all of our vendors, their contact and billing information, and vendor transactions.

C) **Employees Center:**

The Employees Center gathers information for each of our employees, including contact information.

Other Centers:

Other centers include:

- ✓ Transaction Center.
- ✓ Report Center
- ✓ Tax Center.

- The QuickBooks also has center for Audit Trail and Transaction Reports which helps to track the activities taken out during the year.

- It also has the center for Connecting to Bank, which can help us to make transactions, and helps in viewing balances of all linked accounts.

Set Up Taxes:

Under this setup you can select various Tax modules applicable to our company and prepare Invoice for our products and services features

- To Pay Tax.
- To Check Tax History.

How to set up Tax Account?

- Go to Home page.
- Select the Tax option in the menu bar to set up taxes. A business organization can fix service tax and VAT
- Click on Tax option to see Tax Center screen.
- Click the Set up tax button.

Set Up Customers

Setting up master data of customers and suppliers for the first time will ensure quick and accurate recording of transactions. Click on the customers button in the menu bar to open customer module. Here we have got two options:

- Create New Customer.
- Importing the details of Existing customers from an Excel Sheet.

Create new customer :

To create a new customer, click on New Customer and fill the required information. The Customer summary bar across the top of the screen show at a glance the status

of all customer related transactions. It shows total amount of open invoice generated to customers and invoices overdue and also total amount received from customers with-in last thirty days.

Utility Button:

By clicking utility button the following utilities are available for customization.

- ❖ Invoice
- ❖ Receive Payment
- ❖ Estimate
- ❖ Credit Note
- ❖ Sales Receipt
- ❖ Delayed Charge

Set Up Suppliers:

Setting up master data of suppliers for the first time will ensure quick and accurate recording of transactions. Click on the suppliers button in the menu bar to open supplier module. Here we have got two options:

- ➢ Creating a new supplier
- ➢ Importing existing supplier details from an Excel Sheet.

Create a new supplier:

Click on 'New Supplier' and fill the required information.

The suppliers summary bar across the top of the screen show at a glance the status of all Supplier related transactions. It shows amount of bills accepted, total amount of bills overdue and bills paid out of the outstanding amount.

Utility Button:

By clicking utility button the following utilities are available for customization.

- ➢ Expense
- ➢ Cheque
- ➢ Bill
- ➢ Purchase Order
- ➢ Supplier Credit
- ➢ Credit Card Credit

Chart of Accounts:

A chart of accounts depicts all the ledger accounts, grouping and their relation with financial statements. To simplify the process, the list of accounts is already provided in the software. The ledger accounts relating to assets and liabilities for Balance Sheet and Income and Expenditure for Profit & Loss account with the appropriate grouping is a key to financial reporting compliance. Additionally a unique number or code can be given to each account to avoid any duplication and facilitate correct recording.

Navigation:

Go to the Company Name menu and select Chart of Accounts option in settings

Setting up Account Numbers (Unique Code/number for each Account)

1. For turning on Account Number option in chart of accounts, turn on the functionality by ticking the Account Numbers in Preferences. To show that the Account Number option is turned on, Account list the Show Account Numbers tick box is automatically selected.

2. To assign numbers, click Assign Account Numbers. This allows you to enter the numbers for each account in a single view as below.

3. Once Account Numbers are assigned, Save and return to the Main Menu to view the display with Account numbers.

4. Note that account numbers can be assigned to new accounts on creation and that once assigned, can be edited or reassigned using the Edit functionality.

Default Accounts.:

By default QuickBooks offers a list of accounts, which meets the needs of almost each and every business. User can directly use these accounts and can save time. Opening balance for such accounts are equal to zero by default. These balances cannot be edited directly from the edit option, but this does not mean that opening balances for these accounts cannot be entered. In order to provide the opening balances for these accounts, user needs to pass an opening journal entry which would enable the user to provide the opening balances of the default accounts.

A LIST OF DEFAULT ACCOUNTS

Name	Type
ASSETS	
Accumulated Depreciation	Fixed assets
Buildings and Improvements	Fixed assets
Custom Software	Fixed assets
Furniture and Equipment	Fixed assets
Land	Fixed assets
Leasehold Improvements	Fixed assets
Tractors and Trailers	Fixed assets
Vehicles	Fixed assets
Warehouse Equipment	Fixed assets
Prepaid Insurance	Current assets
TDS Receivable	Current assets
Un-Deposited Funds	Current assets
LIABILITIES	
Retained Earnings	Equity
TDS Payable	Current liabilities
INCOME	
Discounts given	Income
Sales	Income
Sales Discounts	Income

Name	Type
Services	Income
Finance Charge Income	Other Income
Insurance Proceeds Received	Other Income
Interest income	Other Income
Proceeds from Sale of Assets	Other Income
Shipping and Delivery Income	Other Income
<u>EXPENSES</u>	
Commissions Paid	Cost of Goods Sold
Freight Costs	Cost of Goods Sold
Merchant Account Fees	Cost of Goods Sold
Business Licenses and Permits	Expenses
Car and Truck Expenses	Expenses
Charitable Contributions	Expenses
Computer and Internet Expenses	Expenses
Continuing Education	Expenses
Depreciation Expense	Expenses
Dues and Subscriptions	Expenses
Equipment rental	Expenses
Housekeeping Charges	Expenses
Insurance Expense	Expenses
Insurance Expense-General Liability Insurance	Expenses
Insurance Expense-Health Insurance	Expenses

Name	Type
Insurance Expense-Life and Disability Insurance	Expenses
Interest expense	Expenses
Meals and entertainment	Expenses
Office Supplies	Expenses
Purchase	Expenses
Postage and Delivery	Expenses
Printing and Reproduction	Expenses
Professional Fees	Expenses
Rent Expense	Expenses
Repair and maintenance	Expenses
Taxes – Property	Expenses
Telephone Expense	Expenses
Travel Expense	Expenses
Utilities	Expenses
Advertising and Promotion	Other Expense
Ask My Accountant	Other Expense
Bank Service Charges	Other Expense
Miscellaneous Expense	Other Expense
Political Contributions	Other Expense

Adding a New Account:

As per the needs and requirements of the business activities, the user will always be in need of creating New Accounts apart from those which are mentioned above. To serve this purpose, user needs to follow the steps explained below:

1. Click on New button for creating new accounts.

2. Follow the given steps to create a new account:

    - The starting point is the selection of the Category Type from the dropdown menu.

    - Selection of the Category Type allows the selection of the Detail Type.

    - The Name is mandatory. To be described for the account being created.

    - A Sub-Account is an account that is linked to a parent account. Predictive text is enabled for sub accounts so starting to type in the field will bring up the names of already existing accounts.

    - Opening Balance (if any exists) for an account on the date.

    - After entering all the details click Save to have the New Account being added.

Editing Accounts:

Edit button allows to change all the account attributes for already existing accounts including making accounts, sub accounts etc. For editing any particulars of an account, first select account which requires editing and by clicking Edit button that account will be open for editing. Edit the account as required then save and close.

QuikBook Reports:

Reports are important for decision making, business planning and a tool that provides varied important relevant details relating to business and its performance. Their objective is to provide information about the financial position, performance and changes in the financial position of a company. Reports should be understandable, relevant, reliable and comparable. They show assets, liabilities, equity, incomes and expenses that are directly related to an organization's financial position.

Purpose of QB Reports:

There can be various purposes for which different types of reports are generated. Few of the purposes are listed below:

- Finding out how your sales are doing.

- How much profit is generated?

- To know time activities of the employee.

- Product wise purchase/sales details

- Trial Balance.

- How much TDS is payable?

- VAT, Service Tax and Excise Summary.

- Customer wise Revenue Details.

- Ageing of Receivables.

- Accounts Listing.

- Inventory Valuation Summary.

- Open Purchase order list.

Nature of QB Online Report:

QuickBooks online reports allow us to customise in minutes, so we can quickly develop report formats tailored to unique business. Once customise a report, the user have QuickBooks Online save the changes so that we can run it any time. We can display original transactions and analyze the detail behind the numbers. These reports are also used as part of management's annual report to the stockholders. Reports can be Textual as well as Graphical.

- Textual Reports : These generally include financial statements and other Statements which are prepared in textual format.Eg: Balance Sheet, Profit & Loss Account

- Graphical Reports : These contain graphical gnapshots and presentations. Eg. Pie Charts, Bar Diagrams etc.

Report Categories:

There are many reports available in QuickBooks. They are grouped into easy to use categories like - Recommended, Frequently used, My custom reports and All reports.

(a)   Recommended:

Under this category reports which are most useful for all the businesses are included. These reports recommendation is by QuickBooks. Out of 65+ reports which

QuickBooks provides, recommended reports are those reports which are often used in day to day business. List of such reports are us under.

1. Profit& Loss :- Gives reports of Income, Cost of Sales, Expenses and Profit

2. Balance Sheet:- Gives reports of Assets, Liabilities and Equity

3. Company snapshots: Gives year-over-year comparison by using pie charts and bar diagram

4. Budget v/s Actuals:- Compares your budgeted income and expenses to the actual amounts to find out variance.

5. A/R Ageing Summary:- Shows summary lists each customer with an open balance and lists the open invoices in different columns based on whether it's current or how long it's been overdue i.e. 30, 60, and 90+ days.

6. A/P Ageing Summary:- Shows unpaid bills for the current period and for the last 30, 60 and 90+ days so you can see how long they've been outstanding.

(b) Frequently Run:

Purpose of this category is to provide the reports to a user which he uses more often. So that user does not require to navigate to different menu to find the report which he uses more frequently. In this category there are maximum 10 frequently used reports.

(c) My Custom Reports:

In QuickBooks user has the facility to customise a report and save it in the category my custom reports. User also makes a group like annual reports and save reports under that category. If user enables the e-mail option then QuickBooks sends an e-mail to the specified clients automatically at specific time or to set up a system to send while accountant is away.

(d) All Reports:

If you want all the reports at one place then it is All reports category. It includes all the reports which are available at different menu options and it also includes additional reports like reports related to tax, employees, accountant reports etc. In this head, reports are grouped into categories in order to help users find the accounts most useful for them. To view categories of all reports, click on all reports at the top of the bar in reports dashboard

PRACTICAL IN DETAIL

Qn.1: Create a Textiles with your own name as a retail company in QB with an opening cash and capital balance of Rs.8,00,000/- You are requested to create the following new Suppliers and Customers in the company.

List of Suppliers:

1. M/s Raj Cotton mills, Coimbatore

2. M/s. Mafthalal Suitings Mumbai

3. M/s Ramraj Clothings, Thirupur

4. M/s. Bombay Dying Suitings, Punai

5. M/s.Kitex , Angamaly

List of Customers

1. Aiswarya Textiles Kollam

2. Rajakumari Textiles Attingal

3. Prince Fashion Textiles, Kasaragod

4. Anaswara Textiles, Kannur

5. Devi Textiles, Kottarakkara.

Ans.

Step 1.   Go to the link http://www.QuickBooks.in to create a one month trial account in QB.

Step 2.   Login your Company in QB using username and password.

Step 3.   Click '+'-click journal entry from the list of others list-click account and select the ledger account capital and cash or add new ledgers-fill debit and credit amounts-save

To create suppliers

Step 4.   Click on Supplier centre ⟶ click on new supplier ⟶ fill the details of first supplier and save it. Continue the same procedure to create remaining suppliers.

To create new customers

Step 5. Click on Customer centre ⟶ click on New Customer ⟶ fill the details of first customer and save it. Continue the same procedure to create remaining customers.

Qn. 2. The following purchases were made during the month of June to the above listed Suppliers in Qn. 1 above.

You are required to make necessary entries in QB. The credit period is 30 days net.

Date	Particulars
1/6/2016.	Purchased 5000mtrs silk shirtings from M/s. Mafthalal Suitings Mumbai @ Rs.200/mtr.
2/6/2016.	Purchased 2000 dhothis from M/s. Ramraj Thirupur @ Rs.400/dhoth.
2/6/2016.	Purchased 3000 lunkis frm M/s Kitex, Angamaly @ Rs 200 / lunki.
4/6/2016.	Purchased readymade garments from Bombay Dying: Shirt 1000 nos @ 1200/ unit. Pants 1000Nos @ 1500/unit.
0/6/2016.	Purchased from M/s Raj Cotton Mills Coimbatore Churidhar Materials 1500 pieces @ 800/piece.

Answer.

Follow the procedure given below:

Click on supplier centre- click on create bill on corresponding suppliers- fill up terms of credit and bill date- select purchase account in account details- give description if any- go to item details and select product/service name- fill up description if any- give quantity, rate and amount- save.

Qn.3. The following sales were made during the month of June to the above listed Customers. You are required to make necessary entries in QB. Credit period is 15days net.

15/6/2016 Sold to Aiswarya textiles, Kollam

500 mtr shirting @ Rs.250/mtr

200 Dhothi @ Rs. 500/mtr

100 shirts @ Rs. 1500/mtr

18/6/2016 Sold to Rajkumari Textiles, Attingal

      Pants 250 nos. @ Rs.2000/- each

      Silk Shirtings 1000mtr@ Rs.250/mtr

20/6/2016   Sold to Prince Fashion Textiles, Kasaragod

      Chriudhar 200 pieces @ Rs.1000

20/6/2016 Sold Devi Textiles ,Kottarakkara

      Lunki 100 pieces @ Rs.300

Answer

Follow the procedure given below:

Click on customer centre- click create invoice for the corresponding customers- fill up credit term and invoice date- Select the name of product/service or add a product if not yet created-give description if any- give quantity, rate and amount- save.

Qn.4. You are required to make accounting entries in QB for the following transactions.

Date: 1/6/2016   Paid Carriage Rs. 5000/-

   2/6/2016   Paid Wages Rs. 2000/-

   4/6/2016   Received Commission Rs.8000/-

   30/6/2016 Received from Aiswarya textiles on account

   1/7/2016   Paid to M/s. Mafthalal Suitings Rs.1,00,000/-

Answer

Follow the procedure given below:

For expense

Click on transaction centre-click on expenses-click new transaction-select expense-go to account details and select name of expense account or add new expense account-give description if any-give amount-save.

For incomes

Click "+' - click journal entry from others list- click account and select the name of income or add new income account and credit the amount- Select cash/bank account and credit the amount.

For receipt from customer

Click cutomer centre- click receive payment of the corresponding customer- select invoice number if any- fill up receive payment details-save.

For payment to supplier

Click supplier centre- click make payment of the corresponding supplier- fill the bill payment details- save it.

Qn.5. You are requested to show the following financial reports after recording all the above transactions.

    i)   Trial balance at the end of July 2016

    ii)   Trading and Profit and Loss Account

    iii)   Balance Sheet

    iv)   Funds flow statement.

Answer.

Follow the procedure given below.

Click on report center- opt period- view report- select the needed report.

