



POWER OF SIMPLICITY

Tax Audit Reference Book

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Version: Tax Audit Reference Book/2.0/July 2012



Contents

Tax Audit

Introduction	1
Tax Audit Features	1
Tax Audit - Main Features	3
<i>Applicability of Clauses for Tax Audit</i>	4
<i>Clause 16- Bonus, PF, ESI Recoveries</i>	8
<i>Clause 17 - Amounts debited to P&L a/c</i>	14
<i>Clause 24(a)- Loans & Deposits Accepted under Sec 269 SS</i>	24
<i>Clause 24(b)- Loans & Deposits Repaid under Sec 269 T</i>	27
<i>Clause 18- Payments to Specified Persons under Sec 40(2) (b) of the Income Tax Act</i>	31
<i>Clause 27- Tax Deducted at Source</i>	36
<i>Clause 21- Payments under Sec 43B</i>	40
<i>Verification of Vouchers</i>	45
Form 3CD	50
Form 3CA	61
Form 3CB	62

Tax Audit

Introduction

Tax Audit refers to the audit of certain persons under Sec 44AB of the Income Tax Act, whose profits and gains are above Rs.60 lakhs per annum (the exemption has been increased to Rs.100 lakhs with effect from the FY 2012-13). It also applies to persons/professionals whose earnings are above Rs.15 lakhs per annum (the exemption has been increased to Rs. 25 lakhs with effect from the FY 2012-13). Such persons are required to get their accounts audited by a Chartered Accountant and furnish an audit report in the prescribed format.

The tax audit process helps the Tax Auditor to verify and ensure that the books of accounts and other records are properly maintained, and reflect the true income of the assessee.

Benefits of Tally.ERP 9 Auditors' Edition

The benefits an Auditor get using the Tally. ERP 9 Auditors' Edition is:

- ❑ savings in audit time resulting in increased audit productivity and efficiency
- ❑ ability to audit transactions online
- ❑ availability of information to prepare audit working papers
- ❑ extract financial information required for Tax Audit (under Section 44AB)
- ❑ increase in additional avenues of billable services

Tax Audit Features

The Tally.ERP 9 Auditors' Edition comes with tax audit features to assist the Chartered Accountant to perform the tax audit of the accounts of an assessee effectively. The features and the underlying benefits are mentioned here.

- ❑ A well designed audit dashboard
 - The Tax Audit Dashboard displays the default **seven** clauses [16,17,18,21, 24(a) & 24(b), 27] and a new feature, **Verification of Vouchers**. The **Verification of Voucher** feature enables the verification and audit of transactions from one place and map them to the respective clauses of the Form 3CD. The Auditor can map/tag a transaction to more than one clause of the Form 3CD (explained in detail under **Verification of Vouchers** in the following pages)

The other valuable information relate to the audit status of transactions which are:

- Audited- Number of vouchers audited.
- Internal Observations- This is a workflow of audit observations by the audit team members which are escalated to Peers/Seniors for clarifications. These are further classified as Pending and Clarified.
- External Observations- Number of vouchers referred to the client (assessee) for clarifications. These are further classified as Pending and Clarified.

- Altered (to be re-audited)- Number of vouchers that are altered after the completion of the audit.
- Audit Complete?- The status of the completion of the audit, whether completed or in progress.
- Clause 16 - Bonus, PF, ESI Recoveries
 - This feature provides the auditor with the details of payment status of statutory payments, like PF, ESIC, PT, etc. –whether paid on time or delayed - Sec 36(1)(va).
 - It also provides the details of bonus paid where the auditor can verify if profits and dividends are accounted as bonus-Sec 36(1)(ii).
- Clause 17 - Amounts debited to P&L A/c- Provides details of:
 - inadmissible expenses of capital/ personal in nature debited to P&L A/c - Sec 37.
 - cash payments aggregating to and exceeding Rs.20000 on any day- Sec 40A(3).
- Clause 18 - Payments to Specified Persons
 - Provides details of payments to specified persons which are of excessive and unreasonable in nature are detected - Sec 40A(2)(a).
- Clause 21 - Payments Under Sec 43B
 - Provides payment status of statutory payments like TDS, Service Tax, VAT, Employer's contribution to the recognised Funds, etc.
- Clause 24(a)- Loans/Deposits Accepted
 - Provides details of loans and deposits over Rs.20000 accepted by cash.
- Clause 24(b)- Loans/Deposits Repaid
 - Provides details of loans and deposits over Rs.20000 repaid by cash.
- Clause 27- Tax Deducted at Source
 - This feature provides details of the status of compliance with Chapter XVII-B (tax deductions at source-TDS) requirements in relation to timely collection and payment to the Central Government.
- Verification of Vouchers
 - A new feature provided to verify all transactions from one place and map them to the respective clauses of the Form 3CD, during verification and audit.
- Alt +C: Clarifications List:
 - This is a new button menu provided to display the list of clarifications sought from the client and the replies provided for the clarifications.

