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CMAs' INDUSTRY BULLETIN

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

Behind every successful business decision, there is always a CMA

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The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

VISION STATEMENT

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

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MESSAGE

CMA Balwinder Singh
President
The Institute of Cost Accountants of India

Greetings!!

I hope you are safe and taking good care of you and your family during these uncertain times.The Novel Coronavirus COVID-19 is a Global Pandemic and has disrupted the social & business activities worldwide. All affected Countries are taking all possible steps to curb the spread of the fatal Corona virus and adopted a policy of Lockdown to battle this Pandemic. I am confident that we will win this war against humanity.

I would like to acknowledge the hard work of resource person and continued efforts of the Members in Industry Committee in releasing this edition of 'CMAs' Industry Bulletin' for the benefit of all the members and other stakeholders.

This edition will enrich the readers about the latest developments taking place in Aviation Industry in India and provide an overview of Cashew Exports from India. It also includes value added articles from industry experts on 'Internal Control - The Fundamental of Effective Internal Audit', 'Direction of India's Balance of Payment Position' and 'Audit Planning: Designing an Audit Programme for GST Audit!'.

My best wishes to the endeavors of the Members in Industry Committee.

Stay Indoor, Stay safe and healthy!

With warm regards,

CMA Balwinder Singh
President
The Institute of Cost Accountants of India

MESSAGE

CMA Biswarup Basu
Vice President &
Chairman, Members in Industry Committee
The Institute of Cost Accountants of India

Greetings!!

I hope that this message finds you in the best of health and spirit!

During these times of unprecedented crisis brought on humanity by the COVID-19 pandemic, all of you are in our thoughts and our prayers are with you and your family. I am confident that we will all come out of this crisis soon and I pray to God that he gives us enough resilience, restraint and understanding during this challenging and stressful time.

Though the normal programs and activities of the Committee is suffering owing to the distancing mandate, we have not allowed these constraints to hamper our pursuit of knowledge sharing and value addition to the members and the profession at large. Webinars have been arranged in various relevant topics for the participants that are deliberated upon by expert and proficient resource persons. We are trying to explore the maximum use of digital aids to serve the members and students from all possible fronts. I am happy to note that we have received overwhelming response from participating members in this regard.

I am thankful to all the authors who have contributed their articles for this edition of e-bulletin. The industry and export related information in this bulletin is mainly from the economy before this pandemic crisis. We hope you enjoy reading this edition of CMAs' Industry Bulletin.

Through this message I wish you and all your loved ones health and safety at this difficult time.

Stay Home, Stay Safe!!!

With Warm Regards,

CMA Biswarup Basu
Vice President &
Chairman, Members in Industry Committee
The Institute of Cost Accountants of India

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INTERNAL CONTROL: THE FUNDAMENTAL OF EFFECTIVE INTERNAL AUDIT

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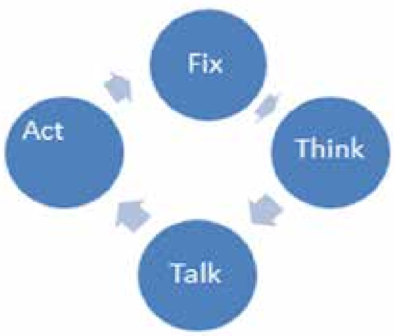
Internal Control (IC) is the integral part of Internal Audit. So, before playing the role of an auditor, the Internal Auditor (IA) should have a clear idea on IC system of an organisation. To simplify the discussion effort has been taken to make a linkage of IC system between the lives of human beings and the organizations.

The dictionary meaning of 'Internal' is, in the interior, of the inner nature *i.e.* of the mind, of the Atma. 'Control' means a check, regulation, restraint *i.e.* self-control. So, 'Internal Control' means control of interior, control of the inner-nature, a check of the mind, regulation of the mind/ Atma. When we talk of control it implies Internal Control and not External Control or control of outsiders. Because one can control directly him/ herself forever. His/ her children, other family members, friends and relatives are at best indirectly controlled by his/ her words and actions for a certain period of time. But one cannot control the Universe as a whole. Everyone must function within its own sphere and must not take over what is assigned to others. This is essentially called the 'Line of Control (LoC)'. So, IC significantly means self-restraint and self-control.

Why IC? We have to control ourselves for achieving certain Objective(s)/ Goals of life. So, setting up of objective is an important task of life. Control process helps achieving the objective. Stronger is the 'Control Process' easier is the chance of achieving the objective. The duration of achieving the objective becomes shortest with the intensity and efficiency of the control process. Fix the objective, think to achieve it, talk about it and act accordingly. This is the chain of circles of achieving goals/ objectives. If each and every person follows this chain of circles, individual goal is achieved which automatically helps the Country and the Universe.

CHAIN OF CIRCLES OF ACHIEVING GOALS



These are true in case of an organization/ business entity also. An individual should fix 'Objective' with care and strive to achieve this by his/ her act. In achieving success everyone has to face uncertainties and challenges. Uncertainty presents both risk and opportunity. Risk is uncertainty that matters, as it affects people's/ organisation's welfare. Uncertainty exists whenever one does not know for sure what will occur in the future. Every risky situation is uncertain but there can be uncertainty without risk. It is the managerial capability of an individual/ organisation by which it becomes able to reduce the risk and to increase the certainty of success. Risk management is an art of balancing favourable and unfavourable events in achieving objective/ success. So, individual/ organization should not be afraid of taking risk, rather be brave in managing risk through proper control processes, through good actions/ works/ karma in achieving the desired objective or success. Risk management requires an organisation to identify events that might have an impact on the achievement of goals/ objectives. Events having negative impact represent 'Risk', events having positive impact represent 'Opportunities' and events having both impacts require Judgement - in achieving individual/ organisational Goals/ Objectives.

IC is a process by which an organisation governs its activities to effectively and efficiently accomplish its goals/ objectives. It is a management tool to provide reasonable assurance that management objectives are being achieved. A means by which an organisation's resources are directed, monitored and measured. IC is an integral process that is continuously adopting to the changes which an organisation is always facing.

There are five components of IC system– (i) Control environment, (ii) Risk assessment, (iii) Control activities, (iv) Information & communication, and (v) Monitoring. Control environment – is the foundation for all other components of IC. Risk assessment – is the process of identifying and analysing relevant risk to the achievement of entity's objectives and determining the appropriate response. Control activities – are the policies and procedures established to address risk and to achieve the entity's objectives. Information and communication – are essential tools realising all internal control objectives. Monitoring – is accomplished through routine activities, separate evaluations or a combination of both. Monitoring should ensure that audit findings and recommendations are adequately and promptly resolved.

EXAMPLE: Let us take an example of IC system from family life. Suppose, your son/ daughter wishes to be a Doctor (or whatever may be). This is accepted by you also. This is your Strategic (main) objective/ goal. Now you have some other targets *viz*. His/ her Admission in a Premier School, College, Providing good and qualitative tuitions, Qualifying in Joint Entrance Exam., Admission in a Premier Medical College *etc*. which will help him/ her to become a Doctor. These targets are sub-objectives. Now you require resources like money, merit, people *etc*. Furthermore, you have to face difficulties/ uncertainties in achieving these sub-objectives. These are called risks. So, you have to deal with risks towards achieving these sub-objectives. In managing these risks you have to make plans and policies. Your family members, neighbours, friends & relatives, outsiders help you giving information in this regard. Now what is important most is regular monitoring and evaluation of relevant activities/ works by you. In this way you will reach in your Goal or achieve your Strategic Objective-You will feel proud of your son/ daughter. You are boast of a lucky father/ mother!!!

What has been described above may be placed in the following table to bring a contrast between family life and business environment. The Internal Audit questionnaire/ process[1] (samples only) are also set herewith.