TE QUESTIONS

1. Explain the features of QB.
2. 'QB is highly usefull for small and medium sized business concerns'. Explain the uses of QB.
3. What is QB Center? Summarise the contents of various QB Centers.
4. 'QB satisfies all the reporting needs of an organization'. List out the purposes of QB Reports.
5. Briefly explain the various report categories available in QB.
6. Summarise the benefits of QB customisation.
7. State whether the statement is true or false. 'QuickBooks customisation is a one-time process'.
8. The first personal finance management software developed by QuickBooks is…………..
9. Explain the meaning of chart of account in QuickBooks.
10. List out the utilities button available in the customer creation window of QuickBooks.

LIST OF PRACTICALS

UNIT 3.2 LIST OF PRACTICALS

- ➢ Installation of Tally software
- ➢ Working with Tally to describe Tally components
- ➢ Company Creation with accounts only and accounts with inventory of minimum 6 companies
- ➢ Select, Alt, and Shut a Company
- ➢ Lab works to fix company features, configure the company using the key "F12"
- ➢ Lab works to identify various button in the button panel

UNIT 3.3 LIST OF PRACTICALS

- ➢ Lab Work of menu related to accounts in Tally
- ➢ Creation of accounting information
- ➢ Making inventory information
- ➢ Lab works to learn pre-defined groups
- ➢ Create Ledger groups
- ➢ Creation of sub groups
- ➢ Display Alt and delete groups
- ➢ Create, display, alt and delete multiple groups
- ➢ Create, display, alt and delete single ledgers
- ➢ Create, display, and alt multiple ledgers

UNIT 3.4 LIST OF PRACTICALS

- ➢ Lab works to identify the various types of vouchers in tally
- ➢ Configuring vouchers
- ➢ Create, display, duplicate and cancel vouchers
- ➢ Lab works for voucher entry in different companies with different types of transactions (practice minimum five companies)

UNIT 3.5 LIST OF PRACTICALS

- ➢ Create or alter company and enable VAT
- ➢ Voucher entry with VAT
- ➢ Create or alter company to enable TDS
- ➢ Voucher entry with TDS
- ➢ Create or alter company to enable service tax
- ➢ Voucher entry with Service Tax
- ➢ Make VAT, TDS and Service Tax Report

UNIT 3.6 LIST OF PRACTICALS

- ➢ Create or alter company with cost categories
- ➢ Display or alter cost categories
- ➢ Create or alter company with cost centre
- ➢ Display, alter and delete cost centre
- ➢ Create or alter company with stock groups
- ➢ Create or alter company with stock categories
- ➢ Display, alter or delete stock categories
- ➢ Create stock items
- ➢ Display and alter stock items
- ➢ Create godowns
- ➢ Display or alter godowns
- ➢ Create unit measures
- ➢ Display or alter unit measures
- ➢ Lab work with all inventory attributes for minimum five questions

UNIT 3.7 LIST OF PRACTICALS

- ➢ Create, alter and delete Purchase Order
- ➢ Create, alter and delete Sales Order
- ➢ View Purchase and Sales Orders

- Creating Invoice
- Configure Invoices
- Print invoice and print cheque
- Generate reports
- Generate Trial Balance
- Generate Profit and Loss account
- Generate Balance Sheet
- Display Day Book
- Create statements of account, inventory books and statement of inventory
- Prepare Bank Reconciliation Statement
- Lab Works for various reports of five questions

UNIT 3.8 LIST OF PRACTICALS

- Setup a company with online trial version of QB
- Lab work to familiarize QB centers on the screen
- Setup tax-VAT and service tax
- Setup customers
- Setup suppliers
- Lab work to familiarize chart of accounts
- Lab work with transaction entry
- Lab work to familiarize reports

MODULE 4

TAXATION

OVER VIEW

Tax is the major source of revenue of almost all the countries in the world. Tax is assessed on the income or profit earned by individuals, firms, companies and other artificial juridical persons. Sufficient skill is required to carryout the assessment of tax, deduction and remittance of tax and for complying other statutory requirements with respect to taxation. All types of business establishments seek personnel having skill and knowledge in accounting as well as taxation. Often accounts assistance have to carryout the works relating to taxation. Hence to become an accounts assistant, one should have basic knowledge not only in accounting but in taxation and should possess the tax practicing skill also. Accounting of taxes becomes an integral part of accounting system in the world. The law relating to taxation is different in different countries, however, this module is aimed to impart the basic taxation knowledge in Indian scenario. This module is designed to provide both direct and indirect taxation knowledge to the learners so that their skill can be used by business enterprises, commercial tax practitioners and income tax practitioners. The learners reaching at this stage are expected to have the ability to handle IT needs of business organization, prepare accounts manually, and also have the ability to prepare accounts through accounting softwares. Hence the taxation knowledge will improve the quality of learners which enhances the entry level opportunity and also it become a stepping stone for professional growth to learners.

UNIT 4.1
INTRODUCTION TO TAXATION

Introduction

Basic understanding of taxation is very much important for an accounts assistant. This chapter aims to provide basic taxation knowledge. Coming pages of this chapter discuss the need and importance of tax as well as how the taxes are classified. Learners also get an understanding of the concept of Cess and Surcharge also.

Learning outcomes

The Learner:

- *Explains the meaning of tax*

- *Analyses the need for taxation*

- *Classifies the taxes*

- *Defines direct tax and indirect tax*

- *Differentiates between direct tax and indirect tax*

- *Lists out various direct and indirect taxes*

- *Explains Cess and Surcharge*

Meaning of Tax

Tax is an important source of revenue for the nation. Tax is a compulsory collection levied by the sovereign on its subject matter without any consideration. Tax is a compulsory extraction of money by the government from the public for a common good. Tax is imposed on the activities (production, purchase, sale, import, export etc. of goods or service), enjoyment, expenditure, income, occupation, privilege, property etc. Taxation helps to maintain equality among the people in a democratic and socialist country like India.

Need For Tax

Since our Government follows a socialist and democratic pattern of society it is the foremost duty of the government to bring out.

- Development programmes for the nation
- Maintain equality among people
- Maintain law and order
- Safeguard security for the nation from foreign powers
- Development and welfare programmes which will bridge the gap between rich and poor.

For these, mobilization of funds from various sources is necessary and hence government levy and collects various taxes from public. It is rightly said that tax is the price which we pay for a civilized society.

Classification of Tax:

Taxes can be of two types

Direct Taxes:

When incidence and impact of tax fall on same person, such taxes are called direct taxes. Direct taxes include taxes that cannot be transferred or shifted to another person ie, when (i) liability to pay tax and (ii) the burden of that tax falls on the same person, the tax is called direct tax Eg: Income Tax , Wealth Tax.

Indirect Taxes:

When incidence and impact of tax fall on different persons, such taxes are called indirect taxes.In other words the levy of tax is on one person but the burden of tax shifted to another person. Eg: Sales Tax , Excise Duty, VAT, Customs Duty etc.

Differences between Direct Tax and Indirect Tax

Direct Tax	Indirect Tax
The burden of tax cannot be shifted.	The burden can be shifted
Lack of administration in collection of tax make tax evasion possible	Effective administration and self regulation makes tax evasion less
Direct taxes helps to reduce inflation	Indirect tax may enhance inflation
High administrative cost	Less administrative cost as compared to direct tax
Direct Tax is levied for and paid by individuals, HUF, firms, companies etc.	Indirect tax is ultimately paid by the end consumer of goods and services
Direct taxes are collected only from people in respective tax brackets	Indirect taxes have a wider coverage as all members of the society are taxed through sale of goods and services

Meaning of Cess and Sur charge:

Cess is an additional levy on the basic tax liability for meeting specific expenditure. Education cess is levied at the rate of 3% on the tax liability of the assessee including surcharge. The purpose is to provide and finance universalized basic education as well as secondary and higher secondary education in the country. 2% cess for financing basic education and 1% for secondary and higher secondary education.

Surcharge is a charge in addition to usual payment of tax. It was introduced in Finance Act 2013 at the rate of 10% on all categories of tax payers earning income over and above Rupees one Crore. It is fixed @15% for the financial year 2016-17

TE QUESTIONS

1. Explain the meaning of tax.

2. Collection of tax is very important for the government. Do you agree? Why?

3. Tax is broadly classified into………….

4. Explain the meaning of direct tax and indirect tax.

5. Construct a table showing the differences between direct tax and indirect tax.

6. ………….. is an additional levy on the basic tax for meeting specific expenditure.

7. Surcharge is fixed at …………….% w.e.f. the financial year 2016-17.

8. VAT is an example of ………….

9. …………….is an example of direct tax.

10. Explain the meaning of the term cess and surcharge.

UNIT 4.2
INCOME TAX

Introduction

Income tax is an important element of accounting and taxation. This chapter deals with the relevance, importance and methodology of Income Tax practice. A simplified methodology is adopted to make the learner at this level to acquire the basic knowledge of Income Tax. Since Income Tax practicing is based on the Income tax laws and rules, an adequate coverage for the same has been given. The basic terms of Income Tax Act, heads of income, residential status etc. are covered in this module. An attempt is made to equip the learners with the ability of computing salary income and applying deductions allowed under the Income Tax Act.

Learning outcomes

The Learner:

- *Defines income tax*
- *Analyses the content of income tax Act*
- *Explains income tax rules*
- *Defines basic terms in income tax*
- *Explains the general charging section*
- *Explains residential status*
- *Determines residential status*
- *Determines the scope of Income tax based on residential status*
- *Categorises heads of income*
- *Differentiates GTI and TI*
- *Summarises incomes fully exempted from tax*
- *Computes income from salary*
- *Determines taxable portion of HRA*
- *Outlines the deduction of Professional Tax*
- *Makes deduction of housing loan interest*
- *Calculates GTI*
- *Lists out the deductions under Section 80C and 80D*

- *Explains tax rates*
- *Calculates total income*
- *Uses deductions under 87A*
- *Computes Income Tax for citizen, Senior Citizen and Super seniors*
- *Defines PAN*
- *Describes the features of PAN*
- *Plans to reduce tax liability*

Meaning of Income Tax:

The tax levied and collected on income earned by a person is called income tax. By virtue of powers conferred by Article 246 of the constitution of India, Parliament has exclusive power to make low with respect to any of the matters enumerated in List 1 (union list) in the seventh schedule to constitution. Entry no. 82 of the union list states Tax on income other than agricultural income. But tax on agricultural income is a state subject, has been brought in by entry no. 46 of the state list of the seventh schedule to constitution. Every person, whose taxable income in any previous year exceeds the non taxable limit shall be liable to pay income tax at the rates in force during the current financial year.

In India, Income tax was introduced for the first time in 1860, by Sir James Wilson in order to meet the losses sustained by the Government on account of the Military Mutiny of 1857. Thereafter, several amendments were made in it from time to time. In 1886 a separate Income Tax Act was passed. This Act remained in force up to 1918, subject to various amendments from time to time. In 1918, a new Income Tax Act was passed and again it was replaced by another new Act which was passed in 1922. The Income Tax Act of 1922 had become very complicated on account of innumerable amendments. The Government of India therefore referred it to the law commission in1956 with a view to simplify and prevent the evasion of tax. The law commission submitted its report-in September 1958. But in the meantime the Government of India had appointed the Direct Taxes Administration Enquiry Committee, which submitted its report in 1956. In consultation with the Ministry of Law finally the Income Tax Act, 1961 was passed. The Income Tax Act 1961 came into force on 1st April 1962. It applies to the whole of India including Jammu and Kashmir. The income tax law in India consists of the following components:

1. Income Tax Act
2. Income Tax Rules
3. Finance Act
4. Circulars and Notifications
5. Legal decision of courts.

Finance Act : Every year, the Finance Minister of the Government of India presents the Budget in the Parliament. Once the Finance Bill is passed by the Parliament and gets approved by the President of India, it becomes the Finance Act.

Income-Tax Rules: The administration of direct taxes is looked after by the Central Board of Direct Taxes (CBDT). The CBDT is empowered to make rules for carrying out the purposes of the Act. For the proper administration of the Income-tax Act, the CBDT frames rules from time to time. These rules are collectively called Income Tax Rules.

Circulars and Notifications: Circulars are issued by the CBDT from time to time to deal with certain specific problems and to clarify doubts regarding the scope and meaning of the provisions. These circulars are issued for the guidance of the officers and/or assessees.

Income Tax Act 1961:

In India, Income Tax Act was passed in 1961 and came into force on 1st April 1962.

Income Tax Rules 1962:

In exercise of the powers conferred by section 295 of the Income Tax Act, the Central Board of Revenue made Income Tax Rules 1962. Sec 295 states that, the Board may subject to the control of Central Government can make rules for the whole or part of India for the purpose of carrying out the Act.

Basic Terms

Person:

Person includes the following:

- An individual
- A Hindu Undivided Family
- A company
- A firm

- An Association of Persons (AOP) or a Body of Individuals (BOI)
- A local authority, and
- Every artificial juridical person

Assessee:

Assessee means any person by whom income tax or any other sum of money payable under the provision of the Act and include any person against whom any proceedings under this Act can be taken for the assessment of his income or income of any other person for which he is liable to pay tax.

Under Sec. 2(7) of Income Tax Act, assessee means a person:

1. Who is liable to pay Income Tax
2. Who is liable to pay any other sum of money under this Act
3. In respect of whom any proceedings under this Act has been taken for his income or and other benefits
4. In respect of whom any proceedings under this Act can be taken for assessment of his income or income of any other person for which he is liable to pay tax.

Previous Year: (Sec. 3)

Previous year means a period of 12 months commencing on 1st April immediately preceding the assessment year. In case of a newly set up business, profession or a new source of income, the previous year will begin from the date of commencing such business or profession or from the date of coming into existence of the new source of income.

Assessment Year: Sec. 2(9)

Assessment year means a period of 12 months commencing on 1st April every year and ending on 31st March of next year. An assessee is liable to file tax return and to pay tax on income earned in the previous year during the following assessment year.

Heads of income Sec. 14

Incomes can be classified into 5 heads. They are:

1. Income from salary
2. Income from house property
3. Income from business or profession

4. Income from capital gains

5. Income from other sources

Income:

This is a very important term as income tax is charged on income of a person. Income means periodical monitory returns coming from a definite source. The term 'income' is not defined in Income Tax Act, except that it states what are included in income. (Refer Sec.2(24) of Income Tax Act)

Gross Total Income (GTI):

Gross Total Income means aggregate of five heads of income of an assessee during the previous year computed according to the provisions of the Act before making any deductions under Chapter VI A (Sec.80 C to 80 U)

Total Income (TI):

Total Income means aggregate of five heads of income computed according to the provisions of the act after making deductions under Chapter VI A (Sec.80 C to 80 U).

General Charging Section Sec. 4.

Following are the basic principles emerge from the charging section

- Income tax is an annual tax on income

- Income of the previous year is taxable in the following assessment year at the rates applicable for that assessment year.

- Tax rates are fixed by the annual finance Act.

- Tax is charged on every person defined under section 2(31)

- Tax is charged on the total income of every person computed according to the provisions of the Act.

Residential status:

The scope of total income of an assessee is determined with reference to his/her residential status in the previous year. Residence and citizenship are different. An Indian may be non- resident or a foreigner may be resident for income tax purpose. The residential status may change from year to year but citizenship will not change.

