

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

WESTERN INDIA REGIONAL COUNCIL

Rohit Chambers, 4th Floor, Janmabhoomi Marg, Mumbai 400 001.

NOTICE – ANNUAL GENERAL MEETING

In terms of Regulation 136 of the Cost and Works Accountants Regulation 1959, Notice is hereby given that the 64th Annual General Meeting of the Members of the Western India Regional Constituency of the Institute of Cost Accountants of India will be held on **Tuesday 18th July 2023 at 6.00 pm at WIRC Hall, at Western India Regional Council of The Institute of Cost Accountants of India, Rohit Chambers, 4th Floor, Janmabhoomi Marg, Fort, Mumbai 400 001.**

• GST @ 6 “HAPPY BIRTH DAY”!!!!!!	<i>CMA Vinod Vasant Shete</i>	3
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(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME – JUNE 2023

**ATTENTION: INTERMEDIATE & FINAL EXAMINATION (JUNE – 2023 TERM)
WILL BE HELD ON ALTERNATE DATES FOR EACH GROUP.**

Day & Date	FINAL (Time: 10.00 A.M. to 01.00 P.M.)		INTERMEDIATE (Time: 2.00 P.M. to 05.00 P.M.)	
	PROGRAMME FOR SYLLABUS 2016	PROGRAMME FOR SYLLABUS 2022	PROGRAMME FOR SYLLABUS 2016	PROGRAMME FOR SYLLABUS 2022
Saturday, 15th July, 2023	Corporate Laws & Compliance (P-13)	Corporate and Economic Laws (P-13)	Financial Accounting (P-05)	Business Laws and Ethics (P-05)
Sunday, 16th July, 2023	Corporate Financial Reporting (P-17)	Cost and Management Audit (P-17)	Operations Management & Strategic Management (P-09)	Operations Management and Strategic Management (P-09)
Monday, 17th July, 2023	Strategic Financial Management (P-14)	Strategic Financial Management (P-14)	Laws & Ethics (P-06)	Financial Accounting (P-06)
Tuesday, 18th July, 2023	Indirect Tax Laws & Practice (P-18)	Corporate Financial Reporting (P-18)	Cost & Management Accounting and Financial Management (P-10)	Corporate Accounting and Auditing (P-10)
Wednesday, 19th July, 2023	Strategic Cost Management – Decision Making (P-15)	Direct Tax Laws and International Taxation (P-15)	Direct Taxation (P-07)	Direct and Indirect Taxation (P-07)
Thursday, 20th July, 2023	Cost & Management Audit (P-19)	Indirect Tax Laws and Practice (P-19)	Indirect Taxation (P-11)	Financial Management and Business Data Analytics (P-11)
Friday, 21st July, 2023	Direct Tax Laws and International Taxation (P-16)	Strategic Cost Management (P-16)	Cost Accounting (P-08)	Cost Accounting (P-08)
Saturday, 22nd July, 2023	Strategic Performance Management and Business Valuation (P-20)	Electives (Any one of three Papers) : (i) Strategic Performance Management and Business Valuation (P-20A) (ii) Risk Management in Banking and Insurance (P-20B) (iii) Entrepreneurship and Start up (P-20C)	Company Accounts & Audit (P-12)	Management Accounting (P-12)

Group (s)	Final Examination	Intermediate Examination
One Group (Inland Centres) (Overseas Centres)	₹1400/- US \$ 100	₹1200/- US \$ 90
Two Groups (Inland Centres) (Overseas Centres)	₹2800/- US \$ 100	₹2400/- US \$ 90

GST @ 6 “HAPPY BIRTH DAY”!!!!!!!

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In a historic moment, Goods and Service Tax (GST) was implemented at Parliament’s Central Hall on the intervening night of 30th June and 1st July 2017. The launch event, being hailed as India’s second tryst with destiny after Independence on August 15, 1947, saw speeches from Finance Minister the late Shri. Arun Jaitley, Prime Minister Shri. Narendra Modi, and President late Shri. Pranab Mukherjee. PM Shri. Narendra Modi, in the historic Parliament address, termed GST as Good and Simple Tax for the nation. Further, President late Shri. Mukherjee said that “GST will create a strong incentive for buyers to deal with honest and compliant sellers who pay their dues promptly,”

GST is basically an indirect tax that brings most of the taxes imposed on various goods and services at the point of manufacture, sale and consumption of goods and services under one umbrella at the National level. While in Pre GST Era, taxes were levied separately on Goods and Services.

Goods and Service Tax (GST) replaced all indirect taxes levied on goods and services by the Government, both Central and States. GST is one of the biggest Tax Reforms in India since its independence.

The tag line “One India, One Tax, One Market” made it clear that the ultimate goal of the GST was to unify the Indian market into a single market.

The initial period was very stressful for the trade and the government, but over a period of time it has stabilised to a large extent though many issues still remain unresolved. Till date there have been 49TH GST Council Meetings to resolve the issues on the rate of tax, the amendments required in law, simplification of procedure etc.

Further, during the crucial period of COVID pandemic , an extension given to the filing of GST returns and many other relaxations given under the GST Act would be helpful to the Companies and individual Tax Payers to focus on resumption of business processes and to regain the business as before COVID -19.

Key Hits:

- i) Formation of Tribunal: In March, the Parliament passed the Finance Bill 2023, which included amendments pertaining to the formation of GSTAT.

According to the legislation, GSTAT will have a “Principal Bench” in New Delhi, with the President, a judicial member, a technical member (centre), and a technical member (state). It will also have state benches, in accordance with the population of the states

concerned. States with a population of less than 20 million can have one bench, while those with 20–50 million can have two.

The 50th GST Council meeting, scheduled to be held on July 11, will consider constituting the GST Appellate Tribunal (GSTAT), a body meant to deal with tax disputes and lessen the burden on the highest judiciary. The constitution of the GSTAT has been pending since the launch of the indirect tax regime.

- ii) Focus on Rate Rationalisation: There are four GST slabs currently in effect: 5%, 12%, 18%, and 28%. There are 480 goods in the 18 percent slab, which account for almost 70% of GST collections. Aside from that, there is a list of things that are exempt from the charge, such as unbranded and un packaged food. There were 227 items in the 28 percent slab. Time-to-time discussion by the GST Council, with members of State Governments and Industry resulting in reducing the number of 227 items to less than fifty items under 28 per cent-slab. Only luxury items are now only in the highest tax bracket. Since the implementation of the Goods and Services Tax (GST) in July 2017, numerous rate revisions have reduced the original revenue-neutral GST rate of 15.5% to an effective GST rate of 11.6%.

Further, the GST council is reviewing proposal to correct inverted duty structure. An inverted duty structure refers to a situation where the tax rate on inputs purchased is higher than that on finished goods.

- iii) Tax compliance digitization: The government’s tax compliance automation has been a major success and has performed admirably, especially in comparison to the prior system. This has been made possible by the creation of GSTN, a “one-stop-shop” platform for all GST compliances. The epidemic, along with the implementation of the GST e-invoicing regime, has resulted in a steep learning curve, but firms, particularly SMEs, have been able to leverage this digital wave to boost growth and strengthen internal compliance processes as well.
- iv) Compliance Awareness: Compliance Awareness has increased in the Assesse which helps to identify the loopholes in revenue collection. Timely compliances boosting GST collection over the periods and the basic principle of Seamless Credit are achievable to the large extent as well.
- v) Ease of doing business: More focus on Ease of doing business given by the Government, resultant into

improving in the Ease of Doing Business rankings. The GST has played a significant role in this. Not only has GST reduced Inspector Raj, but it has also increased efficiency and more clarity in the tax system. More and more foreign businesses looking to invest in India can now have a clearer picture concerning taxes and administration.

- vi) **E –invoicing:** By introducing E – invoicing in the system is a major reform under the GST. It helps to increase the transparency level in the Business environment and Tax systems. Availing the input credit is much easier than the earlier system, which is useful for calculating output tax liability.
- vii) **Small Tax Payer:** The GST Council has given more emphasis on the easing the compliance burden on the Small Tax Payer by introducing relaxations in the various compliance matters, encourage them to fully participate a compliant Assessee. CBIC has introduced Quarterly Return Filing and Monthly of Taxes (QRMT) Scheme for Small Tax Payer whose Annual turnover is less than Rs.5 Crores, allows filing 3B return Quarterly instead of monthly.
- viii) **Business Intelligence Tools:** The primary skills required by taxpayers and authorities were built in the initial step using technology tools. The GSTN's next goal was to use the technology and data at its disposal to improve compliance, combat fraud, and support policymaking.

GSTN developed a Business Intelligence and Fraud Analytics (BIFA) section in March 2019, and the BIFA tool, which has become one of the most successful GST initiatives in the last five years, was created using artificial intelligence and machine learning. GSTN also sends a flow of internal reports to tax officers on a regular basis to help them improve their tax administration.

GST has increased overall business transparency concerning taxation and governance; not only is this important from the standpoint of businesses, it is crucial for consumers as well. Consumers now have an exact idea of how much tax they are paying for the products and services they purchase. Since GST requires complete information from producers of goods and services at every step of the way and requires the complementary filing of details in the returns, tax compliance is very high now. This has presented growth opportunities for the government. Higher tax compliance means more tax revenues, so that those revenues could be used for better infrastructure, more spending for social services, etc.

Key Focus Area:

- i) **Audit:** The difficulty that small enterprises have with facing the audit. According to Tax professionals there are an increase in the number of companies seeking advice on matters relating to departmental audits. In several cases, an audit is initiated due to a mismatch between the automatically generated return of purchases of raw materials and services and the tax return showing a summary of transactions based on which tax is paid by a firm. Businesses complain that doing audits and asking for documents or information,

either already available on the GSTN system or seeking documents unrelated to GST, has become a significant hindrance to doing business.

- ii) **Seamless Credit:** The purpose behind the implementation of GST was to ensure seamless tax credits across the entire value chain without any losses. However, the credit restrictions carried forward from the erstwhile regime add to the cost of businesses, blocking vital working capital for companies. The issue of the inverted duty structure also continues to be a hurdle as refund of input services is currently not allowed. As per Rule 88A of CGST Act - Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order. The main purpose of seamless credit flow is defeated due to change in order of utilisation of the Input Credit Tax. Due to piling up of the input tax credit, the burden on working capital increases and leads to increases in finance cost. Needless to say that, its impact on the bottom line of the business. The GST Council needs to review and make relaxations to the rules.
- iii) **Widening scope of GST tax network:** Petroleum products are currently exempt from GST. Hence, a significant section of the economy remains untaxed. If petroleum items were included

In the GST net, companies would save cost, and the average person would pay less for petroleum products.