Description/ Component	**Family Life**	**Business Environment**	**Internal Audit Questionnaire**
Strategic Objective • **Sub Ob-jectives**	Your son/ daughter wishes to be a Doctor. This was adopted and decided in your family.	The BoD/ Management of an Organisation adopted a decision to increase substantial Profit.	Internal Audit Process/ Methodology
	• Admission in Premier School, College, • Providing good and qualitative tuitions, • Qualifying Joint Entrance, • Admission in a Premier Medical College, • Arrangement for achieving Foreign Medical degree, if any, • Setting up Good practice/ Engagement in a Good Medical Institution.	• Formation of an efficient Management team, • Planning and Policy fixation, • Analysis of strategies of competitors, • Analysis of Market Demand, • Cost analysis, • Selection of technology, • Financial planning, • Procurement planning, • Production planning, • Sales management.	• How this has been formed? • Experience, expertise, qualification, and effectiveness of members? • Process of planning? • How market demand and competitors judged? • Whether adequate care has been taken in selection? • Evaluation of planning processes?
Control environment	Resources, Constraints both in monetary and non-monetary terms	Strength, Weaknesses, Opportunities	• Whether done? • Evaluation of SWOT?

[1] Audit Questionnaires has been restricted to Business environment only.

Risk assessment	For different stages of life and/ period of working	Threats Analysis	• Whether done? • Evaluation of the process?
Control activities	Adoption of favourable policies and procedures	Chalking out favourable policies and procedures	• Evaluation of the procedure?
Information and communication	From and to family members and outsiders	From and to staff members, managers, professional bodies, Legislators, and outsiders.	• Analysis of the reliability of data, information? • The efficiency of the process of collection/ generation of data.
Monitoring	Regular monitoring and evaluation of activities/ works/ karma.	Regular monitoring and evaluation or a combination of both, of activities/ performances/ works.	• How monitored? • Whether regularly monitored?

Keeping in mind the above model[2] the audit process/ methodology of each objective and its IC component shall be determined by the Internal Auditor (IA) on the basis of his/ her judgment and professional skill. In this perspective it must be kept in mind that the role of the IA has been focused to Good Governance. The IAs can be a valuable advisory resource on IC. While on the job of auditing, it should be remembered that a strong IC system in an organization helps to accomplish organisational goal by bringing a systematic, disciplined approach to evaluate & improve the effectiveness of risk management, control and governance process. In the audit process, the IAs would evaluate the IC system, find out the deficiencies in it, try to find out the reasons of such deficiencies and recommend the corrective action, if any, to the audited entity. Failure to follow up and correct the previously identified deficiencies should also be reported. Deficiencies should be communicated to the audited entity in writing and should be properly documented. It must be noted that IAs can provide assistance on IC but it should not perform Management or Operational role. The Management should fix the scope[3] of work of IAs which would help achieving organsational growth and prospect. The IA may fix its audit methodology component wise as shown in the above table selecting any individual scope of work (it may be the impact of Corona virus (COVID-19) on the operational and financial performances of an organization) and report accordingly. The IA, thus, plays an important role in achieving the Goal/ Objective and contributes to the Organisation, the Corporate world, the Country, and the Universe!

[2] Prepared on the basis of audit experiences (including compliance audit, performance audit, and social audit) in different organizations.

[3] In most of the cases it is observed that the scope of the work of Internal Auditors does not commensurate with size of the business.

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1. *Guidelines (9100-9150) of International Organisation of Supreme Audit Institutions (INTOSAI)*

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DIRECTION OF INDIA'S BALANCE OF PAYMENT POSITION

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Different economic activities conducted by the country with different nations in the world affect India's balance of payments in some or the other way. While studying Indian economy balance of payments is very important as BOP have impact on economic health of companies.

Trade policies of government, political and cultural relations with different nations, exchange rate policies, convertibility policies, economic planning and policies etc. influence international commercial activities and affect the balance of payments of India.

Introduction

The balance of payment position of the country reflects on its economic health. The balance of payments of any country is a comprehensive and systematic accounts of all the different transactions occurred between the residents of a country and the rest of the world during a particular period of lime.

"A Balance of Payment is a double entry system of record of all economic transactions within the country and rest of the world carried out in a specific period of time".

A balance of payment statement is a record of receipts on accounts of goods exported, services rendered, capital received by residents, payments made by the residents due to goods imported and services received from, capital transferred to non-residents or foreigners etc.

The Balance of Payments takes into account the export and import of both the visible and invisible items.In other words, it takes into consideration the import and export of goods of all kinds including consumer goods, durables, FMCG, capital goods, machinery, technical equipment and services like banking, insurance, tourism, transportation etc. and payment of salaries, benefits, interests, dividends etc.

The causes of deficit are under-investment, relatively low productivity, persistently high relative inflation, inadequate R&D, innovation, emergence of lower cost competition, over-valued exchange rate, boom in domestic demand, recession in key export markets, slump in global prices of exports, increased demand for imported technology etc.

Balance of Payments Crisis

The 1991 Indian economic crisis had its roots in 1985 when India began having balance of payments problems as imports increased, leaving the country in a twin deficit i.e. trade deficit & fiscal deficit. By the end of 1990 in the run-up to the Gulf War, the situation became so serious that the Indian foreign exchange reserves could finance three weeks of imports while the government came close to defaulting on its obligations. The World Bank and IMF also stopped their assistance, leaving the government with no option except mortgaging the country's gold to avoid defaulting on payments.

As reserves kept on falling on expectations of an impending depreciation of Rupee, there was a temporary loss of confidence leading to a flight of Non Resident Indian deposits. The crisis was caused by currency overvaluation; the current account deficit, and investor confidence played significant role in the sharp exchange rate depreciation.

A credible macroeconomic, structural and stabilization programme encompassing trade, industry, foreign investment, exchange rate, public finance and the financial sector was put in place creating an environment conducive for the expansion of trade and investment. It was recognized that trade policies, exchange rate policies and industrial policies should form part of an integrated policy framework if the aim was to improve the overall productivity, competitiveness and efficiency of the economic system, in general, and the external sector, in particular.

Objectives of the study:

1. To study the concept of balance of payment in India
2. To analyze the direction of balance of trade in India
3. To analyze the direction of balance of payment in India

India's Foreign Trade

India's trade deficit narrowed down to USD 11.3 billion in December as imports witnessed a broad-based contraction. The trade deficit stood at USD 14.5 billion in December 2018. A sustained fall in imports continues to remain a big worry for the Indian economy. Furthermore, adding to India's trade worries, exports continued to be in the negative zone for the consecutive years.

Table 1: India's Foreign Trade

			$ US Million
Years	**Export**	**Import**	**Trade Balance**
1991-92	17865.4	19410.5	-1545.1
1992-93	18537.2	21881.6	-3344.4
1993-94	22238.3	23306.2	-1067.9
1994-95	26330.5	28654.4	-2323.8
1995-96	31794.9	36675.3	-4880.4
1996-97	33469.7	39132.4	-5662.7
1997-98	35006.4	41484.5	-6478.1
1998-99	33218.7	42388.7	-9170
1999-00	36822.4	49670.7	-12848.3
2000-01	44560.3	50536.5	-5976.2
2001-02	43826.7	51413.3	-7586.6
2002-03	52719.4	61412.1	-8692.7
2003-04	63842.6	78149.1	-14306.5
2004-05	83535.9	111517.4	-27981.5
2005-06	103090.5	149165.7	-46075.2
2006-07	126414.1	185735.2	-59321.2
2007-08	162904.2	251439.2	-88535
2008-09	185295	303696.3	-118401.3
2009-10	178751.4	288372.9	-109621.4
2010-11	251136.2	369769.1	-118632.9
2011-12	305963.9	489319.5	-183355.7
2012-13	300400.6	490736.6	-190336.1
2013-14	314415.7	450213.6	-135797.9
2014-15	310352	448033.4	-137681.4
2015-16	262291.1	381007.8	-118716.7
2016-17	275852.4	384357	-108504.6
2017-18	303526.2	464472	-160945.8
2018-19	330078.1	512792.6	-182714.5
Average	141222.9	208026.6	-66803.7
Pearson Correlation	0.9965		
Standard Deviation	156740		