Residential status of an individual is determined on the basis of two conditions. They are called Basic conditions and Additional conditions.

Basic Conditions. Sec. 6(1)

1. *The assessee is in India for a period or periods amounting in all 182 days or more during the previous year.*

2. *The assessee has been in India for a period or periods amounting in all 365 days or more during four years immediately preceding the previous year and has been in India for a period of 60 days or more during the previous year.*

The 60 days mentioned here will be extended to 182 days in following cases:

   a. *In the case of an individual who is a citizen of India, who leaves India in any previous year as a member of the crew of an Indian Ship or for the purpose of employment outside India and*

   b. *In the case of an individual being a citizen of India or a person of Indian origin, who comes on a visit to India in any previous year*

Additional Conditions sec 6(6)

1. The assessee has been resident in India in at least two out of ten years immediately preceding the previous year

2. The assessee has been in India for at least 730 days in all during seven years immediately preceding the previous year.

Determination of Residential Status of an individual

Residential status of individual may be:

   (a) Resident and ordinarily resident

   (b) Resident but not ordinarily resident

   (c) Non-resident

(a) **Resident and ordinarily resident**

When an assessee satisfies any one of the basic conditions and both the additional conditions, he is said to be resident and ordinarily resident.

(b) **Resident but not ordinarily resident**:

When an assessee satisfies anyone of the basic conditions and failed to satisfy both the additional conditions, he is said to be Resident and not ordinarily resident.

(c) **Non-resident:**

when a person failed to satisfy both the basic conditions, he is said to be non-resident.

Scope of Income Tax based on Residential Status

Resident and Ordinarily resident	Resident but not ordinarily resident	Non-resident
Any income received or deemed to be received in India	Any income received or deemed to be received in India	Any income received or deemed to be received in India
Any income accrued or deemed to be accrued in India	Any income accrued or deemed to be accrued in India	Any income accrued or deemed to be accrued in India
Income received or accrued or deemed to receive or accrued outside India	Income received or accrued outside India from a business or profession which is controlled in India	

Illustration 1:

Mr.Hamesh left to Korea on 15th March 2017, after staying in India for 15 years. He comes back on 20th June 2017. Compute his residential status for the previous year 2016 - 2017.

Solution:

As Mr. Hameesh leaves Indian on 15th March 2017, ie, he was in India for 349 days. So he satisfies first basic condition u/s 6(1). He leaves India on 15th March 2016, after staying 15 years in India ie, he was in India for the last 15 years. So he satisfies both the additional conditions u/s 6(6).

As one of the basic conditions and both the additional conditions are satisfied, Hence Mr.Hameesh is said to be resident and Ordinary Resident for the previous year 2016-2017

Illustration 2:

Mr.Remesh Narayan has the following income during the previous year.

a. Income from Salary received in India Rs.2,00,000

b. Income from business in India Rs. 4,50,000

c. Income from a business situated in USA Rs. 7,50,000 (management is situated in India)

d. Income received outside India Rs.10,00,000

Which incomes are taxable to Mr.Remesh Narayan if he is a:

●   Resident and ordinary resident

●   Resident and not ordinary resident

●   Non resident

Solution:

●   If Mr.Remesh Narayan is Resident and ordinary resident, following incomes are taxable.

♦   Income from Salary received in India Rs.2,00,000

♦   Income from business in India Rs. 4,50,000

♦   Income from a business situated in USA Rs. 7,50,000 (management is situated in India)

♦   Income received outside India Rs.10,00,000

●   If Mr.Remesh Narayan is Resident but not ordinary resident, following incomes are taxable.

♦   Income from Salary received in India Rs.2,00,000

♦   Income from business in India Rs. 4,50,000

♦   Income from a business situated in USA Rs. 7,50,000 (control and management is situated in India)

●   If Mr.Remesh Narayan is a non-resident, following incomes are taxable.

♦   Income from Salary received in India Rs.2,00,000

♦   Income from business in India Rs. 4,50,000

Income exempted from tax (fully exempted only) Sec. 10

●   Agricultural income

●   Share of income received by a member from HUF

- Share of income of a partner from a firm
- Interest received by non residents from securities and bonds as the central government may specify
- Leave travel concession to an employee
- Allowances and perquisites outside India
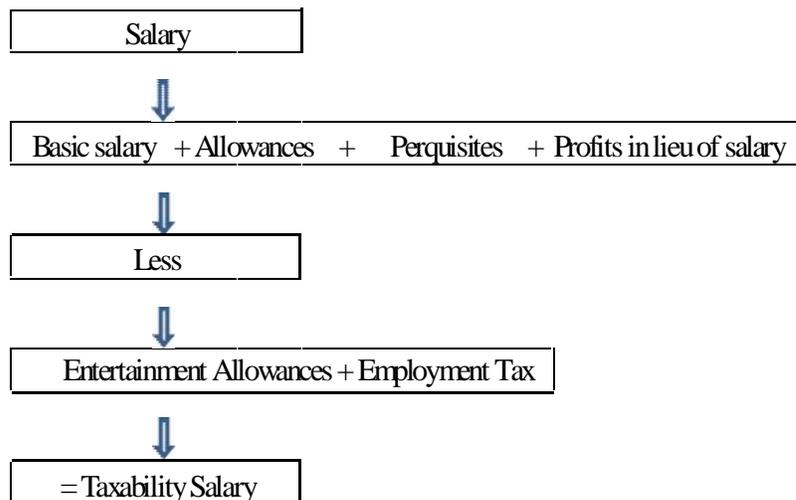- Educational scholarship
- Allowances to MPs and MLAs

Computation of taxable income from salary:

Any remuneration received by an employee from the employer in consideration of his service is called salary. It includes monetary value of all benefits and facilities provided by the employer. Under this head, any value received by the employee on account of employer - employee relationship is taxable.

Salary: As per Sec. 17(1) salary includes the following

- ♦ Wages
- ♦ Any annuity or pension
- ♦ Any gratuity
- ♦ Any fees, commission, perquisites
- ♦ Any advance salary
- ♦ Any leave salary
- ♦ Bonus
- ♦ Commission based on salary or not
- ♦ Profits in lieu of salary

Computation of taxable salary can be illustrated with the help of following chart

Salary

⇩

Basic salary + Allowances + Perquisites + Profits in lieu of salary

⇩

Less

⇩

Entertainment Allowances + Employment Tax

⇩

= Taxability Salary

Allowances: Allowances are classified into three categories

1. Fully taxable
2. Partially taxable
3. Fully exempted.

Fully taxable allowances:

- Dearness allowance, Additional DA and Dearness pay
- City Compensatory allowance
- Fixed medical allowance
- Tiffin allowance
- Servant allowance
- Non practicing allowance
- Hill area allowance
- Deputation allowance
- Over time allowance
- Family allowance
- Dinner allowance

Partially taxable:

- House Rent Allowance

Computation of taxable portion of HRA

Least of the following is exempted under sec 10(13A) from actual HRA

i. Actual HRA received during the year

ii. Rent paid in excess of 10% salary

iii. 40% or 50% salary (50% salary in case of Metro Politian cities and 40 % in case of other cities)

Note: Salary for the purpose of computing HRA means Basic Pay plus Dearness Allowance forming part of salary or Dearness Pay

Fully exempted allowances:

- Foreign allowance (to a government employee outside India)

- Sumptuary allowance given for supreme court and high court judges
- Allowances to the employees of UNO

Perquisites Sec 17(2)

Perquisites means value of any non monitory benefits received by the employee from the employer. Examples are:- Motor car, Rent free accommodation, Free education to children, Service of cook, Watchman and Gardner. These facilities are taxable subject to provision of income tax act and rules.

Computation of GTI

Gross Total Income can be calculated by adding income from all sources after taking into consideration that exempted incomes are excluded and income of any other person for which the assessee is liable to pay tax are clubbed in each head and after set off losses.

Deductions

Professional Tax

Professional Tax is a tax levied by local self government as professional tax or tax on employment. It is deductible in full. If professional tax is paid by the employer on behalf of the employee, it is first added to the salary and then deduction is allowed.

Interest on housing loan

For self occupied house property under section 24B upto Rs.200000/ is deductible. This must be shown as a negative income under income from house property. Under section 80EE an amount of Rs.50,000/- is deductible against housing loan interest as an additional benefit for the new loan taken during the financial year 2016-17.

Under Section 80C

Payment made by the assessee in insurance premium, contribution to PF, Pension Fund, principal part of housing loan, mutual funds etc are deductible. The maximum amount of deduction that can be claimed under this section is Rs.1,50,000/-

Under Section 80CCD (1B) an additional amount of maximum Rs.50,000/- is deductible for making investment in National Pension System (NPS) w.e.f. 1st April 2016.

Under Sec. 80D

Payment made in respect of medical insurance premium by an individual assessee is deductible. A sum not exceeding Rs.15,000/- paid during the previous year as premium for insurance on his health or health of spouse, dependent children and dependent parents are admissible for deduction.

Illustration.

Compute taxable income from salary of Mr. Nani Bhoumic.

Basic Pay   : Rs.55,000 per month

Dearness allowances   : Rs.7,000 per month

City Compensatory Allowances   : Rs. 3,000 per month

Value of Rent free Accommodation : Rs. 2,30,000 for the year

Value of motor car provided   : Rs. 50,000 for the year

During the previous year Mr. Nani Bhoumic paid Rs. 2,500 as tax on employment

Solution :

Particulars		Amount
Basic Pay	(55,000 X 12)	6,60,000
Dearness allowance	(7,000 X 12)	84,000
City Compensatory Allowance	(3,000 X 12)	36,000
Value of Rent Free Accommodation		2,30,000
Value of Motor Car		50,000
Gross Salary		**10,06,000**
Less Employment tax paid by the employee		2,500
Taxable income from salary		**10,57,500**

Permanent Account Number (PAN)

Permanent Account Number (PAN) means a ten digit alphanumeric number issued by the Income Tax department in the form of a laminated card. PAN is allotted to a person on the basis of application submitted in the prescribed form. The purpose of PAN is to identify each assessee regarding the tax matters. The following persons are liable to submit application for PAN within the time prescribed.

1.   Whose income for the previous year exceeds the non taxable limit.

2.   Carrying on a business or profession whose total sales turn over exceeds Rs. 5 lakhs during the previous year.

3. A trust for charitable or religious purpose whose income exceeds the non-taxable limit.

4. For payment exceeding Rs.50,000 in cash to the bank.

5. For opening a bank account other than savings bank account

6. For opening a demat account

Total Income

Computation of TI

Total income of an assessee can be calculated by deducting eligible deductions from GTI.

Income Tax Rates

Following are the income tax rates for the AY 2017-2018 (PY 2016-2017)

A) For individual Resident aged below 60

Total income upto Rs.2,50,000	*Nil*
Where Taxable income exceeds Rs.2,50,000/- but does not exceeds Rs.5,00,000/-	*10% of amount by which the taxable income exceeds Rs.2,50,000/-* *Less : Tax Rebate u/s 87 A - 10% of taxable income up to a maximum of 5,000/-*
Where Taxable income exceeds Rs.5,00,000/- but does not exceeds Rs.10,00,000/-	*Rs.25,000/- + 20% of the amount by which total income exceeds Rs.5,00,000/-*
Where the taxable income exceeds Rs.10,00,000/-	*Rs.1,25,000/- + 30% of the amount by which the taxable income exceeds Rs.10,00,000/-*

B) For senior citizen aged above 60 years in any day of the PY

Total income upto Rs.300,000-	*Nil*
Where Taxable income exceeds Rs.3,00,000/- but does not exceeds Rs.5,00,000/-	*10% of amount by which the taxable income exceeds Rs.3,00,000/-* *Less : tax credit u/s 87 A- 10% of taxable income up to a maximum of Rs.5,000/-*
Where Taxable income exceeds Rs.5,00,000/- but does not exceeds Rs.10,00,000/-	*Rs.20,000/- + 20% of the amount by which total income exceeds Rs.5,00,000/-*
Where the taxable income exceeds Rs.10,00,000/-	*Rs.1,20,000/- + 30% of the amount by which the taxable income exceeds Rs.10,00,000/-*

C) For Super senior citizen aged above 80 years in any day of the PYD)

Total income upto 5,00,000	*Nil*
Where taxable income exceeds 5,00,000 but not exceeds 10,00,000	*20% of the amount by which the taxable income exceeds 5,00,000.*
Where the taxable income exceeds 10,00,000	*Rs. 1,00,000 + 30 % of the amount by which taxable on 10,00,000*

D For partnership firms and Indian companies (Non corporate and corporate tax)

> *Every partnership firm or Indian company is liable to pay 30% tax 3% Cess on its taxable income earned during the previous year*

Surcharge : 15% of the income tax, where taxable income is more than Rupees one crore.

Cess : 2% education cess and 1% higher education cess of the total income tax and surcharge.

Rebate (Sec 87A)

Rebate u/s 87A is available to an individual assessee where his or her total income is less than Rs.5,00,000/-, an amount of 10% of taxable income up to a maximum of 5,000/- can be deducted from income tax payable

Computation of Income Tax for different Citizens:

The following illustration explains computation of total income and tax liability.

Illustration:

Compute GTI,TI and Tax liability of Mr. Vital Shenoy, aged 50 years for the PY 2016-2017.

Income from salary	: 6,10,000
Income from House property	: 2,80,000
Income from business	: 3,10,000

During the PY his contribution to GPF is Rs.5,000 per month.

Does it make any change in the tax liability of the assessee if he is:

1. Aged 54 years
2. Aged 72 years
3. Aged 85 years

Solution:

Computation of Gross Total Income and Total Income of Vital Shenoy,for the PY 2016-2017.

Income from salary	6,10,000
Income from House Property	2,80,000
Income from Business	3,10,000
Income from Capital Gain	
Income from Other Sources	
Gross Total Income	**12,00,000**
Deductions under sec 80.	
80 C: contribution to GPF	60,000
Total Income	**11,40,000**

Computation of Tax liability

On first 2,50,000	Nil	:	---
Next 2,50,001 to 5,00,000	10%	:	25,000
Next 5,00,001 to 10,00,000	20%	:	1,00,000
On balance 1,40,000	30%	:	42,000

1,67,000

Less :Rebate 87 A	Nil
	1,67,000
Add : Surcharge	Nil
	1,67,000
Add : Edu. cess 3%	5,010
Tax liability:	1,72,010.

Change in tax liability in different age

1. If the assessee is aged 54 years, no change in the tax liability

2. If the assessee is aged 72 years, tax liability will change as follows

On first 3,00,000	Nil	:	---
Next 3,00,001 to 5,00,000	10%	:	20,000
Next 5,00,001 to 10,00,000	20%	:	1,00,000
On balance 1,40,000	30%	:	42,000
			1,62,000
Less :Rebate 87 A			Nil
			1,62,000
Add : Surcharge			Nil
			1,62,000
Add: Edu. cess 3%			4,860
Tax liability:			**1,66,860.**

3. If the assessee is aged 85 years, tax liability will change as follows.

On first 5,00,000	Nil	:	---
Next 5,00,001 to 10,00,000	20%	:	1,00,000
On balance 1,40,000	30%	:	42,000
			1,42,000

Less :Rebate 87 A	Nil
	1,42,000
Add : Surcharge	Nil
	1,42,000
Add : Edu. cess 3%	4,260
Tax liability:	**1,46,260.**

Methods to reduce tax liability:

There are three methods which are commonly used by the taxpayers to reduce their tax liabilities.