- iv) **Anti-profiteering:** Anti-profiteering provisions have been fraught with litigation as the current GST provisions do not prescribe any standard methodology/mechanism for taxpayers to determine the quantum of the benefits to be passed on to the consumers. Appropriate guidance from the government is awaited on this area to reduce unnecessary disputes and litigation.
- v) **Investigations:** Various companies and their top management are receiving notices/summons from the GST investigating authority. The goal is to prevent evasion. Genuine businesses have also been targeted by investigators, resulting in excessive hardship. In most situations, investigating agencies obtain concerns that are revenue neutral in nature or are backed up by state-by-state opposite advance judgements. There is also a gap.
- vi) **SMEs:** Indian economy is majorly driven by small business unit's i.e SMEs. It will be unfair to expect small-scale business firms to make the transition to an online IT platform and expect no errors in return filing. It is an uphill task for the majority of their working staff which has little hands-on experience with IT solutions. The cost of SRP deployment is a major concern for micro-small-medium scale enterprises. This is a major challenge before GST Council, to develop an affordable IT platform for SMEs for smooth filing of the various returns and other compliances under the GST. It will help to increase in compliances by the number of small and medium taxpayer.

Conclusion:

During SIX years journey, many changes are made in tax structure to make it more and simpler. Initiatives like introducing E invoice and new formats of returns will ease the filing process, more simplification brings more transparency in taxation system as well. Continuous efforts are being made to increase the registered dealer under GST and to widen the Tax Base.

Efforts like the implementation of e-invoicing and the integration of inward and outbound supply returns with the main GST reports, revenues in April 2023 reached INR 1.87 lakh crore all-time high. As of February, 2023, India's tax base had risen dramatically, with over 1.38 crore active GST registrations.

According to a recent research by the National Institute of Public Finance and Policy (NIPFP), by replacing the four major rates of 5%, 12%, 18%, and 28% with a three-rate framework of 8%, 15%, and 30%, the government can rationalise the GST rate structure without losing revenue.

The GST Council and Central Board of Indirect Taxes and Customs (CBIC) have played an important role to sort out grievances raised by taxpayers/businesses brings more clarity about the Provisions and Rules of GST Act.

Compliances under GST needs to be simplified and made user-friendly, especially for small and medium sector enterprises, drive towards the government's agenda of 'Ease of Doing Business'.

BOOK REVIEW

“Economics of Survival”

Author - CMA (Dr.) Girish Jakhotiya



Recently this book authored by CMA (Dr.) Girish Jakhotiya, Mumbai was published by Manipal Universal Press. The world today is searching an appropriate economic model which would offer sustainable, inclusive and equitable prosperity to all. Exploitative capitalism and unproductive communism have proved to be futile. The global community needs 'economics based on humanism'. Dr. Jakhotiya's book presents such an economic model which should pragmatically serve the cause of 'wellbeing of all'.

The author studied fourteen influential economies across the globe and could conclude that a common man is not happy anywhere, be it the US or China or Saudi or India. He examined many classical economic theories and could ascertain their irrelevance today. He then elaborated an 'economic renaissance' to rectify and restore the failing global economy. His versatile model is based on four major factors viz. material prosperity, intellectual advancement, cultural bliss and social equality. Therefore he designed and developed certain revolutionary concepts like versatile development index of a nation, matrix of economic equilibrium, pragmatic definition of poverty, replacement of the WTO by a more mature global institution, constructive sacrifice by the super rich, entrepreneurship with a social face etc.

Dr. Jakhotiya presents a very comprehensive design of his proposition titled as 'perpetual economics'. Most of the economists from the western developed countries conduct deep vertical micro - level research and do not attempt to present a macro big horizontal picture of the economy. The economies of most of the rich countries are not

doing well today because they do not look at the big picture. Dr. Jakhotiya's work addresses this aspect carefully and comprehensively.

The book elaborates an entrepreneurial model of collective farming based on the principle of cooperation. Thus it avoids the possible encroachment of crony capitalism. Pragmatic education policy, role of effective bureaucracy, structural organisation of the small enterprises, unity & maturity of the consumers, neutralising the adverse impact of religion on economics etc. are the other many important ideas appear in this book.

Dr. Jakhotiya presents a suitable recipe for restructuring the global economy and avoiding its possible collapse. While doing so, he convincingly argues for a new world order that fosters 'universality' for all of us. He also offers solutions for the acute problems faced by some of the most impacting economies like the US, India, China, Britain, Saudi, Russia etc. The book is a 'must read' because it offers a very timely guidance when the world is facing the uncertainties of geopolitics, environmental decay and excessive nationalism. It presents a very fundamental thought of 'prosperity for all and dignity of all'.

Review by Dr. Ameya Tanawade

Section 67 CGST ACT 2017 (Search & Seizure)



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The Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. To ensure compliance and prevent tax evasion, GST law empowers tax authorities with various investigative and enforcement tools. One such tool is the power of search and seizure. Section 67 of the Central Goods and Services Tax Act, 2017 empowers tax authorities to authorize officers to search any place of business, can inspect any location where they have grounds to suspect those items, documents, or anything relevant.

Section 67 of CGST Act states that proper officer, not below the rank of Joint Commissioner will appoint any officer who will have a right to Search & seize the goods. Where the officer in charge has a proper reason to believe that taxable person has suppressed any transaction relating to supply of goods or services or has claimed input tax credit in excess of his entitlement under this Act or has indulged in contravention of any of the provisions of this Act or the rules made there under to evade tax under this Act or any person engaged in the business of transporting goods or an owner or operator of a warehouse or a godown or any other place is keeping goods which have escaped payment of tax or has kept his accounts or goods in such a manner as is likely to cause evasion of tax payable under this Act. The proper officer will be appointed by the Jt. Commissioner he will further authorize in writing any other officer to inspect any places of business of the taxable person. The officer authorized under sub-section (2) shall have the power to seal or break open the door of any premises or to break open any almirah, electronic devices, box, receptacle in which any goods, accounts, registers or documents of the person are suspected to be concealed, where access to such premises, almirah, electronic devices, box or receptacle is denied. Authorized officers, designated by the Commissioner of Central Tax or State Tax, have the power to order a search under GST.

A search can be requested when the officer has reasonable grounds to believe that an offense under the GST law has been committed. Such beliefs should be based on specific information or intelligence that offense has been committed by the taxable person. Prior approval from higher authorities is required before ordering a search, ensuring checks and balances in exercising this power. In urgent situations, a search warrant from a Magistrate may be obtained by the department. Show cause notice is issued to the person from whom the goods or documents were seized. This notice allows the person to present their case and explain why confiscation or penalties are inappropriately

imposed. The case then goes over to the adjudicating body for further procedures. During the adjudication proceedings, the authority examines the evidence and arguments the affected person presents. The authorities may impose penalties in addition to or instead of seizure. The taxable person can appeal before the appropriate appellate authority. The officer further also has the power to arrest the person when there are reasonable grounds to believe that a person has committed a cognizable offense under GST law. The decision to arrest should be based on the need to prevent the person from evading tax payments, tampering with evidences, or obstructing the investigation. ■

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The goal of
education is the
advancement
of knowledge
and the
dissemination
of truth.

– John Fitzgerald Kennedy

GST applicability in case of E-Commerce



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Relevant Definitions

Electronic Commerce has been defined in Sec. 2(44) of the CGST Act, 2017 to mean the supply of goods or services or both, including digital products over digital or electronic network.

Electronic Commerce Operator has been defined in Sec. 2(45) of the CGST Act, 2017 to mean any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Tax collection at source : Every electronic commerce operator like Amazon, Flipkart etc (herein after referred to in this article as ECO) is required to collect tax at 1% of the net value of taxable supplies made through it by other suppliers. Where suppliers sell their own products through electronic portals TCS of 1% would not be applicable. Services specified under section 9 (5) of CGST Act viz. (restaurant services , taxi services, housekeeping like plumbing and carpentering etc. and hotel booking) through ECOs will not be included within the net value of taxable supplies for applying 1% TCS. In case of such services specified in section 9(5) above the ECOs will be liable to pay the GST on such specified services as if they are the suppliers. In all the other cases, the supplier while paying the GST can claim credit of the 1% TCS paid by the ECO. Thus introduction of 1% TCS was tax neutral except in cases of exempt goods like (agricultural goods, fruits and books) on which no GST is payable and hence no tax credit can be claimed.

Thus, to summarize for goods and services sold through ECO 1% TCS is required to be collected by ECO and balance GST needs to be paid by the actual supplier. For exceptional cases mentioned in section 9(5) above there is no requirement to collect 1% TCS and the ECO is deemed to be the actual supplier and needs to pay GST as if the ECO is the actual supplier. Persons supplying goods or services through ECO cannot pay tax under composition scheme and will have to pay tax only under normal scheme.

TCS provisions do not apply in following cases :

- Cases where GST is payable under reverse charge mechanism
- Exempt supplies
- Import of good an services

Payment of tax collected - The tax so collected needs to paid to government within 10 days after the end of the month in which such collection is made.

Registration – Every ECO is required to obtain GSTIN registration irrespective of the turnover. This registration is over and above the registration obtained as normal supplier. If ECO has suppliers in different state, registration is required to be obtained in each such state. Even the suppliers supplying goods or services through ECO is mandatorily required to obtain registration irrespective of annual turnover. However, where the e-commerce operators are liable to pay tax on behalf of the suppliers under a notification issued under section 9 (5) of the CGST Act, 2017, the suppliers of such services are entitled for threshold exemption.

Returns of TCS - Every ECO is required to furnish a statement, electronically, containing the details of outward supplies of goods or services effected through it, including the supplies of goods or services returned through it, and the amount collected by it as TCS during a month within ten days after the end of such month. The statement will be filed in FORM GSTR-8. The operator is also required to file an annual statement by 31st day of December following the end of the financial year in which the tax was collected. (Refer to Section 52(4) and Section 52(5) of the CGST Act, 2017). Details of outward supplies furnished by ECO need to match with the corresponding details furnished by the actual supplier. If any mismatch is identified between the two, and if the same is not rectified by either eCO or supplier in the statement for the month in which discrepancy is communicated, then the amount in respect of which discrepancy is communicated shall be added to the output liability of the said supplier in his return for the month succeeding the month in which the discrepancy is communicated. Such tax needs to be paid along with interest calculated @ 18 % pa from date the tax was due till the date of payment.