Tax Audit - Main Features

To reach the menu, you have to execute the following steps:

1. **Gateway of Tally > Audit & Compliance > Tax Audit**

The two menus available under **Tax Audit**:

- Form 3CD
- 44AB Audit
- Form 3CA
- Form 3CB

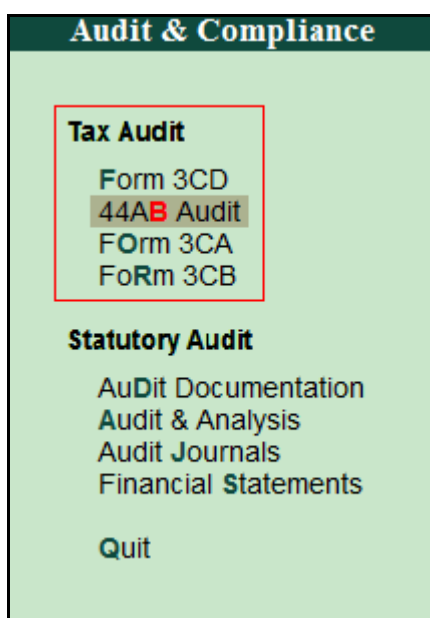


Figure 1. Gateway of Tally - Tax Audit



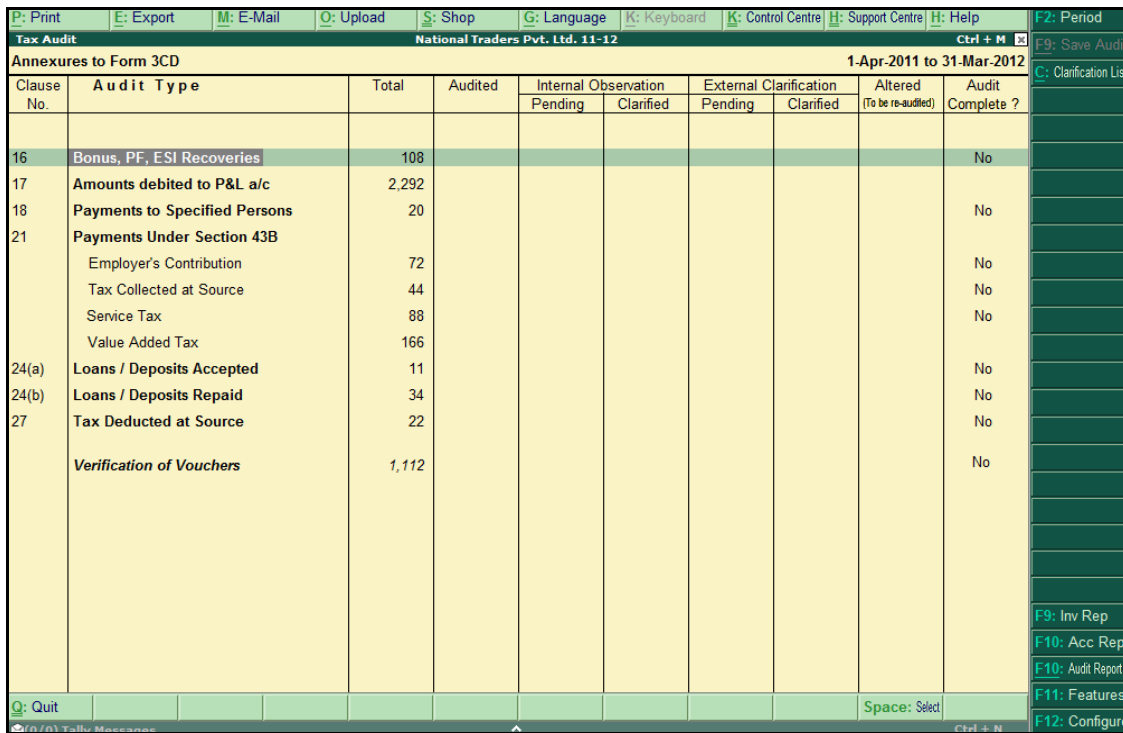
*The **Audit & Compliance** menu is active when the auditor logs into the Auditors' Edition. To conduct the tax audit, the auditor has to log in with a userid and password to access the features. The access details of userid and password have to be shared with the Client to open the Company data.*