- Tax Evasion
- Tax Avoidance
- Tax Planning

1. Tax Evasion

Dishonest tax payers try to reduce their taxes by concealing income, inflation of expenses, falsification of accounts and willful violation of the provisions of the Income tax Act, is known as Tax Evasion. Such unethical practices often create problems to the tax evaders. Tax department not only imposes huge penalties but also initiate prosecution in such cases.

2. Tax Avoidance

Tax avoidance is minimizing the incidence of tax by adjusting the affairs in such a manner that although it is within the four corners of the laws, it is done with a purpose to defraud the revenue.

3. Tax Planning

Tax planning is arrangement of financial activities in such a way that maximum tax benefits, as provided in the income tax Act are availed of. It envisages use of certain exemption, deductions, rebates and reliefs provided in the Income Tax Act.

PRACTICAL IN DETAIL

(1) Mr. Alex is an employee of Excel Ltd, TVM .His pay and allowances details are as follows.

Basic pay as on 1st April 2016- Rs.30,000 per month, His basic pay increased by Rs.1000 per month from November 2016 onwards.

Dearness Allowance (From 1st January 2016- 50% and 60% from 1st July 2016 onwards)

HRA	:	5% of basic pay
Commission	:	3% of basic pay
Bonus	:	Rs.20,000 per annum
CCA	:	Rs.1000 per month
Dinner Allowance	:	Rs.6000 per annum
Tiffin Allowance	:	Rs. 500 per month
Fixed medical allowance	:	Rs.5000 per annum

Compute salary income of Mr. Alex for the Financial Year using MS Excel.

Solution:

Open an excel sheet and draw a format as given below. Use formulas where ever possible.

Computation of gross salary of Mr. Alex

Particulars	Amount	Amount
Basic Pay		
(7 X 30,000)	2,10,000	
(5 X 31,000)	1,55,000	3,65,000
DA		
(30,000 X 50% X 3)	45,000	
(30,000 X 60% X 4)	72,000	
(31,000 X 60% X 5)	93,000	2,10,000
HRA		
(2,10,000 X 5%)	10,500	
(1,55,000 X 3%)	7,750	18,250
Commission (3,65,000 X 3%)		10,950
Bonus		20,000
CCA (1,000 X 12)		12,000
Dinner Allowance		6,000
Tiffin Allowance		6,000
Fixed medical allowance		5,000
Gross salary		**6,53,200**

(2) Mr. Raju is working as manager in UAE Financial Exchange Services in Mumbai. His salary for the financial year 2016 -17 is Rs. 7,20,000/- per annum. He is getting HRA Rs. 5,000/- per month. Actual rent paid by him for the year is Rs.1,20,000/- Calculate taxable portion of HRA

Solution:

Computation of taxable portion of HRA

Particulars	Amount	Amount
Actual HRA received (5,000 X 12)		60,000
Least of the following is exempted		
U/S 10 (13A)		
1. Actual HRA	60,000	
2. Rent paid in excess of 10% of salary (1,20,000 -72,000)	48,000	
3.50% of salary	3,60,000	48,000
Taxable portion of HRA		**12,000**

(3) Compute GTI, TI and Tax liability of Mr. Felix for the PY2016-17 (AY 2017-18).

During the year he drew a basic pay Rs.35,000/- per month, DA Rs.15,000/- per month, CCA Rs.5,000/- per month, Festival Allowance Rs. 2500/- per annum. HRA received Rs.4,500/- per month (Actual Rent paid by him - Rs.7,500 per month)

During the previous year he made the following contributions.

    a. GPF   :   Rs.3,000 per month

    b. LIC for self   :   Rs.1669 per month

    c. LIC for spouse   :   Rs.1200 per month

    d. Tuition fee paid   :   Rs.24,000 per year

    e. Premium paid for medical insurance   :   Rs.12,500 per annum

Solution:

Computation of Gross Total Income and Total Income of Mr.Felix

Particulars	Amount	Amount	Amount	Amount
Income from salary				
Basic pay (35,000 X12)			4,20,000	
DA (15,000 X12)			1,80,000	
CCA (5,000 X 12)			60,000	
Festival Allowance		54,000	2,500	
HRA (4500 X12)				
Least of the following is exempted				
(U/S 10(13A)				
1. Actual HRA received				
2. Rent paid in excess of	54,000			
10% of salary (90,000 – 42,000)	48,000			
3. 40% of salary	1,68,000	48,000	6,000	
Income from salary being GTI				6,68,500
Less deduction U/S 80				
Deduction U/S 80 C		36,000		
1. Contribution to GPF		20,028		
2. Contribution to LIC (Self)				
3. Contribution to LIC (Spouse)		14,400		
4. Tuition fee		24,000	94,428	
Deduction U/S 80 D			12,500	1,06,928
Medical insurance premium				
Total income				**5,61,572**

Computation of Tax Liability of Mr.Felix

On First 2,50,000	:	Nil	---
Next 2,50,001 to 5,00,000	:	10%	
			25,000
On balance Rs.61,572	:	20%	**12,314**
			37,314
Less Rebate U/S 87 A			Nil
			37,314
Add Surcharge			Nil
			37,314
Add Edu. Cess 3% of 37,314			1,119
Tax Payable			**38,433**

TE QUESTIONS

1. Income Tax rules passed in the year ----------

   a. 1961   b. 1962   c. 1992   d. 2005

2. List out the various sources of income u/s 14

3. Person is defined U/S ...... of Income Tax Act

4. Define the term 'Assessee'

5. List out the principles of general charging section

6. Explain various conditions used for determining residential status of an individual

7. List out any four fully exempted incomes

8. What are the conditions used for calculating exempted portion of House Rent Allowance u/s 10(13A)

9. Current rate of edu. cess is ......

10. Mr. Anand, a citizen of India employed in London since 1990. He came back to India on 30-06-2010. He remained in India for three years and went to

USA on 1-07-2013. He returned to India in 1-4-2015 and went back to USA on 31-07-2015. Again returned to India on 31-12-20015 securing transfer from the USA to Delhi branch of the company. Determine his residential status for the PY 2016 -2017.

11. Sec. 2 of Income Tax Act deals with

    a. Exempted incomes   b. Definitions   c. Salary   d. Deductions

12. Non monitory benefits given by the employer to the employee is called ....

13. 'The end result of 'Tax evasion' and 'Tax Planning' lead to reduction in tax liability'. Do you agree?   Differentiate the two terms tax evasion and tax planning.

14. The maximum amount of deduction u/s 80 C is Rs............................

15. Expand the term PAN and also state any five conditions in which quoting of PAN is compulsory/mandatory.

16. Mr.Javed is a Govt employee working in Kolkatta. His basic pay is Rs. 45,000 per month and DA Rs.15,000 per month. During the year he received HRA Rs.3,500 per month. The actual rent paid by him for the accommodation is Rs.1,40,000 for the year. Compute taxable portion of HRA.

    Note : Salary for HRA calculation means Basic Pay and DA.

17. Illustrate the impact of rebate u/s 87A with an example

18. Prepare a table showing scope of income tax based on residential status

19. Compute tax liability if the total income is Rs.7,50,000/-, under the following situations

    a. If the assessee is aged 56

    b. If the assessee is aged 67

    c. If the assessee is aged 84

20. Mr.Alfred is an Indian origin, leaves to Canada on 15 June 2016 for the first time. He came back to India on 25th October 2016. Determine his residential status for the previous year 2016-2017.

UNIT 4.3
ADVANCE TAX, TDS AND TAX RETURNS

Introduction

With a view to mobilise revenue for effective administration, Government has to ensure timely remittance of income tax by tax payers. Advance Tax and deduction of tax at source of income (TDS) are the main tools used for this. For certain types of incomes, it is made compulsory to deduct tax at source and remit the same within the prescribed time. This chapter aims to provide enough knowledge to the learner about the concept of TDS, Advance tax, the percentage of TDS and the date of remittance of TDS. Assessment of income tax and filing of tax returns are made compulsory under the Income Tax Act. Now the tax payers have to do E-filing of tax returns. This chapter also aims to create adequate knowledge about the procedure of e-filing of income tax return.

> *Learning outcomes*
>
> *The Learner:*
>
> - *Explains Advance Tax*
> - *Fixes liability for payment of advance tax*
> - *Determines interest for default*
> - *Explains assessment*
> - *Classifies assessment*
> - *Explains TDS*
> - *Lists out TDS applicable items*
> - *Summarises the TDS rates*
> - *Analyses TDS exemptions*
> - *Identifies form 15G and 15H*
> - *Explains TAN*
> - *Defines income tax returns*
> - . *Lists out different types of returns*
> - *Prepares tax returns*
> - *Prepares form16 and income tax statement*
> - *Summarises the procedure for e-filing*
> - *Lists out steps involved in e-filing*
> - *Makes e-filing*

Meaning of Advance Tax:

Advance Tax is one of the modes of collection of tax by Government. The probable tax liability for the assessment year shall be estimated in advance and paid to the Government during the previous year itself. Advance Tax shall be payable in every case if the amount of tax payable by the assesse during the year is Rs.10000/ or more (Sec.208).

Exemption from payment of advance Tax

a) A resident senior citizen aged 60 years or more and who does not have any income chargeable under the head "Profits and gains of business or Profession" is not required to pay advance Tax.(Sec.207)

b) An assessee, being an individual, HUF, Firm but not LLP, opting for a scheme U/S44 AD shall be exempted from payment of advance tax related to taxable income from such business.

c) Advance Tax need not be paid in case where the amount of such tax payable by the assesse during the that year is less than Rs.10000/-

Method of Computation of Advance Tax

The amount of advance tax payable by an assessee in the financial year shall be computed as follows in accordance with Sec. 209:

Particulars	Amount	Amount
Estimated taxable income for the year (Note 1)		XXX
Tax on the Estimated Income		**XXX**
Less: Rebate u/s. 87A (if applicable)		XXX
Income tax liability		**XXX**
Add: Surcharge (if applicable)		XXX
Total Income tax liability		**XXX**
Add: Education Cess		XXX
Total tax payable		**XXX**
Less: TDS as per 26AS (if any)		XXX
Amount payable as advance tax		**XXX**

Note: *Estimated income means, estimate of income likely to be earned during the current previous year under five heads of income after set off of brought forward losses and Chapter VI-A deductions.*

Liability for payment of advance Tax (Sec.201):

As per the provisions of section 208 to 219, Income Tax shall be paid in advance during the financial year itself. The tax will be calculated at the prescribed rates for the financial year. The income tax so calculated shall be reduced by the amount of TDS (Tax Deducted at Source) during the said financial year. The net amount of income tax left shall be the advance tax payable.

Payment of Advance Tax

Advance Tax shall be paid in four installments during the financial year as given below-

a)   In case of Corporate assesses

SL. No.	Due date	Amount of Tax to be paid
1.	On or before 15th June	Not less than 15% of advance Tax
2.	On or before 15th September	Not less than 45% of advance Tax
3.	On or before 15th December	Not less than 75% of advance Tax
4.	On or before 15th March	100% of the advance tax less amount already paid

b)   In case of Non- Corporate assessees.

SL. No.	Due date	Amount of Tax to be paid
1.	On or before 15th September	Not less than 30% of advance Tax
2.	On or before 15th December	Not less than 60% of advance Tax
3.	On or before 15th March	100% of the advance tax less amount already paid

Interest for default payment of advance Tax(Sec. 234 B)

Where an assessee is liable to pay advance tax u/s. 208 has failed to pay such tax, or where the advance tax paid u/s 210 is less than 90% of the assessed tax, he shall be liable to pay simple interest at the rate of 1% for every month or part thereof.

Meaning of TDS

In certain cases, a person gets income only after deduction of tax at source. For example in case of lottery winning, the winner will get the prize money after deduction of a certain percentage as Tax by the Government. Similarly in the case of salaries, the employer deducts tax and the balance will be paid to the employee. Thus every person is legally bound to deduct tax at source at the time of effecting payment or when the amount accounted as accrued whichever is earlier. The tax so deducted is called TDS and the same should be deducted and remitted to government within the specified time limit.

No tax is to be deducted from any sums payable to -

i) Government

ii) Reserve Bank of India

iii) The Corporation established by or under a Central Act which is exempt from Income Tax by virtue of any law.

iv) A mutual Fund specified under Sec. 10(23D)

Liability to deduct tax by an Individual/HUF

Individual/HUF is liable to deduct tax u/s 194A when the total sales, gross receipts or turnover of such individual/HUF from business or profession exceeds the monetary limits specified u/s 44AB (Rs.1 crore in case of business and Rs.25 lakhs in case of profession) during the financial year immediately preceding the financial year in which sum is credited or paid.

Date of Remittance of TDS

TDS should be remitted on or before seven days from the end of the month in which the deduction is made or income tax is due under Sec.192(1). Where income or amount is credited or paid in the month of March, then the due date of remittance is on or before 30th of April.

TDS Certificate Sec.203(2)

Every person deducting tax shall issue a certificate to the effect that tax has been

paid to the Central Government, where in the amount of tax paid, the rate of tax and the gross income etc. are specified. The TDS certificates are as follows:

TDS certificate Form No.	Periodicity
Form 16-TDS on salary	*Annual*
Form 16A-TDS for non salary	*Quarterly*

TDS applicable items and Rates

The following table shows a few of the TDS Rates for the Financial Year. 2016-17

Sl.No.	Nature of payment	Section	Cut off Amount 2016-17	Individual/ HUF Rate	Others Rate
1.	Salaries	192	More than exemption limit after deduction	Average Rate.	
2.	Interest on Debentures	193	Rs.5000	10%	10%
3.	Deemed Dividend	194		10%	10%
4.	Interest Other than Interest on Securities(by Bank)	194A	Rs. 10,000	10%	10%
4a.	Interest Other than Interest on Securities(by Others)	194A	Rs. 5000	10%	10%
5.	Lottory/Cross Word Puzzles	194B	Rs.10000	30%	30%
6.	Winning from Horse Race	194BB	Rs.5000	30%	30%
7.	Contracts, Sub contract & Advertisements	194C(1)	Rs. 30000	1%	2%

Sl.No.	Nature of payment	Section	Cut off Amount 2016-17	Individual/ HUF Rate	Others Rate
8.	Insurance Commission	194D	Rs.20000	10%	10%
9.	Commission OR Brokerage	194 H	Rs.5000	10%	10%
10	Rent (Land & Building)	194I	Rs.180000	10%	10%
11.	Rent(Plant & Machinery, Equipment Furniture and fittings	194I	Rs. 180000	2%	2%
12.	Professional/ Technical charges/Royalty	194J	Rs. 30000	10%	10%

Illustration.1:

Mr. Mahesh doing a textile business furnishes you the following information

Total turnover for the financial year 2015-16 is Rs.1,10,00,000/- and 2014-15 Rs.99,00,000/- . State whether the provisions of TDS are attracted for the following expenses incurred during the Financial year 2016-17

1. Interest paid to SBT on term loan Rs.95000/-

2. Rent of shop paid to landlord Rs.190000/-

3. Brokerage paid to A, a sub broker Rs.8000/-

4. Advertisement expense paid to B(two individual payments of Rs. 28000/- and Rs.42000/-)

Answer.