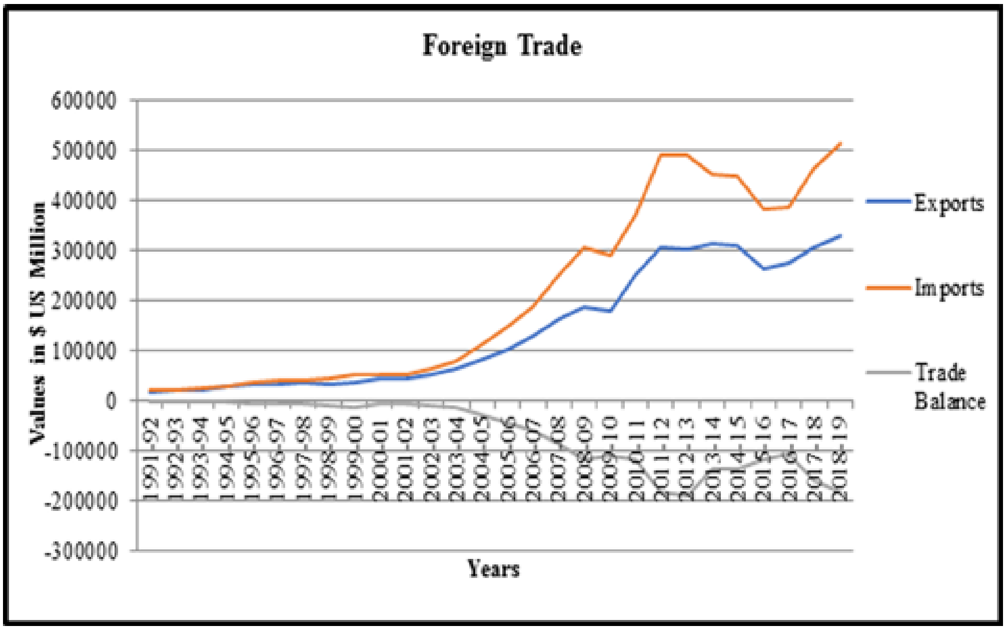

Figure 1: India's Foreign Trade

Interpretation: India has maintained an overall trade deficit since 1991 and in the past decade, the deficit has increased manifold. According to the World Trade Organization, India's share export of merchandise goods in 2015 was 1.5%. The Pearson Correlation value for trade position is observed 0.9965. The standard deviation observed 156740 for foreign trade.

India's Overall Balance of Payment:

Deficit in the balance of payments position during the entire Sixth, Seventh and Eighth and Ninth Plan periods was the result of tremendous rate of growth of imports accompanied by a poor rate of growth of exports. The trade deficits during these four plans were so heavy that it could not be offset by the flow of funds under net invisibles. The following table depicts a clear picture about the amount of deficits in the balance of payments from 2000 to 2018.

Table 2: India's Overall Balance of Payment

				$ US Million
Year / Item	**Merchandise**	**Invisibles**	**Current Account**	**Foreign Investment**
2000-01	-12460	9794	-2666	5862
2001-02	-11574	14974	3400	6686
2002-03	-10690	17035	6345	4161
2003-04	-13718	27801	14083	13744
2004-05	-33702	31232	-2470	13000
2005-06	-51904	42002	-9902	15528
2006-07	-61782	52217	-9565	14753
2007-08	-91468	75730	-15738	43326
2008-09	-119520	91604	-27915	8342
2009-10	-118203	80022	-38181	50362
2010-11	-127322	79269	-48053	42127
2011-12	-189759	111604	-78155	39231
2012-13	-195656	107493	-88163	46711
2013-14	-147609	115313	-32296	26386
2014-15	-144940	118081	-26859	73456
2015-16	-130079	107928	-22151	31891
2016-17	-112442	98026	-14417	43224
2017-18	-160036	111319	-48717	52401
2018-19	-180283	123026	-57256	30094
Average	-100692	74445.79	-26246.1	29541.32
Pearson Correlation	-0.9589			
Standard Deviation	103059			

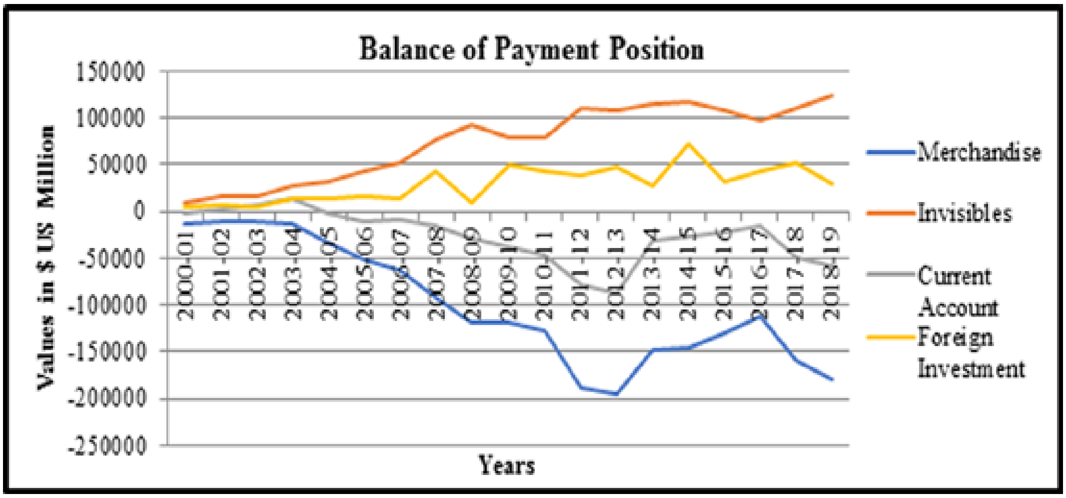

Figure 2: India's Balance of Payment

Interpretation:

Above chart, depicts India's balance of payments trend over the past years.

The balance of payments in India has been adversely affected by the 2008 Lehman crisis. The balance of payment position shows the current account deficit of $ US -57256 million.The Pearson Correlation value for payment position is observed -0.9589. The standard deviation observed 103059 for balance of payment.

Conclusion

The BOP has become an economic barometer in growth because it is base of many countries like India, China, US, UK etc. Inflation, national income, government restructuring and exchange rates are all factors that affect the balance of payments.

The historical trend of the BOP is a valuable tool for evaluating the economic prospects of a country and also the corresponding currency exchange rate.

According to the above analysis, India faces a severe balance of payment deficits and the government needs to take corrective measures in the form of exchange control, inflation reduction, export promotion and devaluation of currency.

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AUDIT PLANNING: DESIGNING AN AUDIT PROGRAMME FOR GST AUDIT

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GST is a self-assessment base taxation system. The reliance is casted upon the business entities in respect of calculation of tax liability on self-assessment basis & declare it by filing the GST returns. Therefore audit provisions are introduced to take care of proper compliance of all GST provisions in a true spirit & Department officers & professionals (Practicing Chartered Accountant or Practicing Cost Accountant) are empowered to conduct the GST audit.

GST Audit is made mandatory for those business units whose aggregate turnover exceeds Rs. 2 crore (For F.Y. 2018-19, the limit is extended to Rs. 5 Crore) unlike the Excise & Service Tax. The said entity has to get their books of accounts audited under GST Laws either by Practicing Chartered Accountant or Practicing Cost Accountant. As More than 100 lakhs registrations have already been done in the GST regime, a wider scope of professional opportunity (GST Audit) for eligible professionals has begun.