Conclusion

One may observe that the ECOs are required to collect 1% TCS and file returns as well in addition to the GST payment and filing by the actual suppliers (net of TCS credit). ECOs mentioned in section 9(5) are on slightly different footing. The objective of section 52 seems to be more control based given the huge scale of online business whereby the details filed by ECOs are verified against details filed by the actual suppliers. While a lot of information is available on this subject within the CGST ACT as well as FAQs on the GST portal, the assesses would truly need to understand their responsibilities in order to discharge them without being subjected to any interest or penalties.

Inspection Search and Seizure Under GST Law

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A GST officer thoroughly check the GST return of a particular taxpayer based on certain risk parameters, to verify its correctness. If he finds any errors, he will issue a scrutiny notice Form GST ASMT 10 seeking explanation within a period of 30 days from the date of Notice or extended time. Where possible Quantify the amount of tax and any other amount payable. On receipt of Notice Registered person may accept the discrepancies & pay tax and interest or furnish explanation for the discrepancies in form ASMT 11. Where the explanation furnished by Assesses is acceptable to Proper Officer (PO), PO shall inform accordingly in GST ASMT-12 and no further action is taken but If PO is not satisfied with the reply / Explanation of Assesses, In such case PO can't pass assessment order raising demand but he may recourse to any of the provision like audit u/s 65, Special audit u/s 66, or Inspection, search & Seizure u/s 67 or Proceed to determine tax and other dues u/s 73 (Non fraud case) or u/s 74 (Fraud case).

The Commissioner or an authorized officer can purchase any goods and/or services from a taxable person. This will be done to check the issue of tax invoices, whether they are maintained correctly, and whether GST amount is clearly displayed. When the goods are returned, the amount will have to be refunded by the taxable person and the sales invoice will be canceled. Provision has been made in subsection 12 of Section 67 of CGST Act.

The GST Act,2017 has given enormous power in the hand of GST Officers,even to arrest person evading tax or claiming fake input tax or in case of fraud. In following article will briefly discuss Provision of Inspection, Search & Seizure under Section 67 of CGST Act.



The term 'Inspection' is the act of examining something, often closely, Search denotes an action of Government agencies to go, look through or examine carefully a place, area, person, object etc. In order to find something concealed or for the purpose of discovering evidence of a concealment of GST. But the search of a person or vehicle or premises etc can only be done under proper and valid authority of law. Seize means to take possession of goods through legal process, contrary to the wishes of the owner or to take forcible possession.

Section 67 of CGST act gives the power of Inspection, search

and Seizure to Proper Officer. In Circular No. 3/3/2017 – GST dated 05 July 17, Proper officer has been defined under the Central Goods and Services Tax Act, 2017 or the rules made there under. For the function under section 67 of CGST Act proper officer is designated as an officer, not below the rank of Joint Commissioner. So any officer below the rank of Joint commissioner does not have any power under section 67 until he/she was authorized by Proper officer.

If Proper officer has reasons to believe that the person concerned has suppressed any transaction of supply or stock of goods in hand, claimed excess input tax credit, contravened any provision of the CGST/SGST Act to evade tax, A transporter or warehouse owner has kept goods which have escaped payment of tax or has kept his accounts or goods in a manner that is likely to cause evasion of tax he may authorize in writing to any other officer of CGST/SGST to inspect any places of business of such taxable person. Such written authority by proper officer to conduct search is generally called search warrant. A search warrant must indicate the existence of a reasonable belief leading to the search. Search Warrant should contain the details like the violation under the Act, the premise to be searched, the name and designation of the person authorized for search, the name of the issuing officer with full designation along with his round seal, date and place of issue, serial number of the search warrant, period of validity i.e. a day or two days etc. Section 67(10) of CGST/SGST Act prescribes that searches must be carried out in accordance with the provisions of Code of Criminal Procedure, 1973. Section 100 of the Code of Criminal Procedure describes the procedure for search.

Reason to Believe

As per provision of search and seizure under GST Law, proper Officer can use his power only if he has reasons to believe that the person concerned has contravened any GST law provision, so here question arise what is “ Reason to Believe” ? Before issuing an authorization for any search, Proper Officer has to disclose the material on which his belief was formed. Though it is not required to record invariably in each case. However, it would be better if the materials / information etc are recorded before issue of search warrant or before conducting search.

In case of Delhi HC in R.J. Trading Co Vs. Commissioner of CGST, Delhi North [W.P.(C) No 4847 of 2021 dated 20.07.21], it was held that no search can be conducted by Revenue dept where the jurisdiction ingredients are absent. Further reason to believe does not carries some connotation as reason to suspect and standard of belief is

that of a reasonable and honest person and not one based on mere suspicion.

Similarly in case of “Pukhraj v D.R.Kohali the Supreme Court observed that When we are dealing with a question as to whether the belief in the mind of the officer who effected the seizure was reasonable or not, we are not sitting in appeal over the decision of the said officer. All that we can consider is, whether there is ground which prima facie justifies the said reasonable belief.”

Hon’ble Supreme Court in Sheo Nath Singh v. Appellate Asstt. CIT [1971] 82 ITR 147/AIR 1971 SC 2451, held that the Court can examine the materials to find out whether an honest and reasonable person can base his reasonable belief upon such materials although the sufficiency of the reasons for the belief cannot be investigated by the Court.



Instructions No. 01/20-21(GST Investigation) Dtd 02.02.21 to be followed during search Operation

It is as per instructions No. 01/20-21(GST Investigation) Dtd 02.02.21, Following principles should be observed during Search:

- Valid and justifiable reason for authorizing a search -No search of premises should be carried out without a valid and justifiable reason for authorizing a search warrant issued by the Competent Authority.
- Search of Residence- In case of a search of residence, There should invariably be a lady officer accompanying the search team
- No Coercive Measure against Family Members -In case of Paresh Nathalal Chauhan vs state of Gujrat (2020(32) G.S.T.L. 342 (Guj.) Gujarat HC held that Sec 67(2) does not empower the officer concerned to record statement of family members through force or coercion or to record their conversation in their mobile phone. It is not permissible for the authorized officer to use coercive measure against family members to find out the whereabouts of the taxable person.
- Circular 122 /2019 states that communication from the CBIC offices for ‘Search authorization, Summons, arrest memo, Inspection notices and letters issued in the course of enquiry shall mandatorily bear electronically generated “Document Identification Number (DIN)”’.
- Name and premises of such person mentioned on the search warrant can only be searched
- The officers before starting the search should disclose their identity by showing their identity cards to the person in-charge of the premises.
- The search warrant should be executed before the start of the search by showing the same to the person in-charge of the premises and his signature should be taken on the body of the search warrant in token of

having seen the same. The signatures of at least two witnesses should also be taken on the body of the search warrant.

- The search should be made in the presence of at least two independent witnesses of the locality. If no such inhabitants are available /willing, the inhabitants of any other locality should be asked to be witness to the search. The witnesses should be briefed about the purpose of the search.
- Before the start of the search proceedings, the team of officers conducting the search and the accompanying witnesses should offer themselves for their personal search to the person in-charge of the premises being searched. Similarly, after the completion of search all the officers and the witnesses should again offer themselves for their personal search.
- After the search is over, the search warrant duly executed should be returned in original to the issuing officer with a report regarding the outcome of the search. The names of the officers who participated in the search may also be written on the reverse of the search warrant.
- The issuing authority of search warrant should maintain register of records of search warrant issued and returned and used search warrants should be kept in records.
- A Panchnama / Mahazar of the proceedings of the search should necessarily be prepared on the spot. A list of all goods, documents recovered and seized/detained should be prepared and annexed to the Panchnama/ Mahazar. The Panchnama / Mahazar and the list of goods/ documents seized/detained should invariably be signed by the witnesses, the in- charge/ owner of the premises before whom the search is conducted and also by the officer(s) duly authorized for conducting the search.
- A copy of the Panchnama / Mahazar along with its annexure should be given to the person in- charge/owner of the premises being searched under acknowledgement.

Confiscation & Seizure of Goods(Sec 67(2) & rule 139

An officer carrying out a search has the power to search for and seize goods, documents, books or things which is his opinion shall be useful for or relevant to any proceedings under GST Law. Goods become liable to confiscation when person supplies or receives any goods in contravention of any of the provisions of GST Act or rules made there under leading to evasion of tax, If it is not practicable to seize and items, authorized officer may serve an order of prohibition in Form GST INS- 03 on the owner / custodian of the goods for not removing, parting with or otherwise dealing with goods except with prior permission of such officer.

Here it is a point to note that expression “things” occurring in Sec 67(2) of the CGST Act would cover cash also. GST authorities are empowered to seize cash from assesses and unless until the investigation is carried out and matter is finally adjudicated, question of releasing cash does

not arise. It was held in case of Madhya Pradesh HC in Kanishka Matta vs UOI (Writ petition no.8204/2020 dated 26.08.20)

But In Recent case of ARVIND GOYAL CA Vs UNION OF INDIA & ORS. (Delhi High Court),W.P.(C) 12499/2021, A Division Bench of the Delhi High Court recently directed to return the amount taken in possession by GST Officers with interest, noting that the GST Officers cannot take possession of cash found during search, under Goods and Services Tax Act, 2017 During the course of the search, at the residence of the petitioners and directed the petitioner to submit the bank guarantee for release of currency.



Power to seal or break the Premises

During search, the officer has the power to break and open the door of the premises authorized to be searched if access to the same is denied. Similarly, while carrying out search within the premises, he can break open any almirah or box if access to such almirah or box is denied and in which any goods, account, registers or documents are suspected to be concealed. He can also seal the premises if access to it is denied.

In case of Singhi Buildtech Pvt Ltd Vs Commissioner of Commercial tax (2019 (22) GSTL.10(KAR)) Karnataka HC held that officer shall not seal premises unnecessarily.

In case of M/s Napin Impex Pvt ltd Vs commissioner of DGST, Delhi & ors, (W.P. (C) 10287/ 2018 Dated 28.09.18 Delhi HC Directed to hand over of premises sealed for over a month, sealing cannot assume “indefinite” life.