In case of individuals or HUF, the provisions of TDS shall apply where they are subject to audit u/s 44AB in the previous year. The turnover of Mr.Mahesh for the FY 2015-16 exceeds Rs.1Crore, TDS provision shall apply. Whereas for the FY 2014-15 TDS provision shall not be applicable.

Table showing tds deduction for the F.Y.2015-16

Payments	TDS applicability	Section	Rate of deduction	Amount of TDS
Interest to SBT	No	Sec.194A	Nil	
Rent	Yes	Sec.194C	10%	19000
Brokerage	Yes	Sec.194H	10%	800
Advertisement	Yes	Sec.194C	1%	420

Illustration 2:

M/s. SFCK Ltd, a PSU has to pay Rent for the factory building Rs.30,000/ per month. The land lord raised a bill Rs.30,000/- plus service Tax @15% including Swatch Bharat Cess. Thus the total amount claimed in the Rent bill is Rs.34,500/-. Is TDS applicable in this case, if so what will be the amount of TDS?

Answer.

Sec. 194C states that TDS on rent is to be deducted if the aggregate of Rent for a FY exceeds Rs.1,80,000/-. Further TDS shall not be applied on Service Tax. Hence TDS @10% is applicable in this case. TDS amount is Rs.36,000/- [(30,000x12) 10/100]

Illustration 3:

Mr. Rakesh Kamal has made three Fixed deposits of Rs.50,000/-, Rs.80,000/- and Rs.40,000/- in Federal bank during the financial year 2015-16. The eligible bank interest for the deposits are Rs.5,000/-, Rs.8,000/- and Rs.2,000/- respectively for the financial year 2015-16. Mr. Rakesh Kamal claimed that TDS should not be deducted since interest on each FD had not exceeded Rs.10,000/-. Is the argument of Mr. Rakesh correct as per the Income Tax Act and Rules? Justify.

Answer.

No. The argument of Mr. Rakesh is not correct.Since the aggregate amount of interest credited/paid to a single person exceeds Rs.10000/- TDS shall be deducted.

Illustration 4:

Compute the amount of advance Tax payable for the FY 2016-17 in the following cases. Also state the eligibility to claim Rebate u/s 87A

i.   When the total income of Mr. Bimal is Rs.3,45,000/-

ii. When the total income of Smt.Smitha Patel aged 63 years is Rs.3,90,000-

iii. When the total income of Mr. Jain, aged 45 years for the financial year is Rs 6,00,000/-

Answer.

i)   Nil. The tax payable by the assesse is less than 10000/-, advance tax need not be paid. Rebate under Sec. 87A may be claimed.

ii) Nil. Rebate under Sec.87A may be claimed.

iii) Advance tax is Rs. 46350/- . Rebate u/s 87A cannot be claimed.

Form 26 AS

Form 26AS is a consolidated tax statement issued to PAN holders under Rule 31AB of income Tax Rules. This statement with respect to a financial year will include details of-

a) Tax deducted at Source

b) Tax Collected at source

c) Advance Tax/self assessment tax/regular assessment tax etc. deposited in the bank by the tax payers (PAN holders).

Filing quarterly Statement/Return

The person who deduct tax at source should file quarterly statement of TDS in Form 24Q to the Director General of Income Tax.

Due date for furnishing Quarterly TDS return is as under-

SL. No.	Quarter of the financial year	Due Date
1.	I Quarter (April to June)	15th July
2.	II Quarter (July to September)	15th October
3.	III Quarter(October to December)	15th January
4.	IV Quarter (January to March)	15th May

TDS exemption -Form 15G and 15H

A person, other than a company who is resident in India can submit Form 15G.

Form 15 H is for senior citizen, whose tax on the estimated income for the financial year is nil. In a situation where due to various deductions the tax payable on total income may be nil but if the total amount of expected income payable to the assessee exceeds Rs. 2.5 lakhs, the above said forms is not applicable for availing TDS exemption.

TAN- Tax Deduction And Collection Account Number

A Tax Deduction and Collection Account Number is a ten digit alpha numeric number issued to persons who are required to deduct or collect tax on payments made by them under the Income tax act. According to the provisions of section 203A of the income tax act, it is obligatory for all persons responsible for deducting tax at source to obtain and quote the TAN in the challans, TDS certificates, statements and other documents. Failure to apply for TAN or not quoting in the specified document attracts a penalty of Rs10,000/-.

Income tax assessments:

Every taxpayer has to furnish the details of his income to the Income-tax Department. These details are to be furnished by filing up his return of income. Once the return of income is filed up by the tax payer, the next step is the processing of the return of income by the Income Tax Department. The Income Tax Department examines the return of income for its correctness. The process of examining the return of income by the Income Tax department is called as "Assessment".The following are the various types of assessment

1. **Self assessment (Sec.140 A)** :

It is the duty of every assessee to compute his income and tax thereof , prepare and submit the return in the prescribed form and remit any unpaid balance of tax within the prescribed time limit as provided in the law. If the assesse himself fulfils the above requirements, it is called self assessment.

2. **Assessment on the basis of return/Summary assessment without calling the assessee-Sec.143(1)**

Assessment under section 143(1) is like preliminary checking of the return of income. At this stage no detailed scrutiny of the return of income is carried out.The total income is computed after making the adjustments for any arithmetical error in the return or an incorrect claim. Assessment under section 143(1) can be made within a period of one year from the end of the financial year in which the return of income is filed.

3. **Scrutiny Assessment-Sec.143(3)**

This is a detailed assessment and is referred to as scrutiny assessment. At this stage a detailed scrutiny of the return of income will be carried out to confirm the correctness and genuineness of various claims, deductions, etc., made by the tax payer in the return of income. As per section 153, assessment under section 143(3) shall be made within a period of two years from the end of the relevant assessment year.

4. **Best judgment assessment. -Sec.144**

This is an assessment carried out as per the best judgment of the Assessing Officer on the basis of all relevant material he has gathered. This assessment is carried out in cases where the taxpayer fails to comply with the requirements specified in section 144 given below:-

♦ If the tax payer fails to file the return required within the due date prescribed under section 139(1) or a belated return under section 139(4) or a revised return under section 139(5).

♦ If the tax payer fails to comply with all the terms of a notice issued under section 142(1).

5. **Income escaping assessment/Re-assesmennt- Sec. 147**

This assessment is carried out if the Assessing Officer has a reason to believe that any income chargeable to tax has escaped from assessment in any assessment year. Re-assessment has been made if

i. income chargeable to tax has been under assessed; or

ii. income has been assessed at low rate; or

iii. income has been made the subject of excessive relief; or

iv. excessive loss or depreciation allowance or any other allowance has been computed.

Income Tax returns

The statement in which the assesse discloses details of his income during the previous year is called income tax return. It is the duty of an assessee to prepare and submit the return of income before the due date in the prescribed form/method. The Income Tax Department suggests specific forms for returns to be submitted by different categories of assessees. It is the duty of an assessee to prepare and submit return of income before due date.

DIFFERENT FORMS OF INCOME TAX RETURNS

1	ITR1	For individuals having income from salary/pension/Family pension & Interest.
2	ITR 2	For Individuals and HUF not having income from Business or Profession.
3	ITR 2A	For Individuals and HUF not having income from Business or Profession and capital gains
4	ITR 3	For individuals/ HUF being partner in a firm and not carrying out business or profession under any proprietorship.
5	ITR4	For individuals & HUF having income from proprietorship business or profession.
6	ITR4S (SUGAM)	For individuals & HUF having income from salary, income from one house property (excluding carry forward of losses), income business or profession and income from other sources (excluding winning from lottery and income horse race).
7	ITR 5	For Firms and AOPs and BOIs
8	ITR 6	For companies other than companies claiming exemption
9	ITR 7	For persons including companies required to furnish return under sec.139(4A) or sec.139(4B) or section139(4C) or sec.139(4D)
10	ITR V	Acknowledgement form for all ITR forms.

Types of Incomes Tax Returns.

The following are the various types of income tax returns.

1. **Voluntary Return-Sec.139 (1)**

    If an assessee, without any compulsion from any authority, submits a return on or before due date in accordance with the notification by the CBDT, it becomes a voluntary return.

2. **Belated Return-Sec. 139 (4A)**

    When an assessee fails to furnish the return of income within the time allowed u/s 139(1) or within the time allowed under a notice u/s 142, he may furnish the same at any time before the expiry of one year from the end of the relevant assessment year or before the completion of assessment whichever is earlier. It is called belated return.

3. **Revised Return-Sec.139(5)**

    If the assesse discovers an omission or any wrong statement in the furnished return, a revised return may be filed before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier. It is called Revised Return.

4. **Compulsory Return-Sec.142(1)(i)**

    Where any person is assessable in respect of his income or income of any other person and has not furnished the return of income on or before the due date of furnishing return u/s 139(1),the assessing officer may serve a notice on such person requiring to furnish the return. The return so submitted or required to be submitted is called compulsory return.

5. **Defective Return-Sec.139(9)**

    A return of income submitted by an assesse shall be considered as defective if:

    *   it is not accompanied by statement of computation of tax

    *   it has not been duly filled up

    *   it is not accompanied by the audit report u/s 44AB or

    *   having any serious misstatements or omissions.

E-filing of Income Tax Returns

As per section 139(1) of the Income Tax Act 1961, individuals whose total income during the previous year exceeds the non taxable limit, should file their income tax returns (ITR).The process of electronically filing income tax returns is known as e-filing.

The due date for filing tax returns (physical or online), is July 31st (can be extended by the Govt.)

Who should e-file income tax returns?

Online filing of tax returns can be done by.

- Assessee with a total income of Rs. 5 Lakhs and above

- Assessee who has a claim of tax refund.

- Individual/HUF resident with assets located outside India.

- Assessee required to furnish a report of audit specified under various sections of the act.

- A firm (which does not come under the provisions of section 44AB), AOP, BOI, Artificial Juridical Person, Cooperative Society and Local Authority (ITR 5).

- An assessee required to furnish returns U/S 139 (4B) (ITR 7).

- A resident who has signing authority in any account located outside India.

- A person who claims relief under sections 90 or 90A or deductions under section 91.

- All companies.

Types of e-Filing:

- Use Digital Signature Certificate (DSC) to e-file. It is mandatory to file IT forms using Digital Signature Certificate (DSC) by a chartered accountant.

- If you e-file without DSC, ITR V form is generated, which should then be printed, signed and submitted to CPC, Bangalore by ordinary post or speed post within 120 days from the date of e-filing.

- You can e-file IT returns through an E-return Intermediary (ERI) with or without DSC.

Process of e-filing the return.

First, log on to IncomeTaxIndiaeFiling.gov.in and register on the website.

- Your Permanent Account Number (PAN) is your user ID.

- View your tax credit statement or Form 26AS. The TDS as per your Form 16 must tally with the figures in Form 26AS.

- Click on the income tax return forms and choose the financial year.

- Download the ITR form applicable to you. If your exempted income u/s 10 exceeds Rs.5,000, the appropriate form will be ITR-2 (If the applicable form isITR-1 or ITR 4S, you can complete the process on the portal itself, by using the 'Quick e-file ITR' link

- Open excel utility (the downloaded return preparation software) and fill out the form by entering all details using your Form 16.

- Check the tax payable amount by clicking the 'calculate tax' tab.

- Pay tax (if applicable) and fill in the challan details.

- Confirm all the data provided in the worksheet by clicking the 'validate' tab.

- Generate an XML file and save it on your desktop.

- Go to 'upload return' on the portal's panel and upload the saved XML file.

- A pop-up will be displayed asking you to digitally sign the file. In case you have obtained a digital signature, select 'Yes'. If you have not got digital signature, choose 'No'.

- The acknowledgment form, ITR Verification (ITR-V) will be generated which can be downloaded by you.

- Take a printout of the form ITR-V and sign it in blue ink

- Send the form by ordinary or speed post to the Income-Tax Department-CPC , Post Bag No. 1 , Electronic City Post Office, Bangalore, 560 100, Karnataka within 120 days of filing your returns online.

Steps to file ITR Online:

Prepare and Submit ITR1/ITR 4S Online

You have the option to submit ITR 1/ITR 4S forms by uploading XML or by online submission

- Login to e- Filing application

- Go to 'e File' 'Prepare and Submit ITR Online'

- Select the Income Tax Return Form ITR 1/ITR 4S and the assessment year.

- Fill in the details and then click the submit button

- After submission, acknowledgement detail is displayed.

- Click on the link to view or generate a printout of acknowledgement/ ITR V form

PRACTICAL IN DETAIL

Qn.1. M/s Royal Traders, Kadappakkada Kollam estimates their Taxable Net Profit will be Rs.5,00,000/- for the Previous Year 2016-17. Can you help the management of M/s Royal Traders to remit advance Tax by preparing a statement in spread sheet

Answer:

Total Tax liability of the firm - Income Tax	-	Rs.1,50,000
<u>Add</u> Education Cess 2%	-	Rs. 3,000
Higher education Cess1%	-	Rs.1,500
Total Tax liability	-	Rs.1,54,500

Term	Income tax	Education cess	Higher education cess	Total
On or before 15th September (Not less than 30% of advance Tax)	Rs. 45000	Rs.900	Rs.450	Rs.46350
On or before 15th December (Not less than 60% of advance Tax)	Rs. 45000	Rs.900	Rs.450	Rs.46350
On or before 15th March(100% less amount paid)	Rs.60000	Rs.1200	Rs.600	Rs.61800
TOTAL	**Rs.150000**	**Rs.3000**	**Rs.1500**	**Rs.154500**

Qn.2. As an Accounts assistant of M/s Noble Traders, you are requested to prepare Payment Voucher using spread sheet after ascertaining whether TDS is deductible or not for the following payments.

1) Payment of Rent of the Building for the month of April 2016 Rs.16000/-

2) Professional Charge paid to M/s Logtech Rs. 40000/-

3) Paymentof advertisement expense to M/s. Varnachithra advertisers Rs.45000

4) Commision paid to Mr. SreerajRs. 15000/-

5) Rent of an Electrial equipment Rs. 6000/-

Ans.

Name of Payments	Amount	%TDS	TDS A	Net Am	Sec.
1.Rent of Building	16000	10%	1600	14400	194I
2.Professional Charges	40000	10%	4000	36000	194J
3.Advertisement	45000	2%	900	44100	194C
4. Commission paid	15000	10%	1500	13500	194H
5.Rent of equipment	6000	N.A	Nil	6000	194I

TE QUESTIONS

1. Suppose your grandfather is a retired employee running his own business in your town. He asked you to help him to e file his tax return. Explain him the process of e-filing the tax return.