Audit of Clauses

Applicability of Clauses for Tax Audit

1. Select **44AB** under **Tax Audit** and click **Enter** to display the **Tax Audit** Dashboard

The dashboard displays seven default clauses and a new feature, Verification of Vouches to assist the auditor to conduct the tax audit which will be discussed in the following paragraphs..



Clause No.	Audit Type	Total	Audited	Internal Observation		External Clarification		Altered (To be re-audited)	Audit Complete ?
				Pending	Clarified	Pending	Clarified		
16	Bonus, PF, ESI Recoveries	108							No
17	Amounts debited to P&L a/c	2,292							
18	Payments to Specified Persons	20							No
21	Payments Under Section 43B								
	Employer's Contribution	72							No
	Tax Collected at Source	44							No
	Service Tax	88							No
	Value Added Tax	166							
24(a)	Loans / Deposits Accepted	11							No
24(b)	Loans / Deposits Repaid	34							No
27	Tax Deducted at Source	22							No
	Verification of Vouchers	1,112							No

Figure 2. Tax Audit- Annexures to Form 3CD-Clauses for Audit

The Auditor can mark the applicability of the required clauses for the client (assessee) under audit before commencement, in the **Form 3CD** feature. The clauses can be marked as:

The Auditor can mark any of the clauses as not applicable, where it is felt that the clauses are not relevant to the assessee/client. The clauses marked as **Not Applicable** will not appear in the **Tax Audit** Dashboard.

Example: If the Auditor finds that **Clause 18** is not applicable for the client/assessee, the process of marking it **Not Applicable** is described below.

2. Select **Form 3CD** under **Tax Audit** and click **Enter**

The **Form 3CD** screen is displayed.