In case of Anopsinh Kiritsinh Sarvaiya Vs State of Gujarat (R/Special application No. 2705 of 2020 dated 06.02.2020, Gujarat HC held that GST Authorities should be concerned with goods or other articles stored in godown, which may be liable to confiscation and there was no pint in keeping godown closed with a seal affixed on it.

Period of Seize and release of documents, Books or things etc.

As per 2nd provision of sec 67(2),Seized documents, books or things will be retained by the officer only for the period necessary for examination and for any inquiry or proceeding under GST law, In case of Universal Dyechem pvt ltd vs UOI (2021(46) G.S.TL.119(Guj)) Gujarat HC held that seized documents, books or things produced by a taxable person which have not been relied upon for the issue of notice shall be returned within 30 days of issue of SCN. As per section 67(7) seized goods shall be returned within 6 months of such seizure if no notice is issued within 6 months to the person from whose possession they were seized, period of 6 months may be extended by proper office for further period not exceeding 6 months if sufficient cause being shown.

Photo Copy of Seized Documents

Taxable person shall be entitled to make copies thereof or take extracts there from of any documents seized in the presence of authorized officer at such time and place decided by officer but GST Officer can deny for making copy of documents where the proper officer is of opinion that making such copies or taking such extracts may prejudicially affect the investigation as mentioned in Section 67(5). But most of the cases like High ground Enterprises Ltd Vs UOI, Harshvadan Rajnikant Trivedi Vs UOI AND Manish Lalit Kumar Bavishi Vs Additional Director General GST Authorities directed to make available the copies of seized documents.

As per section 67(6) of GST Act, The goods so seized under sub-section (2) shall be released, on a provisional basis, upon execution of a bond and furnishing of a security, in such manner and of such quantum, respectively, as may be prescribed or on payment of applicable tax, interest and penalty payable, as the case may be. If taxable person Executes bonds for the value of goods in Form GST INS-04 and furnishes security in form of Bank guarantee equivalent to the amount of tax, interest and penalty payable or pay applicable of tax, interest and penalty payable, seized goods can be released on provisional basis but if taxable person fails to produce the goods on appointed date and place indicated by PO Security shall be en-cashed and adjusted against the tax, Interest and penalty and fine if any payable in respect of such goods.

In case of state of U.P. Vs Kay Pan Fragrance Pvt. Ltd. (Civil Appeal No 8941, 8942 and 8944 of 2019 dated 22 Nov. 19, Hon'ble SC held that proper mechanism already provided for in the CGST Act and the rules must be followed for release on a provisional basis upon execution of a bond and furnishing of a security, in such manner and of such quantum (even upto the total value of goods involved), respectively as may be prescribed or on payment of applicable taxes, interest and penalty maybe as the case may be as predicated in section 67(6) of the act.

In case of Quality enterprise Vs Assistant state tax officer (W.P.(C) No 18212 of 2020 dated 18.09.20, Kerala HC Held that Bank guarantee furnished before the department shall not be en-cashed until orders are passed by the first appellate authority as directed and the order communicated to the petitioner.



Seizure and disposal of goods having perishable or Hazardous Nature

As per section 67(8) proper office may dispose of the goods as soon as may be after its seizure under section 67(2) of the CGST Act in following circumstances

- I. If there is a constraint of the storage space of the goods or

- II. Goods are of perishable or Hazardous nature
- III. Value of goods depreciate with the passage of time or
- IV. Any other relevant reason for not keeping the goods after the seizure

Notification No. 27/2018 - Central Tax dated 13.06.2018 has Notifies categories of such goods which shall, as soon as may be after its seizure under section 67(2) of the CGST Act, be disposed of by the proper officer, having regard to the perishable or hazardous nature, depreciation in value with the passage of time, constraints of storage space or any other relevant considerations of the said goods. In this notification total 17 categories of goods are specified. Inventory of such goods to be signed and maintained by the person from whose custody such goods are seized.

As per Rule of CGST 141 (1) Where the goods or things seized are of perishable or hazardous nature, and if the taxable person pays an amount equivalent to the market price of such goods or things or the amount of tax, interest and penalty that is or may become payable by the taxable person, whichever is lower, such goods or, as the case may be, things shall be released forthwith, by an order in FORM GST INS-05, on proof of payment.

141(2) Where the taxable person fails to pay the amount referred to in sub-rule (1) in respect of the said goods or things, the proper officer may dispose of such goods or things and the amount realized thereby shall be adjusted against the tax, interest, penalty, or any other amount payable in respect of such goods or things.

CAN GST OFFICIALS FORCE FOR DEPOSIT OF GST AT THE TIME OF SEARCH AND SEIZURE

GST officials cannot force the Assessee for deposit of tax at the time of search and seizure proceedings even they can't ask for Post dated cheque. Such kind of collection/recovery of tax is illegal and the same is violative to Article 265 of the Constitution of India which provides that no tax can be recovered without authority of Law. In the case of M/s Remark Flour Mills Private Limited V State of Gujrat (R/ Special Civil Application No 4835/2018) has slammed the practice of collecting post dated cheques during inspection/ search & seizure proceedings. The Hon'ble High Court held that the practice of collecting post-dated cheques during the raid is not permissible means of collection of revenue. The similar view was earlier taken by the Hon'ble Gujarat High Court in VAT regime as well in the case of Atul Motors v State of Gujarat (R/Special Civil Application no 959/2015) and Automark Industries (i) Ltd v State of Gujrat (2014) SCC online Gujarat 14217.

Documents asked during Search & Seizure

In General taxable person is asked to provide the books of Accounts and records required to be maintained by taxable person including Trial balance, duly audited annual financial statements, Tax audit reports, cost audit reports etc.

Precautions during Search & Seizure

Taxable Person should be calm and obedient and shall

not hide any documents and record and provide correct information to proper officer. Taxable person should not interfere or stop any officer conducting search. But Search officer cannot search any other property not mentioned in the Search Warrant. Taxable person can ask search officer to show its identity card and before the start of the search proceedings, the team of officers conducting the search and the accompanying witnesses should offer themselves for their personal search to the person in-charge of the premises being searched. Similarly, after the completion of search all the officers and the witnesses should again offer themselves for their personal search. Taxable person should cross verify the list prepared of all goods, documents recovered and seized/detained

Summon

Even after search, Proper office has full right to summon and question any person and ask for Information and documents he may deem fit. Where any summon has been issued by proper officer, the person to whom such summon is issued is required to present himself before the officer and provide required evidence or documents when required.

Conclusion

Search and seizure adversely affects Taxable person reputation and paralyze his business activities. Therefore while exercising such powers, the authorities should be rather careful and cautious and must exercise it strictly under the authority of the law. Inspection, Search or Seizure can only be carried out by a proper officer as envisaged by legislature, only when such proper officer has 'reason to believe' regarding the existence of such exceptional circumstances.

OBITUARY



CMA Subramani Ramanathan - (M-5968)
passed on 17th April 2023.

May the departed soul rest in eternal peace.

ITR Check-Points



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India's Income Tax Laws are framed by the Government. The Government of India imposes a tax on taxable income of all persons who are individuals, Hindu Undivided Families (HUF's), companies, firms, LLP, association of persons, body of individuals, local authority and any other artificial juridical person. Every individual who qualifies as a resident of India is required to pay tax on his or her global income.

The Income Tax Return (ITR) is a form that all taxpayers in India must fill out and send to the Income Tax (I-T) Department in order to notify their income, deduct taxes, and claim refunds. It contains information about the person's income and the taxes to be paid on it during the year.

As per the income tax laws, the return must be filed every year by an individual or business that earns any income during a financial year. The income could be in the form of a salary, business profits, income from house property or earned through dividends, capital gains, interests or other sources.

Tax returns have to be filed by an individual or a business before a specified date. If a taxpayer fails to abide by the deadline, he or she has to pay a penalty.

Here are few checkpoints that first-time taxpayers should keep in mind while filing their ITR.

- **Choose new tax regime or old tax regime whichever is more beneficial**

The government has introduced various incentives in the 2023 Budget to encourage the adoption of the new regime. These changes show that the government's intention is to have taxpayers transition to the new regime and eventually phase out the old one. Though the new regime is now the default tax regime, the old tax regime will continue to exist.

However, those who opt for the new regime cannot claim several exemptions and deductions, such as HRA, LTA, 80C, 80D and more.

The most important question for new taxpayers will be to figure out whether they want to opt for the new tax regime or the old regime. While the new tax regime offers lower tax rates, the old regime has certain deductions and tax benefits that allow a taxpayer to save tax.

With the help of online tax calculators, we can find out in which regime the taxpayer will face a lesser tax outgo.

- **Collect your Form 16 and Form 26 AS**

Excluding Form 16, a person should accumulate the other TDS certificates that would be subjected to him or her. For the individuals, Form 16A would be needed to get issued by the bank for the tax deducted. Mutual funds and the companies would provide you Form 16A towards the tax deducted upon the dividends furnished. Form 16 is a TDS certificate provided by an employer for salaried individuals. This form includes all the salary details to be entered while filing income tax returns. It consists of information on the deductions you have claimed, the salary earned, and the exemptions availed. Form 26AS is also a very crucial document that must be relied on for filing tax returns. It captures details of all the income earned on which there has been a TDS. You can view as well as download your Form 26AS online. The details in this form get updated with every TDS return statement, the deductor uploads with the tax department.

- **Annual Information System**

The income tax department founded the Annual Information Statement (AIS) in Nov 2021. The new AIS includes additional information relating to interest, dividend, securities transactions, mutual fund transactions, foreign remittance information, etc The statement provides the information on the taxes deposited with respect to your PAN with the government.

A person should download and verify the fiscal transactions with AIS to confirm that the incomes provided in the statement are reported in the income tax return form.

- **Choose correct ITR Form**

It is important to select the applicable ITR form depending upon the taxpayer's residential status and income earned from various sources for an accurate filing.

ITR 1 For people with an annual income of at least Rs 50 lakhs from wage or pension, single house property, and other sources. Also known as SAHAJ.

ITR 2 For people with an annual income of more than Rs 50 lakhs from wage or pension, other sources, international income, more than single house property, and gain on capital.

ITR 3 For people who are partners in a company receive income from the firm in the form of interest, wage, incentives, commission, or remuneration.