2. It is compulsory to e- file the tax return if the income exceeds Rs------------

3. Expand the term PAN

4. Explain the meaning of scrutiny assessement and income escaping assessment.

5. It is the duty of an assessee to prepare and submit return in every year. Do you agree? Explain the different types of income tax returns.

6. What is TDS?

7. Write any 4 TDS applicable items with their rate.

8. ------is a consolidated tax paid statement issued to PAN holders.

9. Summarise the situations where Form 15G and Form 15H are used.

10. TAN stands for ------------------

11. Explain the steps for filing ITR online.

12. M/s Universal Hardwares Ltd, Thrissur estimated their Taxable Income be Rs 28,00,000/- for the Financial Year 2016-17. It is expected that the total amount of TDS for the financial year as per 26AS will be Rs.55,000/. As an accounts assistant, can you help the management of the company to ascertain advance Tax to be paid in each quarter?

UNIT 4.4
VALUE ADDED TAX

(**This chapter must be replaced with GST once it is implemented)

Introduction

Tax on the goods manufactured and sold constitute a major source of revenue of the government. They are indirect taxes and the major components of indirect taxes are Value Added Tax and CST (Central Sales Tax). To become an efficient accounts assistant, one should know the law and practices of VAT and CST. Almost all the states in India have their own VAT rules. In case of inter-state sales CST is applied and for intra state sales VAT rules are applicable. The entire concept of CST, VAT, Service Tax etc. are expected to be revamped and replaced with GST in near future. Until it happens learning of VAT and CST rules become very crucial for professionals in the accounting and taxation field. This chapter aims to provide an adequate knowledge of laws relating to VAT and CST among the learners. In the coming lines the learners can also see how the VAT returns are filed and the forms used for filing VAT returns.

Learning outcomes
The Learner:

- *Defines VAT*
- *Explains KVAT Act*
- *Analyses VAT Rules*
- *Explains basic terms used in KVAT*
- *Defines input tax and output tax*
- *Summarises VAT schedules*
- *Lists out VAT rates*
- *Categorises commodities falling under different VAT rates*
- *Calculates VAT*
- *Explains compounding of tax*
- *Analyses input tax credit*
- *Prepares VAT returns*
- *Explains procedure for e-filing*

Value Added Tax

Introduction of VAT

The VAT was invented by a French economist in 1954. Maurice Lauré, Joint Director of the French tax authority, was first to introduce VAT with effect from 10th April 1954, for large businesses, and extended over time to all business sectors. In India, VAT was introduced for the first time in the year 1986 as MODVAT i.e. Modified Value Added Tax but because of some shortcomings, Central Value Added Tax (CENVAT) was brought by the Government in 2000. Haryana became the pioneer in adopting the VAT system in India. Thereafter, some other states followed the footsteps of Haryana and opted to apply VAT. At present, VAT is applicable to all the states in the country. From past few years, sales tax is suffering from some controversies like it lacks transparency and double taxation, which is the very reason for tax evasion. That is why Sales Tax has been replaced by VAT. In Kerala, the Kerala Value Added Tax Act 2003 was passed and came into force on 1st April 2005. The Kerala Value Added Tax Rules 2005 was also passed by the government for its administration.

Meaning of VAT

Value Added Tax or VAT is an indirect tax, which is imposed on goods at each stage of production, starting from raw materials to final product. VAT is levied on the value additions at different stages of production. VAT is a multi-point levy of sales tax that enables the assessee to claim set off of tax which he pays on the purchases. The system of VAT is so designed that the final levy and burden of the tax on the goods is borne by the final consumer of the goods.

Basic terms used in KVAT

(a) **Assessee: Sec.2(iv)**

"Assessee means any person by whom tax or any other sum of money is payable under this Act and includes every person in respect of whom any proceedings under this Act have been taken for the assessment of tax payable by him"

(b) Assessing Authority: Sec. 2(v)

"Assessing authority means any person authorized by the Commissioner to perform the functions of an assessing authority under this Act"

(c) Dealer: Sec.2(xv)

"Dealer means any person who carries on the business of buying, selling, supplying or distributing goods, executing works contract, delivering any goods on hire purchase or on any system of payment by installment, transferring the right to use any goods or supplying by way of or as part of any service, any goods directly or otherwise, whether for cash or for deferred payment, or for commission, remuneration or other valuable consideration not being an agriculturist and includes:-

(a) A casual trader.

(b) A commission agent, broker, delcredere agent or any other mercantile agent.

(c) A non resident dealer or an agent of non resident dealer.

(d) Local branch of a firm or company.

(e) A Society, club or an association or body of person'.

(f) Manufacturer.

(g) Govt. both central and state and govt. of any union territory.

(h) Bank or other financial institution.

In simple terms dealer means any person who carries on a business, executing works contract or transferring the right to use any goods or service for a consideration but not being an agriculturist.

(d) Registered dealer:

Registered dealer means a dealer who is registered under the State VAT Act

(e) Goods: Sec.2(xx)

Goods means all kinds of movable property (other than newspapers, auctionable claims, electricity, stocks and shares and security) and includes live stock, all materials, commodities and articles and every kind of property, (whether as goods or in some other forms) involved in the execution of a works contract, and all growing crops, grass or things attached to or forming part of the land which are agreed to be served before sale or under the contract of sale".

(f) Taxable goods :

Taxable goods means the goods which are not exempted goods.

(g) Sale :

Sale means transfer of property in goods for cash or deferred payment or for other valuable consideration except a mortgage, hypothecation, charge or pledge.

(h) Place of business: Sec.2(xxxv)

Place of business means any place where a dealer carries on the business and includes:

(1) Any warehouse, godown or other place where a dealer stores or possesses his goods

(2) Any place where dealer produces or manufacture goods

(3) Any place where a dealer keeps his books of accounts

(4) In any case where a dealer carries on business through an agent

(5) Any warehouse, railway station, railway goods yard, parcel office or any other place where goods for transportation in the course of business

(6) Any vehicle or vessel or any other carrier wherein the goods are stored or used for transporting the goods

(i) Total Turnover:

Total turnover means the aggregate turnover in all goods of a dealer at all places of business in the state, whether or not the whole or any portion of such turnover is liable to tax, including the turnover of export of goods out of territory of India or in the course of import of the goods in to the territory of India.

(j) Taxable Turnover:

Taxable turnover means the turnover on which a dealer shall be liable to pay tax determined after making such deductions from his total turnover and in such manner as may be prescribed.

(k) Taxpayer Identification Number (TIN)

Taxpayer Identification Number is the Registration Certificate number allotted to each registered dealer under the VAT Act and is mentioned in the registration certificate issued to the registered dealer.

Input Tax and Output Tax

(a) Input Tax (Input VAT):

Input Tax means the tax paid or payable under this Act by a registered dealer to another registered dealer on the purchase of goods in the course of business and includes the tax paid in the purchase of materials for the research and development in relation to any goods.

(b) Output Tax (Output VAT):

Output tax means the tax charged or chargeable under this Act by a registered dealer for the sale of goods in the course of business and includes reverse tax levied under sub section 8 of Section 11

VAT schedules

There are four schedules in the VAT Act. The schedules attached to the Act provides for description of goods, the point of levy and rate of tax of the goods coming under each schedule

a) First schedule - contains goods which are exempted from tax. No tax can be levied on goods coming under this schedule

b) Second schedule- covers goods in respect of which tax is liveable at all points of sale @ 1%

c) Third Schedule- deals with goods in respect of which tax is liveable at all point of sale @5%

d) Forth schedule - deals with goods which are outside the purview of VAT such as Petrol, diesel, aviation fuel, foreign liquor, Ganja and opium etc. are taxable as per the provisions of KGST Act.

e) Residuary Goods-Goods which are not included in any of the above schedules shall be liable to be taxed @ 14.5% at all points of sale within the state.

Presumptive Tax:

A dealer, whose total turnover for a financial year is below Rs. 60 lakhs, can opt for payment of presumptive tax under section 6(5). A presumptive tax dealer is liable to pay at the rate of *half percent* on the turnover of taxable goods.

Dealers not eligible for presumptive tax

a) Importers

b) Dealers effecting interstate sale

c) Dealers registered under CST Act

d) Contractors

e) Dealers effecting first taxable sale of goods within the state

Tax at compounding rate

Compounding means calculation of tax liability of a dealer not wholly on the basis of turn over or the rates applicable to the goods dealt by the dealer. Instead a certain sum is fixed as the quantum of tax payable by the dealer. As per sec. 8 of the Act, 7 categories of dealers are entitled for opting the payment of tax at compounded rate. They are-

    i)   Works Contractors

    ii) Dealers in mechanized granite metals crushing unit

    iii) Dealers in cooked food

    iv) Dealers who transfer the right to use Video cassette or CD

    v) Dealers in medicines and drugs

    vi) Dealers in Jewellery

    vii) Dealers in Poultry or poultry meat

Input tax credit

The process of deduction of input tax from output tax is called Input tax credit. Only VAT dealers are eligible for availing the input tax credit facility.

Eligibility for claiming Input Tax credit

Any registered dealer who makes purchase of taxable goods from a registered dealer within the state is eligible for input tax credit. For the purpose of claiming input tax credit, the goods should be purchased for any one of the following purposes:

(a)   for sale/resale within the State;

(b)   for sale to other parts of India in the course of inter-state trade or commerce;

(c)   to be used as:

    i.   containers or packing materials;

    ii. raw materials; or

    iii. consumable stores,

(d)   for being used in the execution of a works contract;

(e)   to be used as capital goods required for the purpose of manufacture or resale of taxable goods;

(f)   to be used as:

    i.   raw materials;

    ii.   capital goods;

    iii. consumable stores and

    iv. packing materials/containers

(g)   for making zero-rated sales other than those referred to in clause (f) above.

Purchases not eligible for input tax credit

Input tax credit may not be allowed in the following circumstances:

    i.   purchases from unregistered dealers;

    ii.   purchases from registered dealer who opt for composition scheme under the provisions of the Act;

    iii. purchase of goods as may be notified by the State Government;

    iv. purchase of goods where the purchase invoice is not available with the claimant or there is evidence that the same has not been issued by the selling registered dealer from whom the goods are purported to have been purchased;

    v.   purchase of goods where the purchase invoice does not show the amount of tax separately;

    vi. purchase of goods, which are being utilized in the manufacture of, exempted goods other than exports;

    vii. goods in stock, which have suffered tax under an earlier Act but under VAT Act they are covered under exempted item;

    viii. purchase of goods used for personal use or consumption;

    ix. goods import from outside the territory of India;

    x.   inter-State purchase;

    xi. goods like motor vehicles, toilet articles, furniture etc. which are not used in relation to production of goods or held for sale/resale.

Dealers not entitled for Input Tax credit

    i)   Dealers paying Presumptive tax

ii) Dealers paying Compounded tax u/s 8 (except medicine manufacturer)

iii) Unregistered dealer

iv) Dealers who transfer the right to use the goods

Tax Invoice

Invoices are crucial documents for administering VAT. In the absence of invoices, input tax credit cannot be claimed. In case of any original invoice is lost or misplaced, a duplicate authenticated copy must be obtained from the issuing dealer. Tax invoice should have the following contents.

1) The words tax invoice in a prominent place.

2) Name and address of the selling dealer

3) Registration number of the selling dealer

4) Name and address of the purchasing dealer

5) VAT and or CST registration Number.

6) Pre-printed or self-generated serial number

7) Date of issue

8) Description, quantity and value of goods sold.

9) Rate and amount of tax charged

10) Signature of the selling dealer or his regular employee duly authorized by him for such purpose.

Records

The following records should be maintained under VAT system

i) Purchase records

ii) Sales records

iii) VAT account containing the details of output tax and input tax together with debit and credit notes issued during the period.

iv) Separate record for exempt sale.

v) Copies of all invoices issued, in serial number.

vi) Copies of all debit and credit notes issued, in chronological order

vii) All purchase invoices, copies of customs entries etc.

Audit

Under sales tax law, the scope of tax evasion and tax avoidance is very high. Therefore apart from the departmental audit, many states have also incorporated the concept of VAT audit by professionals. In kerala, the dealer whose turnover exceeds Rs. 60 lakhs is required to get accounts audited by a practicing Chartered Accountant or Cost Accountant.

Computation of VAT:

The Value Added Tax (VAT) is based on the value addition to the goods and the related VAT liability of the dealer is calculated by deducting input tax credit from tax collected on sales during the payment period (say, a month).

VAT Payable= Output tax- Input tax

For example, purchase within the month Rs. 1,00,000/- and sales for Rs. 2,00,000/-, input tax rate and output tax rate are 5% and 14.5% respectively. Then input tax credit and calculation of VAT will be as shown below.

Input tax paid	- 5000/-
Output tax collected	- 29,000/-
VAT payable during the month	- 24,000/- (29,000 - 5,000)

Note : Excess VAT credit can be used to set off CST tax liability if any.

Following example illustrates how excess VAT credit can be utilized.

Tax paid on purchase made within the state	Rs. 10,000/-
Tax collected for sale within the state	Rs. 4,600/-
CST collected for interstate sale	Rs. 15,000/-
VAT liability (Rs.4,600 - 10,000)	Nil
Excess tax credit	Rs. 5,400/-
CST to be paid (Rs. 15,000 - 5,400)	Rs. 9,600/-

Procedure for filing e-VAT returns

Step 1: Login the website of the State VAT dept (e.g, www.dvat.gov.in)

Step 2: Go to dealer login option & log in this with the TIN & password provided to you by the dept.

Step 3: Choose file return option in Form 16: choose whether it is original or revised return.

Step 4:   Now simply a form of VAT return will be opened that need to be filled as per the local   state's law and the data available with you for your client.

Liability For Registration

a)   Compulsory Registration

Dealers whose total turnover in a year is not less than Rs.10 lakhs are liable to get registered.

b)   Registration irrespective of Total turn over

The following categories of dealers have to take registration irrespective of their total turn over

1. Casual traders

2. Dealers registered under KGST Act1963

3. Dealers registered under the CST Act 1956

4. Non-resident dealers and their agents

5. Every Contractor

6. Every hallmarking unit

7. Every commission agent, broker or any other mercantile agent

8. Every Government and local authority

9. Dealers in jewellery, gold and silver

10. Exporters and importers

c)   Optional Registration

Any dealer whose total turnover is below Rs.10lakhs can opt for taking Registration.

d)   Dealers exempted from taking registration

1. Dealers dealing only in rationed article

2. Dealers whose turnover is less than Rs.10 lakhs

Procedure For Vat Registration

➢   We have to file an online application in the website- ctax.ker.nic.in and upload all the scanned documents.

➢ The hard copy of all the documents to be submitted to the department.

➢ The inspector will verify the documents and if he is satisfied with the documents produced, he will come for inspection within 7 days of documents submission.

➢ He will verify the premises and make sure that the business is being carried out at such premises. (Name Board is mandatory)

➢ After the inspection, officer will approve the online applications and on receipt of Refundable Security Deposit, grant the certificate.