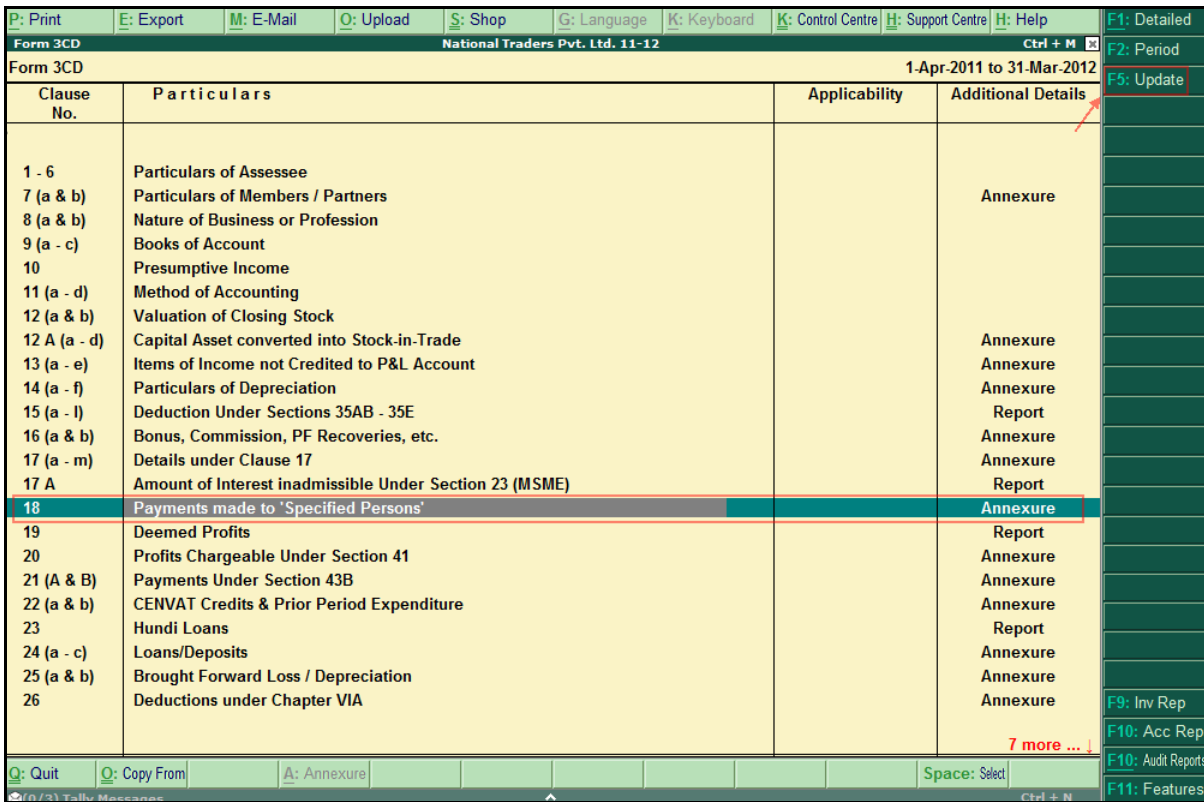
Clause No.	Particulars	Applicability	Additional Details
1 - 6	Particulars of Assessee		
7 (a & b)	Particulars of Members / Partners		Annexure
8 (a & b)	Nature of Business or Profession		
9 (a - c)	Books of Account		
10	Presumptive Income		
11 (a - d)	Method of Accounting		
12 (a & b)	Valuation of Closing Stock		
12 A (a - d)	Capital Asset converted into Stock-in-Trade		Annexure
13 (a - e)	Items of Income not Credited to P&L Account		Annexure
14 (a - f)	Particulars of Depreciation		Annexure
15 (a - l)	Deduction Under Sections 35AB - 35E		Report
16 (a & b)	Bonus, Commission, PF Recoveries, etc.		Annexure
17 (a - m)	Details under Clause 17		Annexure
17 A	Amount of Interest inadmissible Under Section 23 (MSME)		Report
18	Payments made to 'Specified Persons'		Annexure
19	Deemed Profits		Report
20	Profits Chargeable Under Section 41		Annexure
21 (A & B)	Payments Under Section 43B		Annexure
22 (a & b)	CENVAT Credits & Prior Period Expenditure		Annexure
23	Hundi Loans		Report
24 (a - c)	Loans/Deposits		Annexure
25 (a & b)	Brought Forward Loss / Depreciation		Annexure
26	Deductions under Chapter VIA		Annexure

7 more ... ↓

Figure 3. Form 3CD Screen

3. Select **Clause 18 - Payments made to 'Specified Persons'** by pressing **Spacebar** and click **Enter**

The **Form 3CD** screen with the selected clause is displayed.