ITR 4 For people whose yearly salary does not exceed Rs 50 lakhs, including income from business and profession computed on a presumptive basis u/s 44AD, 44ADA, or 44AE, salary/pension, one house property, agricultural income, and other sources. Also known as SUGAM.

ITR 5 For organizations, LLPs, BOIs and AOPs

ITR 6 For organizations that do not claim Section 11 deductions.

ITR 7 People and companies under sections, 139 (4B), 139 (4A), 139 (4D) 139 (4C).

There are seven kinds of ITR structures.

In most online platforms the forms get automatically selected on the basis of information provided by the user. But on some platforms, you may need to know which form is for you. Choosing the wrong form may mean an error in filing returns and require you to file again.

• **Key Documents Required to File ITR**

- Bank Account Details
- Permanent Account Number
- 26AS Form
- Aadhar Details
- Forms 16A, 16B, and 16C
- Salary statements
- Account statements
- Certificates of Interest
- Insurance premium payment receipt
- Certificate of TDS
- Evidence of tax-saving investments

• **Basic requirements for E-filing Income Taxes**

- The user must have a valid user ID and password and be registered on the e-filing portal.
- PAN that is active.
- PAN is linked to an Aadhaar card.
- The account has already been validated.
- The valid mobile number linked to the Aadhaar/e-filing portal/your bank NSDL / CDSL for e-verification.

• **Need for Multiple Disclosures**

Below are the mentioned disclosures of several assets and financial investments that form an integral part of the income tax return:

- Mentioned information of all Indian bank accounts
- Mentioned data of unlisted equity shares
- Information about directorship carried in Indian or foreign companies.

• **Income Tax Saving Investment and Proofs of Expenditure**

It is essential to collect the tax savings investment and

expenditure proofs to claim deduction during furnishing the income tax return. A person would claim the tax-saving investments and expenditures if they choose the old tax regime during ITR filing. Employees show and submit all the tax-saving proofs (if they choose the old income tax regime) to their employers to prevent the higher TDS on their salary. The proofs submitted are written in part B of Form 16.

• **Aadhaar Number Mandatory U/S 139AA**

As per section 139AA of the Income-tax Act, 1961, during furnishing the ITR, a person is needed to fetch his or her Aadhaar number. When you do not have your Aadhaar number but have applied for that then you will be needed to fetch your enrollment ID in the income tax return form.

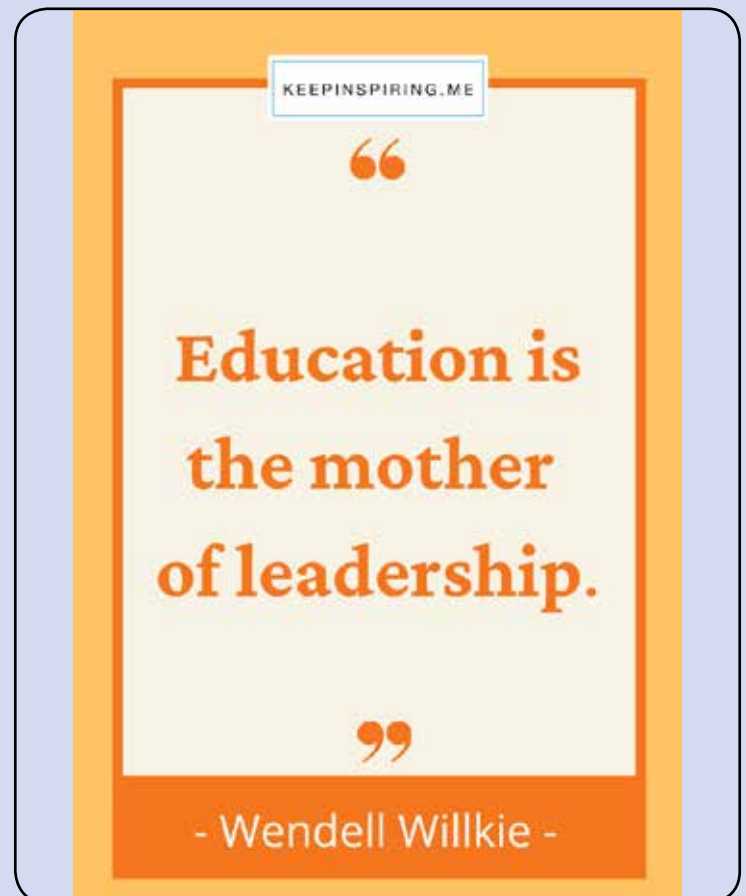
• **ITR deadline**

The last day for filing your income tax returns is 31st July of every financial year.

• **Verification of ITR**

After filing your ITR, the final step is to verify your returns. You can verify your return either online or offline. For the online option, you can access the information through the Aadhaar OTP.

As the last date for filing tax returns approaches, many taxpayers are hoping that the deadline will be extended. Whether there is an extension or not, it is always better to get these things out of the way as soon as possible. If you have got all the necessary documents, why do you want to wait till the last day?



History of Cost Accounting as a Profession



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Introduction:

The concept of costing is as old as the concept of business world. But the concept of cost accounting as a subject of specialization and practice is just a century old.

By the end of World War-I, the military had started emphasizing the need of costing of military equipment. The same need was felt by other industries where effective costing system was needed to arrive at the cost price of any product. Thus The Institute of Cost & Works Accountants of UK was born.

The Institute of Cost & Works Accountants (ICWA), UK was the predecessor of The Chartered Institute of Management Accountants (CIMA), UK as well as The Institute of Cost Accountants of India (ICMAI), The Institute of Cost and Management Accountants of Pakistan (ICMAP) and The Institute of Cost and Management Accountants of Bangladesh (ICMAB).

Sri Md Shoaib and Sri J N Bose were amongst the initial members of ICWA UK who went on to found the ICMAI in India in 1944.

The profession:

The Cost and Works Accountant were, from the very beginning, designed to become in-house accountants who would work with the shop floor engineers to arrive at the costing of any product.

The Cost Accountants were trained to fill the gap between accounts department and shop floor engineers. This led to the Cost Accountants being the first type of Financial Engineers. Their curriculum was designed in a way that would enhance their knowledge of basics of engineering as well as costing.

By 1959, the Indian Parliament had recognized the ICWAI as the regulator of Cost and Works Accountancy and recognized the profession as a distinct branch of Accounting.

In 1972, the ICWA UK had renamed themselves as ICMA UK. By 1975, the British Industry had recognized the profession as a separate branch of accounting by granting ICMA UK a Royal Charter.

The practice of Cost Accounting and Cost Audit:

By 1965, the Indian Govt had realized the necessity of auditing the books of cost accounting of certain industries. This led to the ICWAI to come up with the procedure of Cost Accounting Records Maintenance and Cost Audit.

Cost Audit has also come along way. From a couple of industries under the ambit of Cost Audit to a large number of organizations currently under the scope of the same.

Cost and Works Accounting to Management Accounting:

During the time when the scope and procedure of Cost Accounting

was seeing a change in India, the same was going through phases of evolution in UK also. The Cost and Works Accountants of 1919 became Cost and Management Accountants by 1972. By 1986, they had become Management Accountants and by 1995 they had become Chartered Management Accountants.

The changing time and practices in the industry had changed the roles of the cost accountants. From being shop floor accountants filling the gap between engineers and accountants in 1919, the 1980's saw them to be Management Accountants, a part of decision making of the top management. By large their roles had become much bigger than merely shop floor accountants.

Increasing scope of Cost Accountants in India:

In India also Cost Accountants had started seeing themselves in roles and responsibilities much larger than that of Factory Accountants only.

Today in major public sector companies, a large number of Cost Accountants have taken up active roles in every branch and sphere of accounting and finance. All major PSUs have employed Cost Accountants in each and every section of finance departments.

Cost Accountants are not only limited to Costing system. Cost Accountants have proved their worth in Concurrence, Internal Audit, Payroll Accounting, Works Billing, Inventory Accounting, Preparation of Central Accounts, Taxation and even in Contracts Management.

Large number of CMAs have proved their worth in the banking and insurance sector. Many large scale banking and insurance organizations take the professional as well as in-house services of the Cost Accountants.

The area of service of Cost Accountants has even entered the domain of SAP and a large number of CMAs are working as SAP FI, Costing and HCM consultants.

Even in professional services, cost accountants have been the key driving factor behind the small scale and MSME companies. A large number of Cost Accountants in practice are catering to the accounting and financial needs of the MSMEs.

Conclusion:

The changing roles and responsibilities of the cost accountants has been at the same pace as the changing business world. With growing impact of Artificial Intelligence, the Cost Accountants are now emphasizing the need of AI and Machine Learning and has started to respond to the evolution of the business world.

The factory ready shop floor accountants are now taking up the new challenge in the world of AI and ML.

Green Thinking – Thinking about Sustainability

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“The world we have created is a product of our thinking. If we want to change the world, we have to change our thinking”. Albert Einstein

The Perspective

The challenges of consumerist and individualistic culture, rapid globalization and the clear presence of the effects of global warming, add to increasing inequality and loss of biodiversity. For some time we, as people and as nations, have focused on making profits and shareholders have been the most important stakeholders. But times are changing. Societal pressure, along with a higher consciousness in both business and politics, is slowly starting to change the rules of the game. Perhaps things are not moving as fast as desired, but progress is slowly happening. People are becoming more and more willing to embrace sustainability in their daily lives.

What is Green thinking?

Green thinking refers to being aware of our interconnectedness with the world and reflecting on the unintended damage we cause to nature in the daily course of human and business life. Green thinking means following practices that can lead to actions and lifestyles to be more environmentally friendly, which in turn helps to preserve the environment surrounding its natural resources for future and current generations. Green Thinking aims to engage and inspire listeners to discover and do more, to help build a brighter future. Covering topics from ecological emergencies to the future of fashion, and from environmental management in conflict zones to the world of work.



“THINK GREEN” means to pursue knowledge and practices that can lead to more environmentally friendly and ecologically responsible decisions and lifestyles, which can help protect the environment and sustain its natural resources for current and future generations.