➢ The whole procedure would take a total of 15 working days from the date of submission of all the documents.

➢ If the dealer wants Central Sales Tax registration, he has to enable the option in the online application form.

Documents Required For VAT Registration

In case of a Company/Partnership Firm/ Proprietorship

1. Copy of the rental agreement of the business Premises, where the Business is carried on.

2. Four Passport size photographs of Proprietor / Partner / Director (Each).

3. Copy of Address Proof(Rental Agreement or Tax paid Receipt)and Identity Proof(pan card/Driving License/Passport). In case of Foreign Director, a copy of Passport and visa copy to be produced.

4. A copy of the electricity bill is mandatory.

5. Authorization letter from the dealer for representing before the VAT department.

THE CENTRAL SALES TAX ACT, 1956

1. Central Sales Tax Act, 1956: Central Sales Tax Act 1956 contains the provisions governing the sales tax imposed on inter-state sales, ie sales made from one state to another.

2. Rules: The rules issued under the Central Sales Tax act 1956 are the Central Sales Tax (Registration and Turnover) Rules 1957.

3. Constitutional provision: Entry 92A of the Union List provides that Taxes on the sale or purchase of goods other than newspaper, where such sale or purchase take place in the course of inter-state trade or commerce.

CST was introduced in India w.e.f 5th January 1957.CST is levied by government of India; CST so levied shall be collected by State governments

Meaning of CST:

It is a form of indirect tax imposed only on goods sold from one state to another state which particularly takes into account that the buyer and seller needs to be in two different states. The CST Act, 1956 extends to the whole of India.

Registration

The registration is of two types under this Act.

1) **Compulsory Registration:**

   Every dealer carrying on the business of sale or purchase in the course of inter-state trade or commerce, has to get himself registered under this Act irrespective of the amount of turnover.

2) **Voluntary registration:**

   CST registration may be obtained voluntarily even if no interstate trade is being carried out.

Liability to tax on inter-state sales (Section 6(1))

This section stipulates that every dealer shall be liable to pay sales tax under the Act on sale of goods except electrical energy effected by him in the course of inter-state trade or commerce during any year. The liability is at sale point only and not at purchase point. The first buyer in the first inter-state sale will have to furnish a declaration in 'C' Form to the first vender so as to charge concessional rate of sales tax at the rate of 2%.

The first buyer aforesaid, who is the seller in the inter-state sale should obtain a certificate and declaration in 'C Form'. Further obtain certificate in E-1 form from the first seller, all to be filed with the assessing officer for claiming exemption for the second inter-state sale. Similarly in subsequent sale the dealer should obtain E-II form from the previous seller and 'C from' the buyers.

CST Rate Sec. 8(1)

a. If any goods is sold to government or a registered dealer, the CST rate is 2% of his turn over or at the local rate whichever is lower, provided that such transactions are covered by Form 'C'.

b. If the dealers are not covered above then CST rate is

   i. Declared goods - twice the rate applicable with in the state.

ii.   Other than declared goods - 10% or VAT rate applicable with in the state whichever is higher.

iii.   Exempted goods - Nil rate.

Prescribed forms under CST

Following are the forms prescribed under CST(registration and Turnover) Rules 1957:

Form	Description	Frequency
A	Application for registration	Once
B	Certificate of registration	Once
C	Declaration by purchasing registered dealer to obtain goods at concessional rate	To be obtained and submitted for ever quarter
EI/EII	Declaration by seller for first sale EI and for second sale EII	To be obtained and submitted on quarterly
F	Form by branch/consignment agent for goods received on stock transfer	Monthly, but to be submitted quarterly
G	Indemnity bond when c form lost	When required
H	Certificate of export	Up to the time of assessment
I	Certificate by SEZ unit	Before assessment.

Differences between VAT and CST

Sl.No	Point of difference	VAT	CST
1.	Administration	Concerned Sate Act	Central Sales Tax RuleS Act 1956
2.	Chargeablity	On Sales/purchase within the State	On Interstate sales/ Purchases
3.	Point of Taxation	Multi point taxation	Single Point Taxation
4.	Tax Credit	Input Tax Credit can be avail	Not available
5.	Exemption from Tax	Does not permit exemption	General and specific exemptions are granted on certain goods
6.	Scheme of Compoun ding of tax	Available	Not available

PRACTICAL DETAIL

Qn.1. M/S Shalu Distributors ,MG Road Ernakulam, TIN-234597894C has given you the following details for the month of October 2015.

Sales at 0% VAT   Rs. 6,00,000

Sales at 1% VAT   Rs. 8,00,000

Sales at 5% VAT   Rs. 5,00,000

Sales at 14.5 % VAT   Rs. 2,00,000

Purchase at 0% VAT Rs. 4,00,000

Purchase at 1% VAT Rs. 5,00,000

Purchase at 5% VAT Rs. 3,00,000

Purchase at 14.5% VAT Rs. 1,00,000

Prepare VAT Return FORM No.10 to be furnished

Answer:

Steps:

1. Collect/print form No.10

2. Fill the dealer details in the first page

3. Fill Part A TURNOVER DETAILS in (1) Sales local as follows

Commodity	Schedule entry	Rate of tax	Total turn over	Exemption claimed	Taxable turn over	Output tax collected	Output tax due
Sugar,Bowls,axes,hand tools etc		0%	600000	600000	0	0	0
Textiles,rice etc		1%	800000	0	800000	8000	8000
Tyres, Cutting blade etc		5%	500000	0	500000	25000	25000
Granite		14.5%	200000	0	200000	290000	29000
Sub total			2100000	600000	1500000	62000	62000

4). Fill Part C-Turnover on purchase other than 4th schedule goods as follows

Commodity	Schedule entry	Rate of tax	Purchase Value	Tax paid on purchase	Total	Input tax eligible for set off
Sugar,Bowls, axes, hand tools etc		0%	400000	0	400000	0
Textiles,rice etc		1%	500000	5000	505000	5000
Tyres, Cutting blade etc		5%	300000	15000	315000	15000
Granite		14.5%	100000	14500	114500	14500
Sub total			1300000	34500	1334500	34500

5)   Fill Part I-(a) Summary statement (KVAT) as follows

	(a) Tax at Credit			(ii) Tax Due	
1			1	Out put tax due/collected [part A(1)+A(3)	Rs.62000
2	Input Tax claimed for the return period (Part c column7)	Rs.34500	2		Rs
3		Rs	3		Rs
4		Rs	4		Rs
5		Rs			
6		Rs			
7		Rs			
Total(i)		Rs.34500	Total(ii)		Rs.62000
(iii)	Net Tax Due [(ii)- (i)]				Rs.27500
.					
.					
(xii)					

6)   Fill Part J-Tax payment details as follows

SL. NO	No.and date of chalan/ demand draft/cheque	Amount	Name and place of treasury /bank
1	342871	Rs.27500	Federal Bank

DETERMINATION OF TAXABLE TURNOVER

Particulars	Amount	Amount
Gross Turnover		xxxx

Less:

(a)	Turnover of goods sold outside the state	xxxx	
(b)	Exports	xxxx	
(c)	Goods sent to branches	xxxx	
(d)	Goods sold within the state	xxxx	xxxx
	Turnover of goods sold in the course of inter-state trade or commerce	xxxx	

Less:

(a)	Exempted goods if any under State Sales Tax Act	xxxx	
(b)	Subsequent sales	xxxx	
(c)	Cost of freight and installation charges	xxxx	
(d)	Sales to registered dealers located in special Economic zone	xxxx	
(e)	Goods returned within six months	xxxx	
(f)	Tax included in the sales turnover if any	xxxx	xxxx

Taxable turnover of inter-state sales   xxxx

======

Illustration 1:

The gross turnover of a registered dealer for the quarter ending 30th June 2016 is Rs.18,50,000/-. From the following information compute his taxable turnover under the CST Act. 1956 also calculate CST payable assuming that he submits 'C Form'

(a)	Sale price of exempted goods	:	4,00,000
(b)	Export from India	:	5,00,000
(c)	Sales within the state	:	6,00,000
(d)	Goods returned under inter-state trade within Six Months	:	24,000
(e)	Rates of Tax on inter-state sales		
	Rs.3,30,000 @10%		
	Rs.2,04,000 @2%		

Answer:

COMPUTATION OF TAXABLE TURNOVER

Particulars	Amount	Amount
Gross Turn over		18,50,000
Less:		
(a) Sale price of exempted Goods	4,00,000	
(b) Export from India	2,00,000	
(c) Sales within the state	4,00,000	10,00,000
Inter-state Sales		8,50,000
Less:		
(e) Goods returned under inter-state trade within Six Months	24,000	
(f) CST included in the turnover:		
3,30,000 x 10/110	30,000	
2,04,000 x 2/102	4,000	58,000
Taxable Turnover of inter-state sales		7,92,000
		======

CST payable = Taxable turnover x 2%

ie, 7,92,000 x 2% = Rs.15,840/-

Note: In case the dealer does not submit the 'C Form', the rate of tax will be 2% or VAT rate whichever is higher.

TE QUESTIONS

1. KVAT came into force on………………

2. Explain the meaning of VAT.

3. What is CST?

4. Construct a table showing the difference between VAT and CST.

5. The goods which are not exempted are…………..

6. Summarise the contents of VAT schedules.

7. The deduction of input tax from output tax is called……………..

8. All types of dealers are not eligible for presumptive tax. List out the dealers not eligible for presumptive tax.

9. TIN stand for………………

10. Explain the procedure for VAT registration.

11. The tax chargeable for the sale of goods from one state to another is ……………

12. List out any five purchases not eligible for input tax credit.

13. List out the records maintained under VAT system.

14. Summarise the content of Tax Invoice.

15. Mr. Xavier has the following purchases and sales during the month of November 2015.

    Purchase at 5% VAT Rs.2,00,000/- , sold for Rs.2,80,000/-

    Purchase at 14.5% VAT Rs.3,20,000/-,sold for Rs.4,00,000/-

    Determine the Tax Payable for the month of November.

16. From the following information compute taxable turnover of dealer under CST Act.

Gross turnover	:	28,00,000
Export from India	:	6,00,000
Sale price of exempted goods	:	3,50,000
Sales within the state	:	7,50,000
Goods returned under inster-state trade withinSix Months	:	32,000

Rates of Tax on inter-state sales:

Rs.4,40,000 @10%

Rs.1,02,000 @2%

You are requested to calculate CST payable if

a. The dealer collects and submits 'C Form'

b. The dealer doesn't submit 'C Form' where the applicable VAT rate is 5%

(Answer: Rs.10,26,000/-, Rs.20,520/- and Rs.51,300/-)

17. Mr. Gupta's gross turnover of the inter-state sale during the quarter ending December 2016 is Rs.20,00,000/-. From the following information compute his taxable turnover.

Aggregate Sale	Tax Collected
Rs.8,80,000/-	10%
Rs.6,12,000/-	2%
Rs.2,10,000/-	5%
Rs.2,98,000/-	Exempted Goods

(Answer: Rs.16,00,000/-)

UNIT 4.5
OTHER INDIRECT TAXES

Introduction

In order to execute various job roles in manufacturing and service sector industries a person must know all the relevant taxes prevailing in the economy. Indian tax system comprises various indirect taxes other than VAT and CST. Among them the important taxes are Service tax, Excise duty and Customs duty. Knowledge of services applicable for taxes, the rates of tax and statutory compliance with respect to service tax, excise duty and customs duty will be an added advantage to the accounts executives. This chapter aims to equip the learner with the basic knowledge about Service tax, Excise duty and Customs duty.

> *Learning outcomes*
>
> The Learner:
>
> - *Explains service tax*
> - *Defines service provider and receiver*
> - *Identifies chargeability of service tax*
> - *Lists out taxable services*
> - *Identifies rates of service tax*
> - *Explains excise duty*
> - *Summarises the scope of excise duty*
> - *Identifies chargeability of excise duty*
> - *Explains customs duty*
> - *Identifies the need of customs duty*
> - *Lists out the scope of customs duty*
> - *Identifies chargeability of customs duty*
> - *Explains the basic conditions for levying excise duty*
> - *Explains the rate for Customs duty and due date for filing return*

SERVICE TAX

Service Tax was introduced as part of the finance Act 1994 based on the recommendations of Dr. Raja J. Chelliah, Head of the Tax reforms committee. Service Tax came into force on 1st July 1994. The service tax is applicable

throughout India except Jammu & Kashmir. Service Tax is administered by the Central Board of Central excise and Customs.

Meaning of Service-Sec.65B (44)

Service means any activity carried out by a person for another for consideration, and includes a declared service, but shall not include:

a)   An activity which constitutes merely

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

   ii)   Transfer, supply or delivery of any goods which are deemed as sale or

   iii)   A transaction in money or actionable claim.

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

c)   Fees taken in any Court or tribunal established under any law for the time being in force.

Charge of Service Tax - Sec. 66b

Service tax is leviable only on the taxable services. The service tax shall be levied at 15% (w.e.f.1st June 2016 including Swatch Bharat Cess @0.5%) of assessable value service on all the services other than those mentioned in negative list provided or agreed to be provided in the taxable territory by one person to another.

Service tax is leveiable on services provided as well as services agreed to be provided. Thus the service should be:

- provided or agreed to be provided
- provided for a consideration
- provided by a person to another person
- provided in the taxable territory
- not specified in the negative list (Sec.66 D)

Valuation of services - Sec. 67

Service tax is to be calculated on the assessable value services. The assessable value is computed based on the gross amount charged as consideration. Where the consideration is not ascertainable the taxable value of service may be determined as per Section 67.

Who pays service tax - Sec. 68:

The following persons are liable to pay service tax.

1. Service provider: Normally, a person who provides taxable service shall be liable to pay service tax. When the service provider is subject to service tax, he is entitled to charge and recover the same from the service receiver.

2. Service receiver or specified person: Though as a general rule service provider shall pay service tax in certain specific situation, the central govt. is empowered to notify any person to be liable for payment of service tax. This is called reverse charge.

3. Partly by service provider and partly by service receiver.

Registration

As per Sec.69 of the Finance Act 1994, read with Rule 4 of service Tax, every prospective taxable service provider/assesse seeking registration should file an application in Form ST-1(in duplicate) before the jurisdictional Central Excise/Service Tax officer within 30 days from the date of notification of the taxable service. In case the service tax provider is providing services from more than one premise, one registration number is required.

Due date for payment of service tax

The person liable to pay service tax shall assess himself and pay the tax by way of self assessment. Every assessee shall remit service tax payable by him electronically through internet banking. The following shall be the due dates for payment:

The person liable to pay service tax	Monthly/ Quarterly due dates	Due date for the month March and Quarter ending March
Individual concern and Firms (including LLP)	6th day of the following quarter	On or before 31st March
Others	6th day of the following month	On or before 31st March

Interest on Delay in Payment of Service Tax - Sec. 75

In case service tax or part thereof is not remitted within the due date specified u/s. 68, interest shall be payable at the rate not below 10% per annum but not exceeding 36% p.a. as may be notified by the Central government.