Clause No.	Particulars	Applicability	Additional Details
1 - 6	Particulars of Assessee		Annexure
7 (a & b)	Particulars of Members / Partners		
8 (a & b)	Nature of Business or Profession		
9 (a - c)	Books of Account		
10	Presumptive Income		
11 (a - d)	Method of Accounting		
12 (a & b)	Valuation of Closing Stock		Annexure
12 A (a - d)	Capital Asset converted into Stock-in-Trade		
13 (a - e)	Items of Income not Credited to P&L Account		Annexure
14 (a - f)	Particulars of Depreciation		Annexure
15 (a - I)	Deduction Under Sections 35AB - 35E		Report
16 (a & b)	Bonus, Commission, PF Recoveries, etc.		Annexure
17 (a - m)	Details under Clause 17		Annexure
17 A	Amount of Interest inadmissible Under Section 23 (MSME)		Report
18	Payments made to 'Specified Persons'		Annexure
19	Deemed Profits		Report
20	Profits Chargeable Under Section 41		Annexure
21 (A & B)	Payments Under Section 43B		Annexure
22 (a & b)	CENVAT Credits & Prior Period Expenditure		Annexure
23	Hundi Loans		Report
24 (a - c)	Loans/Deposits		Annexure
25 (a & b)	Brought Forward Loss / Depreciation		Annexure
26	Deductions under Chapter VIA		Annexure

Figure 4. Form 3 CD Screen- Applicability /Not Applicability Details

The **F5:Update** button is enabled in the right panel.

4. Click **F5:Update**

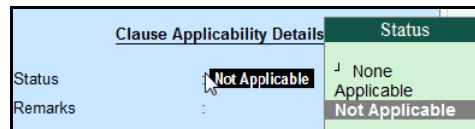


Figure 5. Clause Applicability Details Window

5. Select **Not Applicable** against **Status**

6. Type the details against **Remarks**

7. Accept the selection and the remarks

The **Form 3CD** screen after the updating the clause as **Not Applicable** is displayed.

Form 3CD National Traders Pvt. Ltd. 11-12 Ctrl + M			
Form 3CD 1-Apr-2011 to 31-Mar-2012			
Clause No.	Particulars	Applicability	Additional Details
1 - 6	Particulars of Assessee		
7 (a & b)	Particulars of Members / Partners		Annexure
8 (a & b)	Nature of Business or Profession		
9 (a - c)	Books of Account		
10	Presumptive Income		
11 (a - d)	Method of Accounting		
12 (a & b)	Valuation of Closing Stock		
12 A (a - d)	Capital Asset converted into Stock-in-Trade		Annexure
13 (a - e)	Items of Income not Credited to P&L Account		Annexure
14 (a - f)	Particulars of Depreciation		Annexure
15 (a - I)	Deduction Under Sections 35AB - 35E		Report
16 (a & b)	Bonus, Commission, PF Recoveries, etc.		Annexure
17 (a - m)	Details under Clause 17		Annexure
17 A	Amount of Interest inadmissible Under Section 23 (MSME)		Report
18	Payments made to 'Specified Persons'	Not Applicable	Annexure
19	Deemed Profits		Report
20	Profits Chargeable Under Section 41		Annexure
21 (A & B)	Payments Under Section 43B		Annexure
22 (a & b)	CENVAT Credits & Prior Period Expenditure		Annexure
23	Hundi Loans		Report
24 (a - c)	Loans/Deposits		Annexure
25 (a & b)	Brought Forward Loss / Depreciation		Annexure
26	Deductions under Chapter VIA		Annexure

Figure 6. Form 3CD Screen- After Not Applicability

The updated **Tax Audit** screen is displayed.

Tax Audit National Traders Pvt. Ltd. 11-12 Ctrl + M									
Annexures to Form 3CD 1-Apr-2011 to 31-Mar-2012									
Clause No.	Audit Type	Total	Audited	Internal Observation		External Clarification		Altered (To be re-audited)	Audit Complete ?
				Pending	Clarified	Pending	Clarified		
16	Bonus, PF, ESI Recoveries	108							No
17	Amounts debited to P&L a/c	2,079							
21	Payments Under Section 43B								
	Employer's Contribution	72							No
	Tax Collected at Source	44							No
	Service Tax	88							No
	Value Added Tax	166							
24(a)	Loans / Deposits Accepted	11							No
24(b)	Loans / Deposits Repaid	34							No
27	Tax Deducted at Source	22							No
	Verification of Vouchers	1,113							No

Figure 7. Tax Audit Screen - After Not Applicability of Clause 18

The **Clause No 18** does not appear in the **Tax Audit** screen as shown in the above image.