Sustainability and Green economy

Humanity has always depended on the services provided by the biosphere and its ecosystems. Furthermore, the biosphere is itself the product of life on Earth. The composition of the atmosphere and soil, the cycling of elements through air and waterways, and many other ecological assets are all the result of living processes — and all are maintained and replenished by living ecosystems. The world is faced with increased demand for environmental resources but their supply is limited due to overuse and misuse. Sustainable development aims at promoting the kind of development that minimises environmental problems and meets the needs of the present generation without compromising the ability of the future generation to meet their own needs. A prerequisite for achieving a shift in economic thinking is learning about and understanding of the concept of Green economy and sustainable development as well as of the link between the multiple crises to unsustainable economic activities. It might entail a re-orientation of values and attitudes and has to encompass a broad variety of actors, ranging from the individual consumer, to policy makers and multinational corporations.

Sustainability is a paradigm for thinking about the future in which environmental, societal and economic considerations are equitable in the pursuit of an improved lifestyle. Most of the economies are developing with breakneck velocities and becoming epicentres of unsustainable global growth. Immense utilization of natural resources, waste generation and ecological irresponsibility are the reasons for such a dire situation. With the world polity debating over issues like climate change, water resources, food security, energy efficiency for the last few decades, it is evident that sustainability and green thinking has taken root in all approaches and dialogues. Governments are rethinking their developmental paths adopted to ensure a sustainable lifestyle. Industry, academic institutions, public sectors are taking serious advancement to implement the same.

Green thinking and Sustainability

The overall idea behind the Green thinking concept is the understanding of nature as something limited. Lozano (2008), in his article “Envisioning sustainability three-dimensionally,” reviews the concept of environmental sustainability established by several authors and states that the Green thinking can be quoted as “use of natural resources without going beyond the carrying capacities and the production of pollutants without passing the biodegradation limits of the receiving system.”

Therefore, the general purpose of Green thinking can be

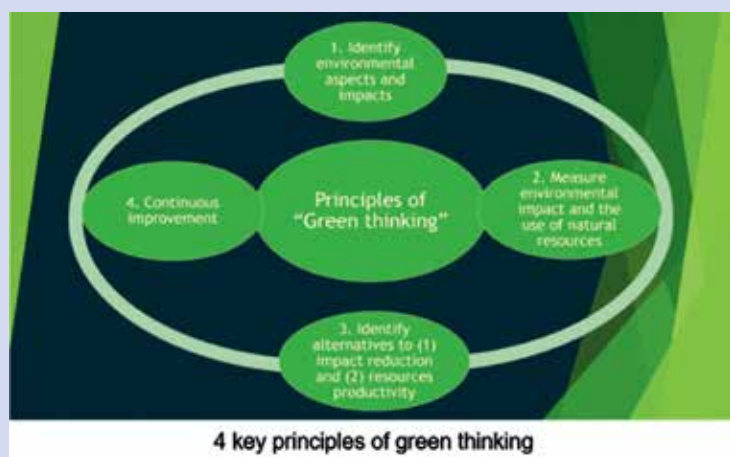
described in one dimension (Environment), with two main focuses (Moreira et al., 2010): (1) Producing with the maximum productivity in the use of natural resources and with the (2) minimum environmental impact

A number of mechanisms have been proposed by which companies can assess, monitor, and record the environmental impacts of their products, processes, and other activities and verify that plans to reduce impacts will be effective. In general terms, Green thinking practices can be generalized by four common key principles:

- 1. Identify environmental aspects and impacts
- 2. Measure environmental impact and the use of natural resources
- 3. Identify alternatives to (1) impact reduction and (2) resources productivity
- 4. Continuous improvement

Open the process

- Attaining sustainability in innovation calls for a perception shift within the business as well as among consumers. New ideas and knowledge systems are required, which often means embracing the open innovation models that, until now, some businesses have been reluctant to adopt.
- The more perspectives you have, the better the chances of bringing new ideas into the innovation process. You need suppliers, service providers and customers working together on sustainability, solving challenges in our different sectors. It's the only way.



The obvious benefits of green living include improved sustainability both within individuals and the world, as well as the conspicuous benefit of improving the state of the environment by taking direct action to reduce climate change and global warming.

Green Thinking is Profitable

It is a common misconception, to associate environmental responsibility to expense. In fact, organisations are too often reluctant to act up on responsible behaviour, because they are afraid to gain too little or fail maintain their profit. There is no doubt that companies have to be profitable to survive and earn a higher return on shareholders' equity than they would realise by depositing money in a bank. But

companies should be seen as more than just an “economic machines”.

Indeed, there are clear evidence that those companies that are eco-friendly and practice responsible business activities are financially outperforming others that don't. A study by non-profit CDP, supports this claim and argues that companies that are actively taking steps towards environmental responsibility, are securing 18% higher return on investment (ROI) than companies that don't.

We must all sign up and be part of that future

Thinking green is betting on renewable energy. Look at the sky, instead of under the ground. Solar and wind power, especially, are already cheaper than power based on fossil fuels, according to the latest analysis from Bloomberg New Energy Finance (BNEF). Even the International Energy Agency admitted that “solar energy is the cheapest electricity in history” in its World Energy Outlook 2020. And it is an incremental trend. Nor should we forget the brutal drop in energy storage costs.

Thinking green is using recycled materials. Believe in the reincarnation of things. The cost of recycling and optimising techniques is increasingly lowering the prices of these materials and their use is becoming more and more frequent. So much so that, according to the last TechSci Research report, the global plastics recycling market will grow 23 per cent between 2020 and 2025, to reach 110 billion U.S. dollars.

Thinking green is knowing that there are less harmful alternatives for the planet. Abandon traditional plastic for PLA, which is biodegradable and increasingly accessible; put aside traditional ink and bet on new options like soy; support green building models, which advocate near-zero consumption and the use of renewable materials; or join electric mobility, among other things.

Thinking green is embracing digitisation. Change pollution clouds for cloud work. New ways of communication and cooperative work save time and costs by avoiding travel and, therefore, emissions. Some emissions — those derived from road transport — dropped by 10 per cent this year due to blockades and movement restrictions to stop the spread of the coronavirus pandemic. It was the largest reduction in history, according to the latest report from Global Carbon Project.

We must all contribute, do our bit, be part of change, or better yet, be the engine of change, to accelerate it. For our planet. For our children and grandchildren. For ourselves... And for the economy.

Still wondering what colour to think of?

Thinking green, therefore, is actually thinking...

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GLOBAL SUMMIT 2023

Theme - Unlocking Sustainability:

G20 Presidency Paves The Way for An ESG-Driven New World Order

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Inventory Write Down, Changes in Inventory A/c and Inventory Reserve A/c

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SYNOPSIS:

- 1) INVENTORY WRITE DOWN,
- 2) HOW TO PERFORM INVENTORY WRITE DOWN,
- 3) ACCOUNTING METHODS FOR WRITING DOWN INVENTORY,
- 4) HOW DOES IT AFFECT FINANCIAL STATEMENT,
- 5) REVERSAL OF INPUT TAX CREDIT,
- 6) REVERSAL OF INVENTORY WRITE DOWN,
- 7) INVENTORY RESERVE,
- 8) CHANGES IN INVENTORY ACCOUNT
- 9) CONCLUSION
- 10) BIBLIOGRAPHY

1. INVENTORY WRITE DOWN:

The Inventory write down is an accounting process used to record the reduction of an inventory's value and is required when the inventory's market value drops below its book value on the balance sheet. A business cannot avoid having stocked inventory unless the company uses the "Just in Time" inventory strategy. An inventory's lifespan depends largely on what it is. Excess, stored inventory will near the end of its lifespan at some point and, in turn, result in expired or unsellable goods. In this scenario, a write-down is recorded by either reducing the value of the inventory or removing it entirely.

Goods that are damaged in production or when in transit also contribute to inventory write-downs. Other common causes of inventory write-downs are stolen goods and inventory used as in-store displays (goods put on display are not fit for consumption). The write down will reduce the balance sheet value of inventory and create an expense on the income statement. If the write down is large enough, the company may report a separate expense account on its income statement named something like Inventory Write Down.

2. HOW TO PERFORM INVENTORY WRITE DOWN:

First, the accountant needs to determine the size of the inventory's reduction. If it is relatively small, the accountant can factor the decrease in the company's cost of goods sold. This is done by crediting the inventory account and debiting the cost of goods sold.

If the reduction is larger, then the accountant typically

reduces the value of inventory by crediting a contra asset account called reserve for obsolete inventory (or something similarly/appropriately named) and debiting expense (the expense may be cost of goods sold or an expense labeled "inventory write down").

3. ACCOUNTING METHODS FOR WRITING DOWN INVENTORY:

For inventory write-downs specifically, there are two primary inventory accounting methods: direct write-off and allowance method. The inventory valuation method one choose depends on how significant the inventory write-down is. Here is a deeper dive into the two different methods.

3.1 Direct write-off method: The direct write-off method requires writing down unsold inventory that's lost value as a "bad debt expense." For example, a company that sells mobile phones had inventory worth \$10,000 in the beginning of the year. Of this lot, \$1,000 worth of inventory was outdated by year-end. So, the company's accountant will decrease the inventory account by the write-off value and COGS increases accordingly. It's worth noting that smaller write-offs can be reported as COGS, rather than a write-down. But larger amounts must always be entered as a separate line on the income statement. But, adding the write-off amount to the COGS account can create a misleading picture of oner businesses' gross margin, since there is no matching journal entry for the revenue secured by the sale of the SKU.

Note: Recurring inventory write-offs can be a red flag and could be perceived as inventory fraud. Always consult a certified accountant on the best way to report inventory value.

3.2 Allowance method: The allowance method is a more elaborate process since some money is set aside to cover inventory that might lose some or all of its value in the future. Unlike the direct write-down method, the allowance method requires one to report bad debt expenses every fiscal year. This method allows one to track the total size of the write-down and keep tabs on the historical cost in the original inventory account. This predicted drop in inventory value is credited to a separate contra asset account (i.e., inventory reserve or allowance for obsolete inventory) which offsets the inventory line item in the balance sheet. It is also debited from the expense account. For example, a mobile phone retailer has assets worth \$10,000 and tags goods worth

\$1,000 for disposition. Then, they immediately create an inventory reserve account, to which they add \$1,000 and deduct the same amount as an expense.

When the inventory is disposed of, one can debit the inventory reserve and credit the inventory account.