Basic exemption for small service providers (Notification No.6/2005)

1. The taxable services of aggregate value not exceeding Rs.10,00,000 in any financial year shall be exempted from the whole of service tax leviable there on. The exemption is subject to the following conditions:

    i) The service provider shall not avail CENVAT credit.

    ii) The service should not be under the brand/trade name of any other person.

    iii) The service receiver is not liable to pay service tax.

2. Export of services.

Service Tax Returns

1. Single return shall be filed for all the services. E-filing of returns has been mandatory in case of all assesses. Returns shall be filed on half yearly basis in Form ST-3

    Due dates for filing half yearly returns are-

    Ist half (Ist April to 30th September)   -   25th October

    II half (from Ist October to 31st march)   -   25th April.

Note :   Even if services are not provided Nil Return shall be filed within the time limit.

2. Revision of Return: Rule 7B provides the facility to file revised return to correct mistakes or omissions within a period of 90 days from the date of submission of the return.

Illustration.1.

Mr. Sharma (liable to pay service tax) gives details of services provided during the half year ended 30-9-2016. Total bills raised was Rs.6,00,000/- out of which payment of bill for Rs.100,000/- were not received till 30-9-2016. Amount of Rs.25,000/- was not received in advance for rendering service in January 2017. You are required to compute service tax payable by Mr.Sharma.

Answer:

Computation of Taxable Value of Service and Service Tax payable

	(Rs.)
Total Bills raised	6,00,000
<u>Add</u> amount received in advance	25,000
Taxable value of services	6,2,5000
	======
Service Tax payable 15%	93,750

Illustration .2

A cable network operator gives the following details of operations for the quarter ended 30th sept.2016

1.	Gross monthly collection from subscribers	Rs.8,00,000/-
2.	Cost of cable	Rs.35,000/-
3.	Installation charges	Rs.40,000/-
4.	Entertainment taxes remitted to govt. (included in the gross amount shown 1 above)	Rs.18,500/-
5.	Receipts from advertisements displayed on cable network	Rs.1,75,000/-

Calculate taxable value of services and compute service tax liability.

Answer:

Computation of Taxable value of services and Service Tax liability

1.	Gross monthly collection from subscribers		8,00,000
	Less Entertainment tax	18,500	7,81,500
2.	Cost of cable		Nil
3.	Installation Charges		40,000
	Value of Taxable services		8,21,500
			======
	Service Tax Payable @15%		**1,23,225**

EXCISE DUTY

Concept and meaning of Excise Duty

Excise duty is basically an indirect tax levied on a manufacturer or producer in respect of commodities manufactured or produced by him. Excise duty is a levy on manufacture of goods and not on sale of goods. Excise duty is levied not only on manufacture but also on deemed manufacture and the burden of tax is ultimately passed on to the consumers.

Levy of Excise Duty

The Central Excise law extends to the whole of India including Jammu & Kashmir. India includes its territorial waters.

The levy and collection of central excise duty is provided under the authority of –

i) The Central Excise Act 1944 : The Act comprises the basic provisions of levy of excise duty. The Act extends the whole of India, which came into force on 28th Feb 1944.

ii) The Central Excise Tariff Act 1985: The rates of excise duty for all excisable goods are specified under the Act.

iii) The Central Excise Valuation Rules 2000, The Central Excise Rules 2002 and CENVAT Credit Rules 2004.

iv) Notifications issued by the Central Board of Excise and Customs (CBEC)

v) Circulars/ Clarifications and Case Laws.

Entry 84 of the Union list of the 7th schedule in Article 246 of the constitution of India provides- the levy of Excise Duty on goods manufactured or produced in India except :

a) Alcoholic liquors for human consumption

b) Opium, Indian hemp and other narcotic drugs.

Excise duty on alcoholic liquors for human consumption, opium, Indian hemp and other narcotic drugs is a state subject. State Govt. levies excise duty on such products.

Excise duty is payable only at the time of removal of goods from the factory or warehouse and not at the time of manufacture. Goods manufactured by 100% Export Oriented Units are exempt from excise duty except goods cleared for home consumption. The rate of excise duty shall either be a specific rate of advalorem rate.

Basic Conditions for Levy of Excise Duty

The following conditions must be satisfied in order to levy excise duty

1. There must be goods

2. Such goods must be excisable

3. Such goods must have been manufactured or produced; and

4. Such production or manufacture must take place in India (other than SEZ)

Charge of Excise Duty - Sec. 3

Sec. 3 of the Central Excise Act, 1944 provides that excise duty shall be levied on all excisable goods (excluding goods manufactured in special economic zones) which are produced or manufactured in India at the rates set for in the first schedule to the Central Excise Tariff Act, 1985.

Mode of payment:

- Assessee who has paid a duty of Rs. 10 Lakhs or more including the amount of duty paid by utilization of CENVAT credit in the preceding financial year has to pay the duty electronically.

- Other have to fill GAR 7 challan and deposit the duty in the nominated bank in cash or cheque / DD.

Due dates for Payment of Excise duty

Type of Assessee	Periodicity	Due date for payment of duty	
		In case of e-payment	Other than e-payment
Assessee eligible for Monthly payment SSI Exemption	Quarterly payment of duty	6th day of the month following the relevant quarter	5th day of the month following the relevant quarter
		For the quarter ending March, due date is 31st day of March	
Other assesse on duty	Monthly payment of duty	6th day of the month following the relevant month	5th day of the month following the relevant month
		For the month of March, due date is 31st day of March	

Returns under Central Excise

The assessee registered under Central Excise Act, should file a periodic statement of manufacture and taxes paid thereon in the form of excise returns.

CUSTOMS DUTY

Meaning and levy of Customs duty

Customs duty is one of the oldest form of taxation in India. Customs duty is a duty or tax levied by the central government on:

1. The import of goods in to India and

2. The export of goods from India

Customs duty is imposed with a motive of earning revenue as well as to regulate, control, develop and promote international trade. The customs duty has a significant role in international trade which is governed by WTO.

Article 246 read with entry no. 83 of the union list of the 7th schedule of the constitution empowers the parliament to frame Customs Act. In India the customs duty is regulated by the Customs Act 1962 and Customs Tariff Act 1975.The Customs Act 1962 came into force on 1st February 1963 and the Customs Tariff Act came into force on 2-8-1976. The Customs Act applies to the whole of India including territorial waters.

Importance of customs duty:

The following are the merits/ importance of Customs duty

1. It becomes a source of revenue of the country

2. Protection to domestic industry against competition from foreign countries

3. Reducing deficit in the balance of trade and balance of payment.

4. Controlling the smuggling activities

5. Saving foreign exchange.

Levy of Customs Duty

Section 12 of Customs Act 1962, which is the charging section lays down the following propositions:

1. Duties of customs shall be levied on goods.

2. The goods should be imported into or exported from India.

3. The duty shall be at the rate as is specified in the Customs Tariff act 1975.

4. Government goods shall be treated at par with the non-government goods for the purpose of levy of customs duty.

5. Levy of customs duty shall be subject to the provisions of Customs Act 1962.

Types of Customs duty:

The following are the various types of customs duty.

1. Basic Customs Duty (BCD)

2. Additional Customs Duty (ACD)

3. Special Additional Customs Duty (SAD)

4. Safeguard Duty.

5. Protective Duty

6. Countervailing Duty

7. Anti-Dumping Duty.

Rate for Duty and due date of filing Returns.

The rates at which duties shall be levied under the Customs Act are specified in the first and second schedules of the Customs Tariff Act, 1975. The rates of basic customs duty are 2.5% 5%, 7.5%, 10%,15% and 20%.

Form of Return	Category of assesse	Periodicity	Due date
ER – 1	All assessees except SSI	Monthly	By 10th day of the month following the relevant month
ER – 3	Assessees eligible for SSI concession (event if he does not avail the concession)	Quarterly	By 10th day of the month following the relevant quarter
ER – 4 (Annual Financial Information Statement)	Assessees paying duty of Rs. 1 crore or more per annum either through Personal Ledger Account or CENVAT or both together	Annually	By 30th November of the succeeding year

Note : *All returns needs to be filed electronically*.

Illustration 1.

Assessable value of imported goods is Rs.50,000/-. Basic Customs duty is 10%, ACD u/s 3(1) is 12.5%, Rate of SAD u/s is 4%. Determine the total customs duty payable.

Answer:

Calculation of total customs duty payable

	Rs.
Basic customs duty @10% of 50,000	5,000
ASD (12.5% of 50,000 + 5,000)	6,875
SAD (4% (50,000 + 6875 + 2,475))	2,475
Total	**14,350**
Educational Cess (@3% (5,000 + 6,875 + 2,475))	430
Total Customs duty payable	**14,780**
	=====

4.5.3.5 Distinction between Excise Duty and Customs Duty

Excise Duty	*Customs Duty*
It is a tax on production/manufacture of goods.	It is a tax on goods imported into/exported from India.
Excisable goods have been classified by Central Excise Tariff Act, 1985 for the purpose of levy and rates of duty.	Goods have been classified by Customs Tariff Act for the purpose of levy and rates of duty.
Excise duties on medicinal and toilet preparations are levied by Central Government but collected and appropriated by the State Governments.	Customs duties are levied solely by the Central Government.
Excise duty is levied by State Governments in respect of alcoholic liquors for human consumption, opium, Indian hemp, narcotics, etc.	State Governments are not empowered to levy customs duty.

Distinction between Excise Duty and Central Sales Tax

Excise Duty	*Central Sales Tax*
Excise is a duty on the manufacture of goods.	Sales tax is a tax on sale of goods.
Taxable event of excise duty is the manufacture of excisable goods within the country.	Taxable event of sales tax is the sale of goods.
Excise duty is generally levied and collected by Central Government on excisable goods	CST is levied by the Central Government and collected by the State Government within whose jurisdiction movement of goods in the course of Inter-State Trade or Commerce has commenced.
Excise duty is charged on Assessable Value.	Sales-tax is charged on sale price.
Excise duty is uniform throughout the whole country.	State Governments are empowered to levy their own rates in respect of sale of goods.
Excise duty is payable before the goods are removed from factory/godown.	Sales tax arises only after the sale has taken place.

TE QUESTIONS

1. List out the basic conditions for levying excise duty.

2. Explain the meaning of excise duty and customs duty.

3. Service tax is administered by…………………

4. Who are liable to pay service tax?

5. If the service tax is not remitted within due date, interest is charged at……………%.

6. List out the items not included in the concept of service.

8. Construct a table showing the due dates for filing half yearly service tax returns.

9. Summarise the importance of customs duty.

10. CST is levied on:

    (a) Inter-state sales

    (b) Purchase and sales within the state

    (c) International sales

    (d) Purchase and sales outside the state

11. The CST was introduced in India with effect from……………..

   (a) 5th January 1957

   (b) 1st July 1957

   (c) 1st April 1957

   (d) None of the above

12. Which of the following is deductible from gross turn over to arrive at taxable turn over under CST Act?

   (a) Sale price of goods sold inside a state

   (b) Goods purchased and sold outside the state

   (c) Goods returned by the purchaser within six month of the delivery

   (d) All of these

13. Construct a table showing the differences between Excise duty and customs duty.

14. List out the difference between Excise duty and CST.

15. New look is an interior decorator of Nagpur providing consultancy service relating to planning, designing and beautification of interiors. They also render Vasthu Consultancy. Following are the details of income and expenditure for the quarter ended 30th September 2016.

   (a) Consultancy charges for designing and beautification of interiors   Rs.228300/-

   (b) Consultancy charges for landscape designing.   Rs.121250/-

   (c) Vasthu consultancy charges   Rs.131100/-

   (d) Service provided as director of film   Rs128350/-

   (e) Charges for supply of materials for decoration   Rs.188200/-

They got reimbursement of out of pocket expenses on actual basis from client Rs.44800/-. Calculate the value of taxable service provided as interior decorators for the period.

(Answer: Rs.2,28,300/-)

Note: 1. *Landscape designing, Vasthu and Art director of films are not within the scope of interior decorator.*

2. *Reimbursement of out of pocket expenses on actual basis are not subject to service tax.*

16. M/s. Universal Consultants is a Real Estate Agent and Consultant rendering services to its clients, details of receipts are as under.

(a)	Sale or purchase commission	Rs.6,28,000/-
(b)	Letting service commission	Rs.1.65,000/-
(c)	Leasing service commission	Rs.2,03,000/-
(d)	Construction supervision charges	Rs.3,00,000/-
(e)	Office/shops marketing commission	Rs.4,58,000/-
(f)	Real estate consultancy charges	Rs.3,25,000/-

M/s. Universal consultants has incurred an amount of Rs.4,36,500/- for maintaining and running of office to operate the service

Calculate the value of taxable service provided under the category of 'Real Estate Agent and consultant service   (Answer: Rs.20,79,000/-)

Note: *(a) All the incomes/charges received are subject to service tax*

(b) Office expenses shall not be deducted to arrive the value of taxable services

LIST OF PRACTICALS

UNIT 4.1

- DTP skill in English 30 words per minute by using typing tutorials
- DTP skill in Malayalam 20 words per minute in Ubuntu

  (Use Tax related matters for DTP practice)

UNIT 4.2

- Compute salary income in Ms Excel
- Compute taxable portion of HRA in Ms Excel
- Compute GTI and TI in MS Excel

UNIT 4.3

- Prepare income tax statement manually
- Prepare Form16 manually
- Prepare income tax statement in Ms Excel
- Prepare Form 16 in Ms Excel
- Use macro enabled excel work sheet for Income Tax statement preparation
- E-filing of tax return

UNIT 4.4

- Collection of Form No10,10A and 10B
- Prepare Form10, 10A and 10B manually
- Prepare Form10, 10A and 10B in MS excel
- Prepare a mini project based on commodities falling under different VAT schedules. At least 5 items in each schedule must be included
- Prepare Tax invoice in MS Excel

UNIT.4.5

- Prepare a mini project on the applicability of service tax based on field survey of minimum five service rendering organisation.
- Prepare a mini project on the applicability of Excise Duty or Customs Duty based on field visit to a manufacturing unit or export unit.

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3. Tally Academy books

4. Direct taxes : Law & Practice including Tax Planning& Management & Wealth Tax by Dr.H C Mehrotra& S.P Goyal, SahityaBhavan publication Agra, 2015 edition.

5. Taxman's Direct Taxes, Law & Practices by Dr.Vinod.KSinghania, Taxman Publication

6. Indirect Taxes: H C Mehrotra& S.P Goyal, SahityaBhavan publication Agra, 2015 edition.

7. Kerala value Added Tax Law and Practice: Gulati Institute of Finance and Taxation.

8. Students Hand Book on Taxation: T.N Manoharan & G.R Hari, Snow White publications

USEFUL WEBSITES

1   *http://www.tax4india.com*

2   *http://www.chartered club.com*

3   *http://www.incometaxindia.gov.in*

4   *http://www.keralacommercialtaxes.gov.in*

5   *http://www.QuickBooks.in*

6   *http://www.bankbazar.com*

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9   *http://www.keralataxes.in/forms*

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