Single Nation, Single Market & Single Tax has widened its frontiers to absorb all the earlier indirect taxes. Likewise, GST audit covers audit of all the three earlier aspects of business under the single regime, i.e. Manufacture of goods, Trading of goods & Provision of services. In other words earlier three different laws & three different audits (by professionals/ Depts.) were there to take care of each item separately. Hence a GST Auditor should plan his audit very well to reduce the audit risk, to pinpoint the Government revenue leakage & to ensure the smooth conduct of business. An auditor should also keep in mind Auditing Standard on planning, which establishesthe principle that the auditor should plan his work to enable him to conduct an effective audit in an efficient manner.

An attempt has been made in this article to cover most of the aspects to plan & carry out a successful GST Audit.

Introduction:

As this is an introductory phase of GST, It is understood that there could be a number of errors of understanding, system errors and transactional mistakes. If a valid ITC is claimed, it is to be treated as an asset for accounting purpose and accordingly shall be accounted for as ITC receivable in the books of accounts. If a valid ITC is not claimed/not eligible, it is to be treated as an expenses for accounting purpose and accordingly shall be charged to the statement of Profit & Loss. Any mistake in availment of ITC would directly affect the working capital management of the business entity. Therefore ITC will play a very crucial role in financial decision making & for accounting purpose.

Objectives:

- To know various provisions of GST laws
- To understand the concept of Input Tax Credit (ITC)
- To know the various eligibility provisions for availing ITC
- To through the light upon the block credit u/s. 17(5) of the CGST Act, 2017
- To Understand various check points to be kept in mind while examining ITC
- To prepare the reconciliation between financial statements & GST returns
- To design the best audit programme for conducting GST Audit

Significance of the study:

- This study will be helpful to all the accountants working with various business entities.
- This study will also be helpful to all the GST Auditors to have a complete coverage while conducting a GST audit.
- This article will also be beneficial to Government officers working in the GST Departments.
- This article will also be helpful to the tax consultants working in the area of GST.

GST Audit Plan & Action points (Coverage):

1. Obtain thorough understanding about the nature of business, business transactions, number of locations of a business entity, number of products, number of raw material used, Multi-state entity etc.
2. Examine the list of books of accounts maintained by the entity.
3. Review the existence of adequate internal control system with regard to availment & utilisation of ITC, in respect of purchases, sales & expense transactions.
4. Have transactions carried out by the entity been qualified as 'Supply' as per section 7 of CGST Act, 2017? Examine it.

   As per Sub-section (1) of Section 7, Supply includes:

   1. All forms of supply of **goods or services or both** such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
   2. Import of services for a consideration whether or not in the course or furtherance of business;
   3. The activities specified in Schedule I, made or agreed to be made without a consideration; and
5. Have the following transactions covered by Schedule-I been made taxable even though the consideration is missing? Check it.
   - Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
   - Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.
   - Supply of goods—

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

     (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
   - Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.
6. Examine that In case of schedule-I transactions, value of supply is determined as per GST Valuation Rules?
7. Has the entity distinguished a particular supply in to supply of goods or services or both? Examine it.

   The need to differentiate between supply of goods & supply of services arises because the following rules are different for each of them:
   - Place of supply
   - Time of supply
   - Rates of taxes
   - Composition Scheme
   - ISD
   - Branch Transfer/Cross supply
8. Has transfer of goods to another branch located outside the State made taxable? Examine it. Further examine that while preparing the financial statements, it is not a revenue as per AS-9. Therefore it would be a part of Reconciliation statement-Form 9C.

In terms of Section 25(4) of the CGST Act, 2017, every person is required to obtain separate registration for every branch located in different state or union territory and shall be treated as distinct persons. Accordingly, the supply of goods (stock transfers) to a branch located outside the State would qualify as supply liable to tax in terms of clause 2 to Schedule I of the CGST Act, 2017.

Further, it is important to note that, supply of goods to a branch / unit located within the same State having separate registration would also be liable to tax since both such units (supplying unit and recipient unit) would qualify as distinct person in terms of Section 25(4).

9. Has import of services made liable to tax under GST regime under RCM basis? Examine it in detail.

The following import of service will qualify as supply under CGST Act, 2017:

a) Import of service for a consideration whether or not in the course or furtherance of business is a supply;

b) Import of service by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

10. Examine the composite supply in detail. In that, the entity charges/applies the GST rate applicable to the principal supply. If it would not be considered as Composite supply by the GST Department/Appellate Authority, then it has to be treated as Mixed supply and the highest rate will apply. Therefore as a GST auditor, one should examine it thoroughly during the audit to avoid the future litigation & to deliver a true & fair view about tax liability.

In terms of Section 2(30) of CGST Act, 2017 composite supply means supply consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

11. Examine the applicability & calculation of RCM Liability. (Reverse Charge Mechanism):

Section 9(3) of the CGST Act applies in respect of Specified categories of supply of goods or services or both as notified by government on recommendation of the council. Conduct the scrutiny of all the expense ledger to examine the proper compliance of RCM provisions.

Section 9 (4) of the CGST Act applies in respect of Supply of taxable goods or services or both by an unregistered supplier to a registered person (this section has been made redundant temporarily except in case of Real Estate entities).

12. RCM is required to be paid through cash ledger only & in the same, the entity is eligible to avail ITC, if other conditions are satisfied.

13. Examine the Aggregate Turnover.

In terms of Section 2(6) of the CGST Act, 2017, "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess;

14. Understand the meaning of turnover for the applicability of the reconciliation statement:

Section 35(5) provides that the reconciliation statement is required only when the "turnover" exceeds INR 2 crores. Rule 80 on the other hand provides that the said reconciliation statement shall be required when the "aggregate turnover" exceeds INR 2 crores. The purpose for preparing the reconciliation statement is to ensure that the figures reported in GST returns are reconciled with the audited annual financial statements. Said purpose will not be achieved if certain branches of a legal entity are excused from furnishing the reconciliation statement since even their turnover will be part of the financial statements at the entity level. Further the term "turnover" has not been defined in the Act or the Rules. Hence Rule 80 seeks to clarify the same by clearly using the term "aggregate turnover". Hence even if seen in this light, once aggregate turnover exceeds INR 2 crores, all the GSTIN's under the legal entity will be subjected to the reconciliation statement.

15. Examine whether a particular supply qualifies to be Intra –State Supply or Inter-State Supply? (Refer section 10, 11, 12 & 13 of IGST Act, 2017 for determining place of supply& type of taxes be charged).

16. Examine the Time of supply of goods in case of forward charge (sales) transactions.

Time of supply of goods / services are relevant in ascertaining the time to remit the taxes on a particular transaction involving supply of goods / services under the GST Law. Supporting documents need to be examined are: Copy of invoices, E-way bills etc.

The time of supply of goods shall be the earliest of the following:

(a) Date of issue of invoice; or

(b) Due date of issue of invoice; or

(c) Date of payment;

Meaning that unlike the earlier laws, Excise & VAT, advances received in respect of goods are also made taxable now under GST. *But temporarily this provisions have been made redundant.*

17. Examine Time of supply of goods where tax is liable to be paid under reverse charge mechanism. Supporting documents need to be examined are: GRN, Delivery challans, Bank statements, copy of invoices, E-way bills etc.

The time of supply shall be the earliest of the following:

(a) Date of receipt of goods by the recipient; or

(b) Date of payment; or

(c) Date immediately following thirty days from the date of issue of invoice by the supplier.

Further examine that Time of supply in case of addition in value by way of interest, late fee or penalty is the date of payment.