4. HOW DOES IT AFFECT FINANCIAL STATEMENT:

An inventory write-down is treated as an expense, which reduces net income. The write-down also reduces the owner's equity. This also affects inventory turnover for subsequent periods. The specific effects of inventory write-down are determined by its listing. If it is insignificant, it will be included in the P&L. In this case, the company would deduct the difference between the original and current values from the general P&L account in the income statement and credit the inventory with the difference. The P&L will rise as a result of this strategy. However, if the inventory write-down is significant, the expense will be recorded in a separate impairment loss line item (inventory write-down) to track the aggregate size. As a general rule of thumb, writing down 5% or more of the inventory is considered significant. Because the inventory write-down is treated as an expense, both the business's net income and taxable income are reduced.

5. REVERSAL OF INPUT TAX CREDIT:

In re Jay Chemical Industries Ltd (GST AAR Gujrat) the question "Whether the Company is required to reverse input tax credit on inputs consumed in dye intermediates (which is also a finished goods), where such goods have been destroyed in fire?" is answered in the judgement. It says, we find that in GST regime, the scope of definition of inputs, capital goods and input services is very wide and covers almost all the imaginable goods and services that are directly or indirectly used in course or furtherance of business. However, Section 17(5) of the CGST/SGST Act, 2017 prescribes a list of goods or services on which ITC is not admissible. The opening para of Section 17(5) of CGST Act, 2017 reads as follows: - "(5) Notwithstanding anything contained in sub-section (1) of section 16 and sub-section (1) of section 18, input tax credit shall not be available in respect of the following, namely: - (h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples;" ADVERTISEMENT Ads by the bare analysis of above section makes it clear that this section has overriding effect and it states that the ITC shall not be available in respect of goods lost, stolen, destroyed or written off. We further note that Section 16 (1) of the CGST Act, 2017 provides that any registered person can avail credit of tax paid on the inward supply of goods or services or both, which is used or intended to be used in the course or furtherance of business. Hence Input Tax Credit is not reversed

6. REVERSAL OF INVENTORY WRITE DOWN:

In rare cases, a company may need to reverse the inventory write-down. For example, this happens when

the initial write-down estimated loss is higher than the net realizable value of the inventory. An assessment is done during each reporting period and, if there is clear evidence of a value difference, then a reversal of inventory write-down is executed. Another possible scenario for reversal is when there is an increase in the inventory's market value. Note, that GAAP does not allow for the reversal of write downs, while IFRS does allow reversals (except for goodwill).

7. WHAT IS INVENTORY RESERVE:

Inventory reserve is an estimation of future inventory spoilage based on the company's past experiences. Once inventory that is unable to be sold is actually identified it is written down in official recognition of the loss. Companies create inventory reserve accounts for the inventory they predict will not be able to be sold that year. Inventory is counted as an asset, and inventory reserve is counted as a contra asset, in that it reduces the number of inventory assets. At some point, a company will have to concede that they have inventory that can't be sold. Such would be the case with a pallet of rotten tomatoes in a grocer's warehouse, for example, or a stock of outdated computer components. When this happens, the company "writes off" those items, meaning it takes them off the books, and the company absorbs the costs. An inventory reserve is an important part of inventory accounting in GAAP. Tracking a company's inventory reserve allows that company to make a more accurate representation of its assets on the balance sheet. An asset is any good that has future value to the firm. Since a portion of a company's inventory goes unsold each year, it makes sense that the company would not include the entire amount of its inventory as an asset on their balance sheet. The inventory reserve contra asset account subtracts value from the inventory asset entry on the balance sheet to create a more accurate representation of the portion of inventory that will actually be sold to create future value for the company. Without the inventory reserve entry, the value of the company's assets would be overstated. A company estimates how much of its inventory will "go bad" based on its past experience, its assessment of current industry conditions, and its knowledge of customer tastes. By accounting industry standards, inventory reserve is a conservative methodology. It attempts to predict inventory losses even before a loss has been confirmed to have happened. As such, inventories are made up of goods that have future economic value, which qualifies them as assets. The principles of conservative accounting prescribe reporting assets as close to their current value as possible. Doing this with inventories requires a method to make estimations.

8. CHANGES IN INVENTORY ACCOUNT:

We often notice that sometimes the income statements of companies include a line named as "Change in inventory". The question rises that why it would be there? since "Inventory" is a balance sheet item and it's an asset account? Why would it be on the income statement? Matter of fact is that normally it isn't there,

however if there's a change in inventory value, now there's a reason to include a line item called "Change in inventory" onto our income statement. Elaborating it, our inventory changes by two directions, decrease through sales, which on the income statement is part of cost of goods sold and is directly the expenses of specific goods sold, or decrease through stock count or some other form of discovery of actually not existing goods that are accounted in the books. That's when our inventory usually decreases. It normally increases through purchases or cases during stock count for an example where we've discovered some items in our stock that aren't accounted yet. Now what happens however if we need to reflect the market price of an inventory item on our balance sheet. Normally our inventory is recognized in its cost. However, if the market price of the item goes lower than the initial cost it means our inventory item should be measured at its net realizable value and we should recognize the loss accordingly. We on one hand decrease the inventory account and on the other hand reflect the change on the "Change in inventory" account on the balance sheet. Just as the name says, the line item usually reflects those changes in values, not changes in items, note that.

9. CONCLUSION:

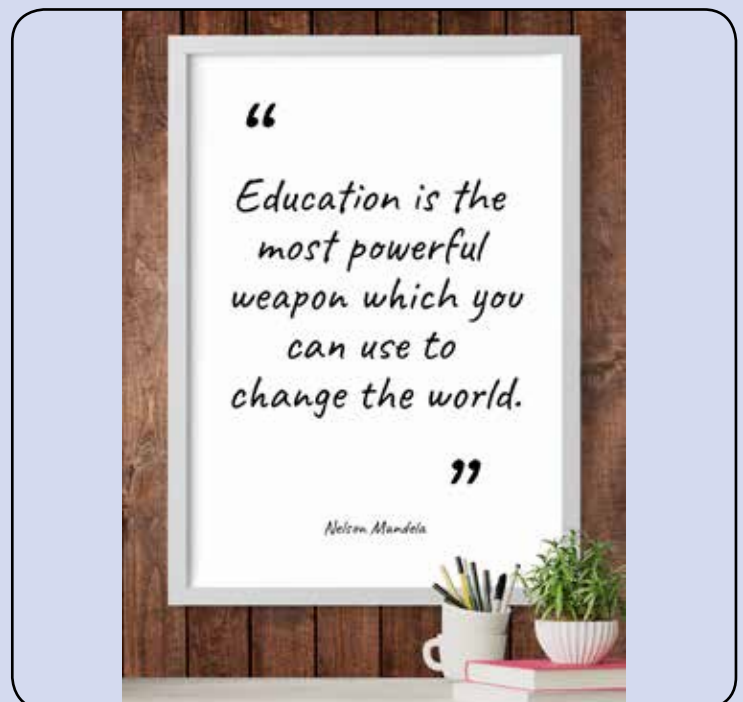
Inventory valuation is an accounting practice that is followed by companies to find out the value of unsold inventory stock at the time they are preparing their financial statements. The way a company values its inventory directly affects its cost of goods sold (COGS), gross income and the monetary value of inventory remaining at the end of each period. Therefore, inventory valuation affects the profitability of a company and its potential value, as presented in its financial statements. Selecting an inventory valuation method is also important because once a company has made its decision, it generally should stick to it. The different regulatory bodies defined standard for inventory valuation as per their interpretation and sometimes reciprocate to each other. Inventories should be valued at lower cost and net realizable value. IFRS requires that inventory is carried at the lower of cost or net realizable value; U.S. GAAP requires that inventory is carried at the lower of cost or market value. IFRS allows for some inventory reversal write-downs; GAAP does not. IFRS requires that inventory is carried at the lower of cost or net realizable value; U.S. GAAP requires that inventory is carried at the lower of cost or market value. IFRS allows for some inventory reversal write-downs; GAAP does not. Under GAAP, FIFO (first in first out), LIFO (last in first out), weighted average, and specific identification are all acceptable methods of cost determination for your company's inventory. But, IFRS prohibits LIFO due to potential distortions it may have on a company's profitability and financial statements. For example, LIFO can understate a company's earnings for the purposes of keeping taxable income low. It can also result in inventory valuations that are outdated and obsolete. Finally, in a LIFO liquidation, unscrupulous managers may be tempted

to artificially inflate earnings by selling off inventory with low carrying costs. Whatever method of valuation a company selects is to be followed in future. The IRS (Internal Revenue Services) requires companies to commit to one method during their first year of filing tax returns, and to obtain permission if they want to change the method in subsequent years.

When cost of inventory is lower than Market Value or Net Realizable Value the company's stock value is unaffected by market value fluctuation. But when NRV or Market Value falls below the cost of inventory the company writes down its inventory. Writing down inventory is different from writing off inventory. A write-down reduces the value of an asset for tax and accounting purposes, but the asset still remains some value. A write-off negates all present and future value of an asset. It reduces its value to zero. A write-off is typically a one-time event, entered immediately when an asset has lost all usefulness or value, but write-downs can be entered incrementally over time.

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- v) *What Is Inventory Valuation and Why Is It Important?* | NetSuite
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- vii) *And various internet searches*



SAP T-Code : F-44 & FBRA



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F-41: This t-code used to create credit memo & splitting of documents.

Used in SAP FICO-

Credit Memo - SAP T-Code F-41 is used to enter vendor credit memo. It is a standard SAP transaction code available.

Credit Memo/Recovery from vendor e.g.

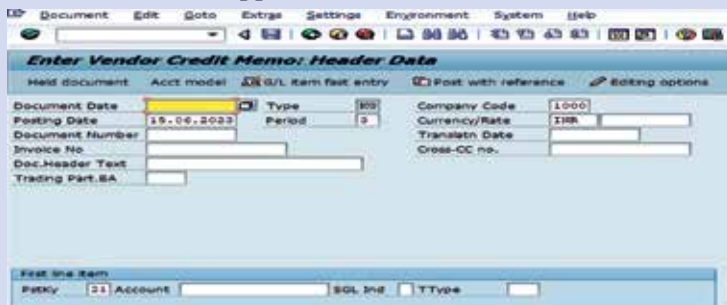
Effect	Posting Key	Amount	
Debit	21	1,00,000	Credit Memo for vendor
Credit	50	1,00,000	Credit Entry for GL

Documents splitting - It is also use to split vendor liability or any document which user wants to split. E.g. If advance paid to vendor, and this advance amount is to be recovered from vendor in step by step as per claim submission. In such case, Original documents of advance are needs to be split, and for this purpose F-41 t-code is used.