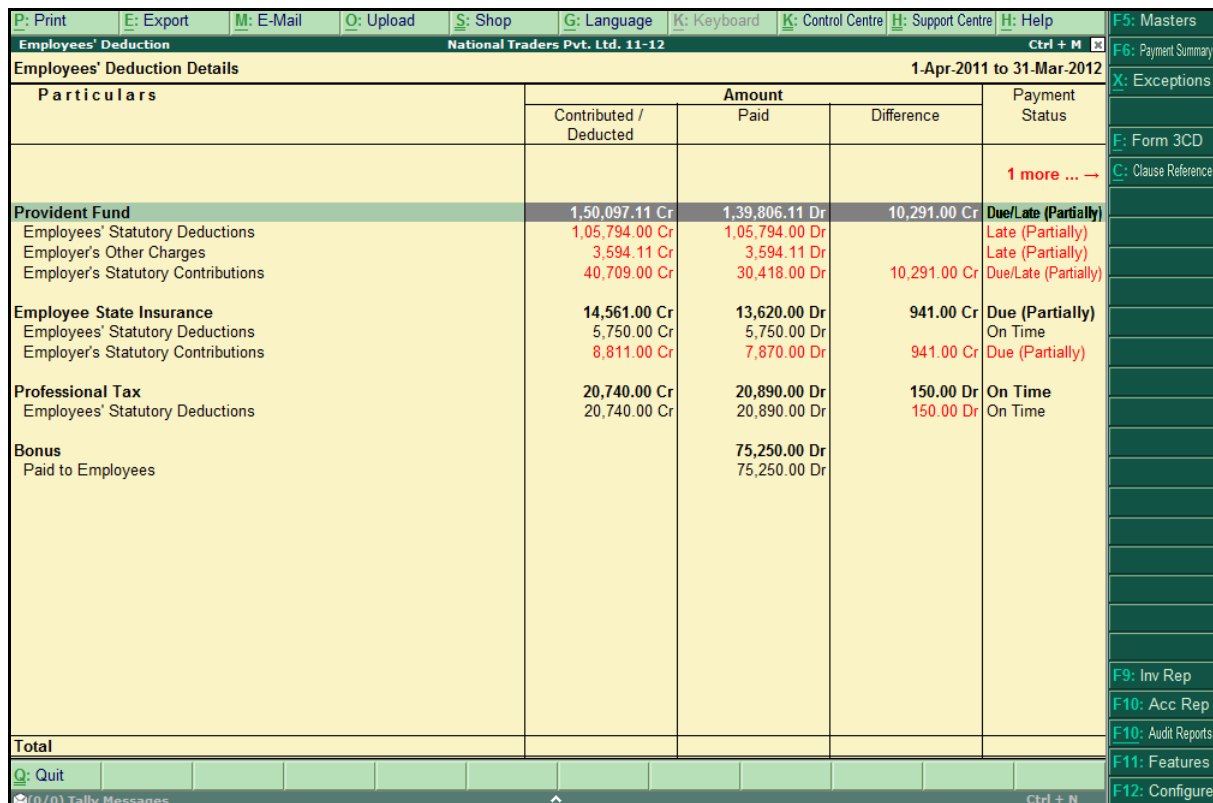
Clause 16- Bonus, PF, ESI Recoveries

This clause refers to sums recovered by the assessee from employees and remitted to statutory funds like, Provident Fund (PF), Professional Tax (PT), Employees State Insurance (ESI) within the time stipulated under each Act. If the employees’ contributions are not remitted within the due date, such amounts will be added to the taxable income and taxed. Sec 36(1)(va). Similarly the payment of bonus/commission for services rendered in lieu of profits or dividend had to be reported - Sec 36(1)(ii).

Audit scope:

- ❑ The payment status of the employees’ contributions to statutory funds have to be audited.
- ❑ Verify bonus/commission payments to an employees in lieu of profit/dividends.