18. Examine the time of supply of services. Supporting documents need to be examined are: Copy of service contract, Bank statements, copy of invoices etc.

The time of supply of services shall be the earliest of the following:

(a) Date of issue of invoice; or

(b) Due date of issue of invoice under Section 31; or

(c) Date of payment

19. Examine Time of supply of services where tax is liable to be paid under reverse charge mechanism. Supporting documents need to be examined are: Copy of service contract, Bank statements, copy of invoices etc.

The time of supply of services for remittance of tax under reverse charge mechanism shall be the earliest of the following:

(a) Date of payment

(b) Sixty days from the date of issue of invoice or any other document by the supplier;

20. Examine whether invoices in respect of supply of goods & supply of services have been issued within due date specified in the law? For details refer Section 31 of CGST Act, 2017.

21. Examine the Time of supply in case of Continuous supply of goods & services. Supporting documents need to be examines are: successive statement, copy of contract for determining the milestone dates for payment etc.

22. Examine the Time of Supply in case of transactions with Associated Enterprise. (Related parties transactions).

23. Examine the Time of Supply in case of Composite supply.

24. Examine the Time of Supply in case of Mixed supply.

25. Examine the Taxable Value of import of services. Normal Valuation Rules will apply. Valuation of Customs rules will not apply as the Customs Act is applicable to import & export of goods only. Further understand that import of services is liable to be taxed under RCM. Hence examine all the relevant provisions of RCM.

26. Examine the Taxable Value of Supply in case of related party transactions.

The following persons would be treated as Related Persons for the purpose of GST:

- such persons are officers or directors of one another's businesses;
- such persons are legally recognised partners in business;
- such persons are employer and employee;
- any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;
- one of them directly or indirectly controls the other;

The ultimate purpose of detailed examination is to ensure that related party transactions have been carried out at Arm's Length Price.

27. Examine the Taxable Value of Supply for levy of GST.

Section 15 of the CGST Act, 2017 specifies that the value of supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply. Further Section 15 provides for certain inclusions which will form part of the value.

The following are the inclusions prescribed:

(a) Any taxes, duties, cesses, fees and charges levied under a law other than the GST law, if charged separately by the supplier;

(b) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient, but not included in the price;

(c) Incidental expenses, including commission and packing, charged by the supplier to the recipient, and any amount charged for anything done by the supplier in respect of the supply until delivery of goods or supply of services;

(d) Interest or late fee or penalty for delayed payment of any consideration for any supply; and

(e) Subsidies directly linked to the price excluding subsidies provided by the Government.

The following two types of discounts would be excluded from transaction value:

Discount at the time of Sale: Allowed as a deduction provided if the discount is recorded on the face of invoice.

Post-supply Discount: If such discount is based on the arrangement entered into before or at the time of supply, AND where the same can be linked to relevant invoices, then the same is allowed as a discount on the condition that the recipient reverses the tax credit related to such discount availed earlier.

28. Examine that the entity has done correct classifications especially in case of outward supply (Applying the correct GST rates). Wrong classification may lead to big tax outflow in future, higher litigation costs, Indirect tax may become direct tax in the hands of an entity. Also examine all the invoices contain the HSN code as per correct classification.

29. Examine the relevant provisions regarding Input Service Distributors (ISD).

The Input Service Distributor is permitted to distribute the credit as follows:

- Central tax as central tax or integrated tax; and
- Integrated tax as integrated tax or central tax.

An Input Service Distributor can distribute the credit subject to the following conditions:

- The credit should be distributed to recipient against a document containing such details as may be prescribed;
- The amount of credit distributed shall not exceed the amount of credit available for distribution;

- The credit of tax paid on input service attributable to a recipient of credit shall be distributed only to that recipient;
- If credit is applicable to more than one recipient, then it shall be distributed only among such recipient(s) to whom the input service is attributable on pro rata basis of the turnover in a State of such supplier during the relevant period, to the aggregate of the turnover of all such recipients;
- If credit is applicable to all recipients, the above method of allocation on pro rata may be applied with reference to all recipients.

30. Understand that ISD concept is applicable only in case of Input Services. For Input material or capital goods, ISD Concept is not applicable. Understand that ISD, Cross supply & Branch transfer are different concepts.
31. Examine that the period starting from 01.04 to 31.03, total amount of ITC & GST payable should be matched between 3B & GSTR-1.
32. Further note that Branch transfer outside the state is taxable and should be treated on the same way as a normal sales under the GST Laws. But in the accounts, while preparing the Financial Statements, it is not a sale as per Accounting Statndard-9.
33. Examine the Registration Certificates of each location in different states after keeping in to the definition of Aggregate Turnover & Place of business. Further examine that Registration is taken within the time limit prescribed under the GST Laws. Also examine that cross utilisation of ITC of two distinct persons is not permitted.
34. Examine the transactions of sales on approval basis wherein tax invoice is required to be issued when transaction is confirmed, not at the time of removal of goods. But maximum time limit is 6 month from the date of removal.
35. Examine that in case of receipt of advances, receipt vouchers have been issued. Because now under GST, receipt of advances are also taxable even though it belongs to goods. (Temporarily these provisions in respect of goods are made dormant).
36. Examine that bills of supply have been issued in case of supply of exempted goods or services, instead of tax invoice.
37. Examine all the supporting documents of Debit Notes & Credit Notes and also confirm that all the proper effects have been given the respective returns & tax liabilities.
38. As per section 36 every registered person is required to keep and maintain books of account or other records as prescribed under Section 35(1) and retain them until the expiry of seventy two months from the due date for filing of Annual Return for the year pertaining to such accounts and records.
39. Management Representation letter should be obtained for the technical clarifications.
40. Obtain the confirmation from debtors and creditors to ensure the genuineness of purchases & sales.
41. Examine the Bank Reconciliation Statement.
42. Examine the Goods Receipt Notes (GRN) & Stock statement for the year under audit.
43. Carry out the physical verification of inventories & prepare all the reconciliations & give its effects on tax liability accordingly, if any differences found.
44. Gather & maintain all the relevant working papers (Audit Documentation), based on which the audit opinion is given. Working papers should be retained for seven (07) years by an auditor in support of an audit opinion.
45. Audit programme should be designed thoroughly to cover all the aspects of an audit.
46. If an entity has obtained an Advanced Ruling, kindly obtain & examine the order of Advanced Ruling Authority (AAR/AAAR) and ensure that the matters covered in Advanced Ruling have been completely complied with the order.
47. Examine the calculation of taxes, interest & penalty for the year under audit. Is Certificate of registration prominently displayed at all locations where business is carried out?
48. Understand that scope of ITC is widened under GST compared to the earlier indirect tax system. Now almost all input, input services & capital goods used for furtherance of business shall be eligible for ITC except specified in section 17 (5) of CGST Act, 2017.

    Comparative review:

Aspect	**Credit under earlier system**	**Input tax credit under GST**
Definition of "capital goods"	Defined in Cenvat Credit Rules	Comparatively wider definition.
Definition of "input"	Defined in Cenvat credit Rules having inclusion and exclusion limbs.	Exhaustive definition and does not contain inclusion or exclusion limb.
Definition of "input services"	Defined in Cenvat credit Rules which has inclusion and exclusion limb.	Exhaustive definition and does not contain inclusion or exclusion limb.
Electronic credit ledger	Similar to CENVAT credit register maintained in Form RG23A	Electronic credit ledger required to be maintained for crediting and utilising input tax credit

49. Review of procurement policy of the organisation including imports. Because IGST paid on import of

goods & services are now eligible for ITC for all business units whether it is a trader, manufacturer or service provider except specified in section 17 (5) of CGST Act, 2017. Therefore ITC will form a part of the assets. It should not be charged to the statement of profit & loss.