Advance Recovery e.g.-

Special GL	Posting Key	Amount	
A	39	10,00,000	Original/Opening Balance Advance Amount as per PO History
	21	30,000	Advance Recovery from current claims/Credit Memo for vendor
A	29	9,70,000	Closing Balance of advance to be recovered from future claims

F-41- When user enter F-41 t-code in command tab then below screen will appear-



User has to enter posting key, account number and special GL indicator for first line item, After entering these details, user can see following screen to enter further details of first line items like as amounts, Due date, Contract/PO document number, Text narration and others details shown under below screen, then user has to enter details of next line items.

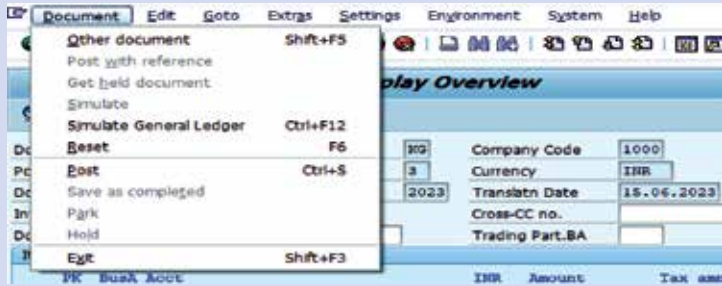


Special GL indicators - Following are the special GL indicators in SAP-



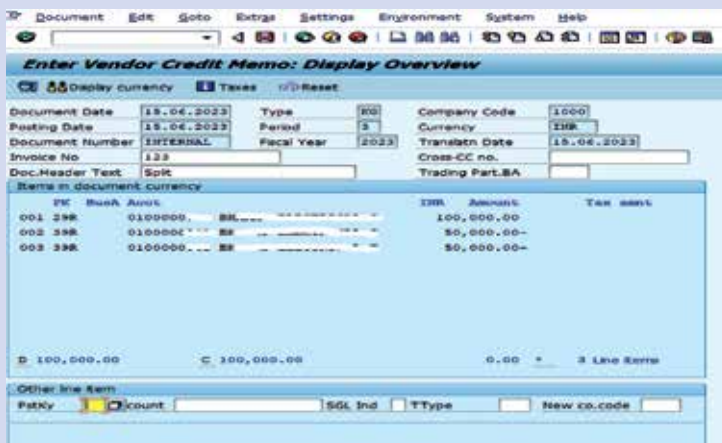
After entering of all debit and credit entry, user can simulate & post entry using following option-

After Simulation of entry, all debit and credit line items will be displayed like as below with posting key and special GL-

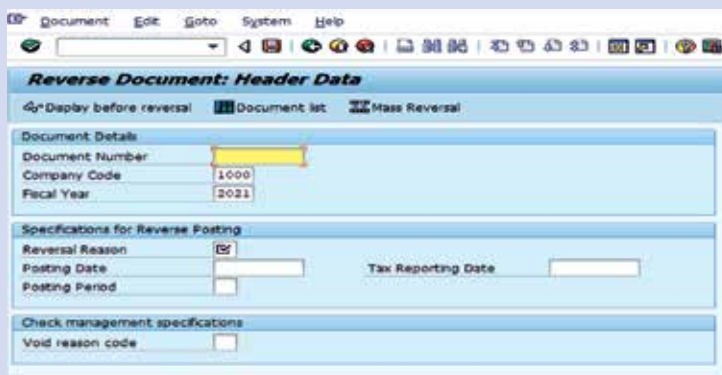


After simulation user can verify details and post the documents, this documents have series of 13....

FB08- This t-code used to reverse document posted by F-41. When user enter FB08 in command tab then below screen will be shown-



User has entered details of documents to be reversed like document number, Fiscal year, reversal reason, posting date, Posting period. Reversal reasons options available in SAP is as per below-



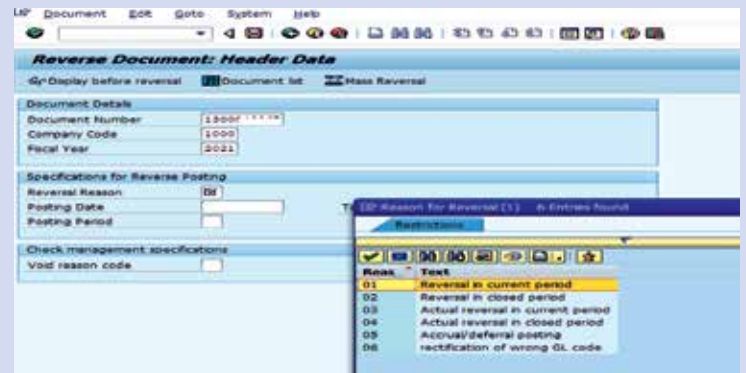
1. **Reversal in current period-** is used for reversed the doc. on alternative posting date of original doc.
2. **Reversal in closed period-** is used for reversed the doc. on same posting date of original doc.
3. **Actual reversal in current period-** is used for reversed the doc. on alternative posting date of original doc. and if you check the balance reports i.e FAGLB03 that amount is reduced from the same side of the original doc. posting i.e. if the GL has posted with debit balances, the amount is reduced from debit side or vice versa. It is also called negative reversal.

4. **Actual reversal in closed period** - is used for reversed the doc. on same posting date of original doc. and if you check the balance reports i.e. FAGLB03 that amount is reduced from the same side of the original doc. posting i.e. if the GL has posted with debit balances, the amount is reduced from debit side or vice versa.

5. **Accrual/deferral posting** - is used in accrual/deferral posting.

6. **Rectification of Wrong GL code** - is used in rectification of GL code.

Display before reversal - Before reversal of documents, user can ensure correctness of documents to be reversed by using 'Display before reversal' option, and can check the document and then reversed it, after reversal, reversal documents will posted having series of 12



F-41: SAP Shortcut Keys

Choose- F2

Change Display Currency-F8

Enter Display Tax Items- F7 (Simulation Screen)

Reset to Status before Simulation-F6

Display Document Overview- Shift+F2

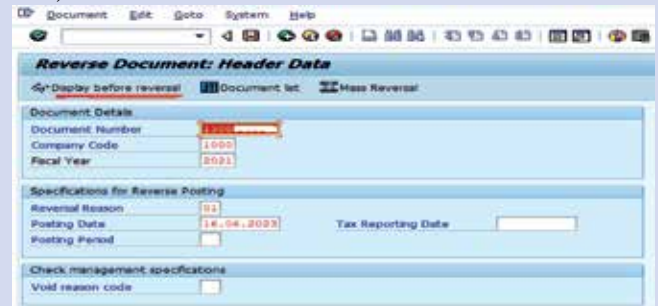
Previous Items- Shift+F6

Next Items- Shift+F7

Copy Item- Ctrl+F1

Display Additional Data for Document Item-F7 (On entry Screen)

Enter/Display withholding Tax Data - Ctrl+F5 (On entry Screen)



FB08: SAP Shortcut Keys

Display Document before reversal- F5

Create Documents List/Find Documents- F6

Carry Out mass reversal –F8

So, this article is explaining both T-codes, F-41 & FB08 having their functions. This is baseline information about the t-codes in very simple and understandable mode with picture presentation.



Transfer Price for Inter Plant Transfer within the Company

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Cost and Management Accounting deals with the concept of Profit Centre / Cost Centre

Transfer Pricing Policy adopted by the company on the basis of Cost Accounting Principles / Cost Accounting Standards enables to correctly ascertain the profitability of Respective Profit Centres involved in Inter Plant Transfer Transactions:

Following will explain it :

Inter Plant Transactions may involve the following:

- 1) Inter Plant Transfer of Intermediate Products
 - 2) Inter Plant Transfer of Finished Products
- 1) Inter Plant Transfer of Intermediate Products can have the following situations :
 - A) Intermediate Product has ready market available
Substantial Qty (say 80 %) is sold in External Market
Remaining Qty (say 20 %) is Transfer to Other Plants
It should be transferred at Market Price
 - B) Intermediate Product has ready market available
Substantial Qty (say 80 %) is for transfer to Other Plants
Remaining Qty (say 20 %) is for Sale to External Market
It should be transferred at Market Price or at Discounted Market Price

- C) Intermediate Product does not have any ready market
So 100 % of the Qty product is transferred to Other Plant At Cost
- 2) Inter Plant Transfer of Finished Products can have the following situations :
 - A) Finished Product has ready market available
Substantial Qty (say 80 %) is sold in External Market
Remaining Qty (say 20 %) is Transfer to Other Plants
It should be transferred at Market Price
 - B) Finished Product has ready market available
Substantial Qty (say 80 %) is for transfer to Other Plants
Remaining Qty (say 20 %) is for Sale to External Market
It should be transferred at Market Price or at Discounted Market Price
 - C) Finished Product has ready market available
However 100 % Qty produced is transferred to Other Plants

It should be transferred at Market Price which is readily available

TRANSFER PRICING FOR INTERPLANT TRANSFER

1	FOR INTERMEDIATE PRODUCTS		
A	MARKETABLE	80% IN THE MARKET	
		20% TRANSFER TO OTHER PLANT	TO TRANSFER TO OTHER PLANT / PLANTS AT MARKET PRICE
B	MARKETABLE	20 % IN THE MARKET	
		80 % TO OTHER PLANT / PLANTS	TO TRANSFER TO OTHER PLANT / PLANTS AT MARKET PRICE / OR AT DISCOUNTED MARKET PRICE
C	NOT MARKETABLE	100 % TO OTHER PLANT / PLANTS	AT COST
2	FOR FINISHED PRODUCTS		
A	MARKETABLE	80 % IN THE MARKET	
		20 % TO OTHER PLANT	TO TRANSFER TO OTHER PLANT AT MARKET PRICE
B	MARKETABLE	20 % IN THE MARKET	
		80 % TO OTHER PLANT	TO TRANSFER TO OTHER PLANT / PLANTS AT MARKET PRICE / OR AT DISCOUNTED MARKET PRICE
C	MARKETABLE	100 % TO OTHER PLANT	TO TRANSFER TO OTHER PLANT AT MARKET PRICE WHICH IS READILY AVAILABLE

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