1. Select **Bonus, PF, ESI Recoveries** in **Tax Audit** dashboard screen to display the **Employees Deduction** screen



Particulars	Amount			Payment Status
	Contributed / Deducted	Paid	Difference	
Provident Fund	1,50,097.11 Cr	1,39,806.11 Dr	10,291.00 Cr	Due/Late (Partially)
Employees' Statutory Deductions	1,05,794.00 Cr	1,05,794.00 Dr		Late (Partially)
Employer's Other Charges	3,594.11 Cr	3,594.11 Dr		Late (Partially)
Employer's Statutory Contributions	40,709.00 Cr	30,418.00 Dr	10,291.00 Cr	Due/Late (Partially)
Employee State Insurance	14,561.00 Cr	13,620.00 Dr	941.00 Cr	Due (Partially)
Employees' Statutory Deductions	5,750.00 Cr	5,750.00 Dr		On Time
Employer's Statutory Contributions	8,811.00 Cr	7,870.00 Dr	941.00 Cr	Due (Partially)
Professional Tax	20,740.00 Cr	20,890.00 Dr	150.00 Dr	On Time
Employees' Statutory Deductions	20,740.00 Cr	20,890.00 Dr	150.00 Dr	On Time
Bonus		75,250.00 Dr		
Paid to Employees		75,250.00 Dr		
Total				

Figure 8. Employees’ Deduction Screen

The status of payments for the Funds are displayed under **Payment Status** column.

2. Select any deduction (e.g. **Provident Fund**) and click **Enter**

The **Payroll Monthly Summary** screen before audit is displayed.

Provident Fund Payment Vouchers		National Traders Pvt. Ltd. 11-12				Ctrl + M		
Provident Fund Payment for April (All Vouchers)							1-Apr-2011 to 30-Apr-2011	
Date	Vch No.	Challan Date	Due Date	Payment Status	Amount	Interest Payments	Audit Status	Audit Note
30-4-2011	30	30-4-2011	15-5-2011	On Time	2,079.00 Dr			
30-4-2011	31	30-4-2011	15-5-2011	On Time	2,802.00 Dr			
30-4-2011	38	30-4-2011	15-5-2011	On Time	3,884.60 Dr			
Total					8,765.60 Dr			

Figure 9. Payroll Monthly Summary Screen before Audit

3. Move the cursor to the **Paid** column and click **Enter**

The **Provident Fund Payment Voucher** screen is displayed.

4. Select any transaction (e.g. **Vch No. 30**) by clicking **Enter** to display the **Audit Details** window.

The **Audit Details** window is displayed.

Audit Details	
Audit Status	Audit Note
<ul style="list-style-type: none"> On Hold Disallowed External Clarification Internal Observation Late Paid Paid on Time 	

Figure 10. Audit Details Window

5. Select **Paid on Time** under **Audit Status** and type the audit comments under **Audit Note**

The **Audit Details** window after the selection and entry is displayed.

Audit Details for Payroll	
Audit Status	Audit Note
Paid on Time	PF contribution paid on time for April 2011.
Accept ? Yes or No	

Figure 11. Audit Details Window with Details

6. Accept the entries

The **Payroll Monthly Summary** screen after audit is displayed.

Provident Fund Payment Vouchers								National Traders Pvt. Ltd. 11-12		Ctrl + M
Provident Fund Payment for April (All Vouchers)								1-Apr-2011 to 30-Apr-2011		
Date	Vch No.	Challan Date	Due Date	Payment Status	Amount	Interest Payments	Audit Status	Audit Note		
30-4-2011	30	30-4-2011	15-5-2011	On Time	2,079.00 Dr		Paid on Time	PF contribution paid on time for April 2011.		
30-4-2011	31	30-4-2011	15-5-2011	On Time	2,802.00 Dr					
30-4-2011	38	30-4-2011	15-5-2011	On Time	3,884.60 Dr					
Total					8,765.60 Dr					

Figure 12. Payroll Monthly Summary Screen after Audit

The **Tax Audit** Dashboard after the audit is displayed.