50. Review of type of GST charged after taking in to consideration a location of supplier & place of supply. A business entity has to charge CGST & SGST in case of intra-state supply & IGST in case of inter-state supply. If the entity has charged wrong tax, i.e. CGST & SGST in place of IGST, then the entity has to pay first IGST & thereafter it has to go for refund of wrongly paid taxes. Set off is not allowed.
51. Review of branch transfer transactions. Review of goods/services at Branches/ Business verticals. Further note that Branch transfer outside the state is taxable and should be treated on the same way as a normal sale under the GST Laws. But in the accounts, while preparing the Financial Statements, it is not a sale as per 'Accounting Statndard-9-Revenue Recognition'. Therefore one has to prepare the reconciliation statement.

Further state-wise separate GST registration is mandatorily required for each unit located in a different state. *Very important to note that Separate GST registration means:*

- Branch transfer between two branches located in two different states is taxable under GST
- Filing of separate GST returns for each branch
- Separate maintenance of books of accounts
- Separate availment & utilisation of ITC (Very important to note that excess ITC of one branch can't be used to discharge the GST liability of a second branch)
- Separate GST audit

52. Review all the items of expenses debited to Statement of Profit & Loss or capitalised during the year. While verifying ITC in respect of purchase transactions, the following supporting evidences should be examined:
    - Original Tax Invoice (Purchase bills)
    - Lorry receipt (LR Copy)
    - GRN
    - Goods receipt register (Stock register)
    - E-Way bill
    - Input-Output Ratio
    - Bank statement for payment
    - Normal credit policy of a particular vendor
    - Third party confirmations (Vendor's confirmation)
    - Physical verification of inventories/capital goods.
53. Examine the relevant provisions regarding Input Service Distributors (ISD).

    The Input Service Distributor is permitted to distribute the credit as follows:
    - If required to be distributed within the state, CGST & SGST shall be distributed as it is.
    - If required to be distributed outside the state, CGST & SGST shall be distributed as IGST.
    - IGST shall be distributed as IGST always.
54. Vouch that tax invoices have been prepared with all the details as prescribed. Most important details required on the tax invoice is GST registration number, place of supply, HSN code& Description of goods and many more.
55. Review of vendors from whom purchases are made or services are availed (Registered or not). This point is very crucial in case of Real estate business entities especially w.e.f. 01.04.2019 to determine 80% ratio of purchases of input & input services from registered suppliers only. If there is any shortfall in 80% ratio in any particular financial year, the recipient (real estate entity) has to pay GST under RCM on shortfall amount. Cement & capital goods purchased from unregistered person, RCM shall always be applicable in case of the recipient real estate entity w.e.f. 01.04.2019 irrespective of 80% ratio.
56. Ensure that GST CREDIT –ITC (INPUT TAX CREDIT) properly has been availed in respect of taxes paid on purchases of input & input services.

Conditions to be satisfied to avail ITC:

- He is in possession of tax invoice/ debit note issued by a registered supplier or any other tax paying documents;
- He has received the goods and /or services or both; **(or deemed receipt of goods in case of transfer of document of title before or during the movement of goods).**
- The tax charged on such supply is paid to the Government (by way of cash or by utilizing input tax credit).
- He has furnished a valid return

57. Vouch the eligible supporting documents for availing ITC.

Eligible documents as per Rule 1 of the Input Tax Credit Rules, 2017 as under:

- An invoice issued by supplier of goods or services.
- Bill of Entry
- Invoice raised by the recipient in case of inward supplies from unregistered persons or reverse charge mechanism supplies
- ISD Invoice issued by an Input Service Distributor for distribution of credit
- A debit note issued by supplier of goods or services

58. Ensure that ITC of IGST charged on purchase bills is always allowed except block credit as per section 17(5) of the Act. But in case of CGST & SGST, ITC is allowed only if a business entity is registered in

that state. i.e. If IGST is charged in a valid bill, ITC is normally available if the same is purchased for the business purpose. However if CGST & SGST are charged in a valid bill, then ITC is available only if CGST & SGST belongs to the same state. (i.e. the entity must be registered in the state in which supplier is located.)

E.g. M/s. X is a registered dealer in Gujarat. Mr. x, an employee of M/s. X, has visited Mumbai for business meeting & stayed two days in the hotel. In this example, for Hotel services, Place of supply is Mumbai (location of supplier), therefore supplier (Hotel) has to charge CGST & SGST of Maharashtra State. In this, M/s. X (registered in Gujarat) shall not be eligible to avail ITC of CGST & SGST of Maharashtra.

59. Review the point of time for availing ITC. Examine that ITC is availed after fulfilling all the necessary conditions. If it is wrongly availed before satisfying any of the required conditions, then the entity has to pay interest @ 18% for wrong availment of ITC. Normally it can be availed after receipt of tax invoice *& receipt of goods/services.*

60. Examine that w.e.f. 01.02.2019, the provisions for utilisation of ITC has been changed drastically.

    As per the amended provisions:

    - ITC of IGST has to be **used first fully** against the output liability of IGST, CGST & SGST in order. (w.e.f. 01.02.2019),
    - Thereafter specific set off is allowed. i.e. ITC of CGST has to be used against output liability of CGST and ITC of SGST has to be used against output liability of SGST,
    - Thereafter Balance ITC of CGST & SGST can be used against the output liability of IGST.

61. Examine that input tax credit on Rent a cab, life Insurance, Health Insurance have not been claimed by the entity as per section 17 (5) of the CGST Act, 2017.

62. Review the major agreements/ orders of the business unit. Once we review the purchase orders, we will be able to decide many things, like whether it is composite supply, mixed supply, works contract, location of supplier, type of GST charged, place of supply etc.

63. Review expenses liable for GST under RCM: Most of the RCM payments are eligible for credits. If so, examine whether RCM paid and ITC availed to avoid payment of irrecoverable interest? Further examine the RCM liability in detail because there is a specified time limit for availment of ITC (Earlier of filing of annual return or 31st December of the next financial year). After this time limit, RCM payment would become a cost for the organisation). Therefore it is a major consideration for the organisation.

64. Confirm that ITC, even in case of capital goods, has now been taken fully in the first year itself. Unlike excise duty, now 100% ITC on capital goods is allowed in the first year itself.

    Examine that Plant & Machinery has been construed properly while availing ITC.

    The expression "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports **but excludes**—

    (i) land, building or any other civil structures;

    (ii) Telecommunication towers; and

    (iii) Pipelines laid outside the factory premises.

    Verify that the entity has availed the benefits of input tax credit and depreciation both on the tax component of capital goods and plant and machinery? Section 16(3) provides that input tax credit will not be allowed on the tax component of cost of capital goods/ plant and machinery, if the depreciation on the said tax component is claimed under the provision of Income Tax Act, 1961 by the taxable person.

65. Review of treatment given in respect of purchase returns (reversal of ITC) & sales returns.

66. Examine that the period starting from 01.04 to 31.03, total amount of ITC should be matched between GSTR-3B &audited financial accounts.

67. Reconcile the following details BETWEEN Financial accounts in TALLY & ANNUAL RETURN of GST (Prepare reconciliation between financial accounts & GST Annual return:

    - SALES (Outward details)
    - PURCHASE (Inward details)
    - ITC availed
    - ITC Used
    - TAX Paid by challans

68. Understand that RCM applicability u/s. 9(4) is put on hold at present except real estate entities. Therefore RCM is applicable only in respect of purchase of specified goods & services u/s. 9(3).

69. Review the import of services to ascertain RCM liability and availment of eligible ITC. In earlier laws, CENVAT of CVD & education cess was not allowed to traders. Now IGST paid on import of goods & services are now eligible for ITC for all business units whether it is a trader, manufacturer or service provider.

70. Review of rate of taxes: This would be more important for goods or services supplied.

71. Review of method of capitalising the expenditure.

72. Examine Whether Input tax credit availed on capital goods has been reversed in case of supply of capital goods (sale of capital asset).

    The registered person will have to pay an amount equal to:

    - Input tax credit taken on the said capital goods/

plant and machinery reduced by the percentage points specified ; or

- The tax on the transaction value of such goods, whichever is higher.

73. Review of negative list (Block credit) specified under section 17(5) of the Act
74. Examine the compliance of provisions related to job-work.

The time limit prescribed for return of goods sent to job work under the exemption route is 1 year of being sent out (for inputs) and 3 years of being sent out (for capital goods). This time limit is not applicable to moulds and dies, jigs, fixtures, and tools.

Section 19(2) and Section 19 (5) allows the principal to take input tax credit of goods not received by him, if the goods are sent directly to the job workers premises by the vendor.

75. Check that input tax credit has not been availed on taxable goods which are given by way of gift or free samples under the sales promotion.
76. Review if the payments in respect of principal amount and amount of GST are made within stipulated time for taking credit (within 180 days-also refer latest amendment made regarding interest). Otherwise after completion of 180 days, ITC already availed has to be reversed and re-availment is allowed in the month in which payment of principal amount along with GST is made. This will improve the financial discipline of the nation & it is a big problem for business entities as it will affect the working capital blockage the business entity.
77. Review that ITC is taken in respect of GST paid on bank charges. The business entity must be in possession of tax invoices so that they have to collect it from bank (Consolidate invoice).
78. Review that ITC balance is not used to pay off liability under reverse charge. RCM has to be discharged only by way of cash ledger.
79. Examine that ITC has been claimed within the prescribed time limit.
80. Examine that ITC is not claimed in respect of taxes paid on purchase of material or services, which have been used for supply of exempt supply. Verify that in case, goods/ services used partly for business and partly for non-business purposes, the only proportionate credits has been availed. Verify that in case, goods/ services used partly for taxable supply & partly for exempt supply, the only proportionate credits has been availed.
81. Examine that input tax credit has not been claimed in respect of inputs which became scape/waste. (*Wastage of inputs in the course of production is eligible for ITC).*
82. Examine that unlike the earlier laws, Excise & VAT, ITC has been availed in respect of all the capital goods except restricted u/s. 17 (5) of the CGST Act, 2017. Meaning that all the capital goods are eligible for ITC provided they are used or intended to be used for business purpose. e.g Plant & Machinery, Furniture, Computers & Laptops, Mobile phones are eligible for ITC, if they are purchased for business purpose.
83. Reconcile ITC ledger in financial records (Tally) and GSTR-2A. There must be a complete reconciliation. Till the completion of GST Audit, all the suppliers must have updated their sales details electronically (i.e. our ITC details) like reconciliation between 26AS & income offered in the income tax return under the Income Tax Act, 1961.

As per latest amendment w.e.f. 01.01.2020, there is a mandatory requirement to reconcile ITC as per books& as per GSTR-2A. (MINIMUM 90% reconciliation required).

84. While examining import bills & other supporting documents, ensure that Basic Customs Duty, Education Cess/ Social Welfare Surcharge are not eligible for ITC. However IGST & Compensation cess are eligible for ITC subject to satisfaction of other conditions.
85. In case of import of services, RCM is applicable. In case of export of services also, LTU is required to be submitted without payment of IGST. Kindly examine the same.
    - location of supplier of service is in India
    - location of recipient is outside India
    - place of supply is outside india
    - payment is received within 6 months in foreign currency
86. If all the above mentioned conditions are satisfied, then only it will be treated as export of service and IGST is not payable. Otherwise IGST is payable.
87. Understand that ISD concept is applicable only in case of Input Services. For Input material or capital goods, ISD Concept is not applicable.
88. E-way bill reconciliation with sales & purchases. (FY-2018-19 ONWARDS).
89. RCM applicability till applicable date should be examined with 100% perfection. In case of freight, GST rate is 5%. RCM is applicable if we are liable to make payment to GTA. Once RCM liability is paid, ITC is always available in case of inward or outward freight. The restriction in respect of ITC may be applicable to GTA, not to the entity taking services of GTA. Taxes paid under RCM is normally available for ITC in most of the cases, if input services are used for business purpose.(pay RCM based on Time of supply & avail ITC in the month of payment of RCM)
90. Examine that in some special cases, i.e. shifting from composition scheme to regular scheme, removal of exemption etc., tax containing in the inventories on the day when an entity becomes liable to pay tax, shall be eligible to avail ITC.
91. Examine further that in some special cases, i.e. shifting from regular scheme to composition scheme, introduction of exemption etc., tax containing in the

inventories on the day when an entity goes out of tax liability, shall not be eligible to avail ITC. Therefore ITC to that extent has to be reversed by a business entity.

92. Review whether there are transactions of personal nature: In such cases credit is not available.
93. Review of goods issued free of cost (FOC) or as samples.
94. Review of credit availment in case of assets put partially for non-business /non-taxable use.
95. Review of important ratios: The credit availed and utilised to total GST, ITC/ Total purchases and expenses among others. Analytical procedure should be applied to detect any abnormality in the financial transactions.
96. Examine that If goods are received in instalments against a] single invoice, credit can be availed upon receipt of last instalment of goods.
97. Kindly refer the following sections of CGST Act, 2017: section 16, 17, 18, 19, 20 & 21) & Rule 36, 37, 38, 39, 40, 41, 42, 43, 44 & 45). These Sections & Rules deal with the provisions relating to Input tax credit.
98. Examine the accounting entries for purchase of material, services &capital goods under GST regime. If ITC is allowed in respect of amount of GST, then it should be debited to ITC receivable account & should be treated as an asset for the organisation.

    If ITC is NOT allowed in respect of amount of GST as per Section 16/17(5), then it should be debited to GST expense account & should be treated as an expense for the organisation.Examine the accounting entries for sales transactions, Utilisation of ITC \and payment of net GST liability.
99. Prepare the following reconciliations for the purpose of GSTR-9C:
    a. Reconciliation of Gross Turnover
    b. Reconciliation of Taxable Turnover
    c. Reconciliation of Rate wise liability and tax payable thereon
    d. Reconciliation of Input Tax Credit
    e. Reconciliation of ITC declared in Annual return with ITC availed on expenses in as per Audited Annual Financial Statements/Books of accounts.
100. Examine the following records in detail, to determine the correct GST liability.

(a) Production or manufacture of goods;
(b) Inward or outward supply of goods or services of both;
(c) Inventory records
(d) Input tax credit availed;
(e) Output tax payable and paid;
(f) Entry gate register
(g) GSN & Delivery challans
(h) E-way bills
(i) Bank statements
(j) Descriptions of material or services
(k) GSTR-2A
(l) Tax invoices issued
(m) Purchase bills/Expenses bills received
(n) Lorry receipts (LR)
(o) Export documents
(p) Import documents
(q) Import transactions whether FOB or CIF? (For determining RCM on freight)
(r) Job work challans
(s) Monthly GST returns (GSTR-1 & 3B)
(t) Annual return (GSTR-9)
(u) Debit notes/credit notes issued/received
(v) Audited financial statements
(w) Purchase orders/Service orders/Sales orders
(x) Cash ledger, Credit ledger & Liability ledger
(y) High sea agreements
(z) Last year Annual return & GST auditor's report

Conclusion:

Under the new era of GST, an auditor has to plan & remain extra-vigilant as GST subsumed 17 taxes of business under the single regime, i.e. levy on Manufacture of goods, Trading of goods & Provision of services etc. In other words, earlier, three different laws & three different audits (by professionals/ Depts.) were in place to take care of each item separately. Hence a GST Auditor should plan his audit very well, execute the plan with a complete spirit & deliver the opinion fully supported by the working papers to reduce the overall audit risk of an auditor, to pinpoint the revenue leakage & for smooth conduct of the business.

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Industry Focus - Aviation Industry in India

Introduction

The civil aviation industry in India has emerged as one of the fastest growing industries in the country during the last three years. India is currently considered the third largest domestic civil aviation market in the world. India has become the third largest domestic aviation market in the world and is expected to overtake UK to become the third largest air passenger* market by 2024.

Market Size

India's passenger* traffic stood at 199.60 million in FY20 (April-October 2019) where domestic passenger traffic reached 160.16 million and International passenger reached 39.43 million.

In FY20 (April-October 2019), domestic freight traffic stood at 0.80 million tonnes, while international freight traffic was at 1.20 million tonnes.

India's domestic and international aircraft movements reached 1.24 million and 0.25 million in FY20 (April-October 2019), respectively.

To cater to the rising air traffic, the Government of India has been working towards increasing the number of airports. As of March 2019, India has 103 operational airports. India has envisaged increasing the number of operational airports to 190-200 by FY40.

Further, the rising demand in the sector has pushed the number of airplanes operating in the sector. As of July 2018, there were nearly 620 aircraft being operated by scheduled airline operators in India. The number of airplanes is expected to grow to 1,100 planes by 2027.

Investments

According to data released by the Department of Industrial Policy and Promotion (DIPP), FDI inflows in India's air transport sector (including air freight) reached US$ 1,904.37 million between April 2000 and June 2019. The government has 100 per cent FDI under automatic route in scheduled air transport service, regional air transport service and domestic scheduled passenger airline. However, FDI over 49 per cent would require government approval.

India's aviation industry is expected to witness Rs 35,000 crore (US$ 4.99 billion) investment in the next four years. The Indian government is planning to invest US$ 1.83 billion for development of airport infrastructure along with aviation navigation services by 2026.

Key investments and developments in India's aviation industry include:

- As of December 2019, France-based Safran Group is planning an investment of US$ 150 million in a new aircraft engine maintenance, repair and overhaul (MRO) unit in India to cater to its airline customers.
- In November 2019, the Competition Commission of India (CCI) approves the acquisition of shareholdings in Mumbai International Airport Limited (MIAL) by Adani Properties Private Limited (APPL).
- UK group to invest Rs 950 crore (US$ 135.9 million) in Turbo Aviation's new airline TruStar
- AAI is going to invest Rs 15,000 crore (US$ 2.32 billion) in 2018-19 for expanding existing terminals and constructing 15 new ones.
- In June 2018, India has signed an open sky agreement with Australia allowing airlines on either side to offer unlimited seats to six Indian metro cities and various Australian cities.
- The AAI plans to develop Guwahati as an inter-regional hub and Agartala, Imphal and Dibrugarh as intra-regional hubs.
- Indian aircraft Manufacture, Repair and Overhaul (MRO) service providers are exempted completely from customs and countervailing duties

Government Initiatives

Some major initiatives undertaken by the government are:

- As per the Union Budget 2019-20, government will promote aircraft financing and leasing activities to make India's aviation market self-reliant.
- In February 2019, the Government of India sanctioned the development of a new greenfield airport in Hirasar, Gujarat, with an estimated investment of Rs 1,405 crore (US$ 194.73 million).
- As of January 2019, the Government of India is working on a blueprint to promote domestic manufacturing of aircrafts and aircraft financing within the country.
- In January 2019, the government organised the Global Aviation Summit in Mumbai which witnessed participation of over 1,200 delegates from 83 countries.
- In January 2019, the Government of India's released the National Air Cargo Policy Outline 2019 which envisages making Indian air cargo and logistics the most efficient, seamless and cost and time effective globally by the end of the next decade.
- In November 2018, the Government of India approved a proposal to manage six AAI airports under public private partnership (PPP). These airports are situated in Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru. AAI received 32 technical bids from ten companies.
- In February 2018, the Prime Minister of India launched the construction of Navi Mumbai airport which is expected to be built at a cost of US$ 2.58 billion. The first phase of the airport will be completed

by end of 2019.

- The Government of Andhra Pradesh is to develop Greenfield airports in six cities-Nizamabad, Nellore, Kurnool, Ramagundam, Tadepalligudem and Kothagudem under the PPP model.
- Regional Connectivity Scheme (RCS) has been launched.

Achievements

Following are the achievements of the government during FY18:

- Under RCS-Udan scheme, approximately 34,74,000 passengers were flown, and 335 routes awarded during the year 2019 covering 33 airports (20 unserved, 3 underserved, 10 water aerodromes).
- As on October 2019, 55 AAI airports were declared as Single-Use Plastic Free Airport Terminals.
- India is expected to have the largest number of aircraft flying by its scheduled airlines latest by December 2019.
- Number of Operational Airports crossed 100 in FY19.
- In September 2018, Jharsuguda Airport in Odisha and Pakyong Airport in Sikkim were inaugurated. Pakyong airport is Sikkim's first ever airport and AAI's first Greenfield airport construction.
- In December 2018, Kannur International Airport was inaugurated making Kerala the only state in India to have four international airports

Road Ahead

India's aviation industry is largely untapped with huge growth opportunities, considering that air transport is still expensive for majority of the country's population, of which nearly 40 per cent is the upwardly mobile middle class.

The industry stakeholders should engage and collaborate with policy makers to implement efficient and rational decisions that would boost India's civil aviation industry. With the right policies and relentless focus on quality, cost and passenger interest, India would be well placed to achieve its vision of becoming the third-largest aviation market by 2020. The expenditure of Indian travellers is expected to grow up to Rs 9.5 lakh crore (US$ 136 billion) by 2021. Due to rise in demand in air travel, India will need 2,380 new commercial airplanes by 2038.

Note**:** Conversion rate used as on September 2019, Re 1 = US$ 0.014019. All historical data before the lockdown of the Indian economy.

References

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Export Overview

Cashew Exports from India

Introduction

Cashew (*Anacardium occidentale L.*), a tree native of Eastern Brazil, was introduced in India by the Portuguese nearly five centuries ago. In India, cashew was first introduced in Goa, from where it spread to other parts of the country. Initially, it found use in soil binding to check erosion. Commercial cultivation began in the early 1960s and, over the years, cashew became a crop with high economic value and attained the status of an export-oriented commodity, earning considerable foreign exchange for the country.

Key markets and export destinations

- Export of cashew nutshell liquid/Cardanol from India stood at 4,547 MT, valued at Rs 23.16 crore (US$ 4.68 million), while exports of cashew kernels stood

at 55,272 MT, valued at Rs 3,731.23 crore (US$ 754.55 million) during April 2018-January 2019.
- Export earnings from raw cashew nut during April 2018-January 2019 stood at 11,414 MT, valued at Rs 143.98 crore (US$ 29.12 million)
- India accounts for about 65 per cent of global cashew exports.
- India exports cashew kernels to over 60 countries. Its major markets are the US, the Netherlands, Japan, Spain, France, Germany, the UK as well as Middle East countries such as the UAE and Saudi Arabia.

Cashew Export Promotion Council of India

The Cashew Export Promotion Council of India (CEPCI) works to promote the export of cashew kernels and CNSL. The council serves as an intermediary between importers of cashew kernels and exporters who are members of the council. It also deals with disputes on exports/imports arising due to quality standards and breach of contractual obligations, among others. It undertakes numerous activities, such as organising global buyer-seller meets as well as studies on nutritional aspects of cashew and providing support to cashew processors and exporters for improving infrastructure.

Source: Export Promotion Council, IBEF, CEPCI, CNSL

Disclaimer: This information has been collected through secondary research and the Institute is not responsible for any errors in the same.

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