Tax Audit		National Traders Pvt. Ltd. 11-12						Ctrl + M	
Annexures to Form 3CD		1-Apr-2011 to 31-Mar-2012							
Clause No.	Audit Type	Total	Audited	Internal Observation		External Clarification		Altered (To be re-audited)	Audit Complete ?
				Pending	Clarified	Pending	Clarified		
16	Bonus, PF, ESI Recoveries	108	1						No
17	Amounts debited to P&L a/c	2,292							
18	Payments to Specified Persons	20							No
21	Payments Under Section 43B								
	Employer's Contribution	72	1						No
	Tax Collected at Source	44							No
	Service Tax	88							No
	Value Added Tax	166							
24(a)	Loans / Deposits Accepted	11							No
24(b)	Loans / Deposits Repaid	34							No
27	Tax Deducted at Source	22							No
	Verification of Vouchers	1,112							Yes

Figure 13. Tax Audit Dashboard after Audit

Annexure to Clause 16

7. Click **Alt +P** to print the annexure to the clause

The **Annexure to Clause 16 and 21** is displayed.

Annexure to Clause 16 and 21
Provident Fund Payments

Page 1

Name and Address of the Assessee : **National Trad**
PO Box: 12345
Greenfields
Bengaluru

Previous Year Ended : 31-Mar-2012

Annexure to Clause 16 and 21
ESI Payments

Page 2

Name and Address of the Assessee : **National Trad**
PO Box: 12345
Greenfields
Bengaluru

Previous Year Ended : 31-Mar-2012

Annexure to Clause 16 and 21
Professional Tax Payments

Page 3

Name and Address of the Assessee : **National Trad**
PO Box: 12345
Greenfields
Bengaluru

Previous Year Ended : 31-Mar-2012

Annexure to Clause 16 and 21
Bonus Payments

Page 4

Name and Address of the Assessee : **National Traders Pvt. Ltd.**
PO Box: 12345
Greenfields
Bengaluru

Previous Year Ended : 31-Mar-2012

Assessment Year : 2012 - 13

PAN/TAN Number : AACCT3705E

Details of Bonus Payments		Paid	Remarks
Particulars	Particulars		
April 2011	April 2011		
May 2011	May 2011	4,000.00	
June 2011	June 2011	1,500.00	
July 2011	July 2011		
August 2011	August 2011		
September 2011	September 2011		
October 2011	October 2011	6,500.00	
November 2011	November 2011	4,250.00	
December 2011	December 2011	2,500.00	
January 2012	January 2012		
February 2012	February 2012	2,500.00	
March 2012	March 2012	54,000.00	
Grand Total	Grand Total	75,250.00	

Figure 14. Clause 16 - Annexure



- i. Please ensure that the Payroll feature in Tally.ERP 9 is activated.
- ii. To audit a PF recovery under Sec 36 (1) (va), execute these steps: **Tally Main-> Gateway of Tally->Audit & Compliance->Tax Audit->44ABAudit->Bonus, PF, ESI Recoveries -> Employees Deduction->Payroll Monthly Summary-> Provident Fund Payment Vouchers**
- iii. The figures in red colour in the **Employee Deduction** screen indicate the contribution amounts not paid or partially/excess paid

Button menus available in Clause 16



F5: Masters: Click this button or press F5 to display the details of pay heads and statutory payment type.

F6: Payment Summary: Click this button or press F6 to display the details of Employer & Employee Contributions, Due Date and Paid On Date.

Alt +X: Exceptions: Click this button or the keys Alt and X together to display the payment status of the Contributions.

Alt + F: From3CD: Click this button or the keys Alt and F together to display the Form 3 CD screen to enter details.

Alt + C: Clause Reference: Click this button or the keys Alt and C together to map a clause and enter reference details.

F9: Inv Rep: Click this button or the F9 key to display the inventory related features to get information.

F10: Acc Rep: Click this button or the F10 key to display the accounts related features to get information.

Alt + F10: Audit Reports: Click Alt and F10 keys together to go to Audit & Analysis screen.

F11: Features: Click this button or press F11 to define and save the Tax Audit Rules. The values entered under Sec 40A (3) are pre-configured. However, the user may configure the parameters with the desired values.

F12: Configure: Click this button or press F12 to define the configuration details for the display of details under the clause.

Clause 17 - Amounts debited to P&L a/c

This clause consists of two sub-clauses:

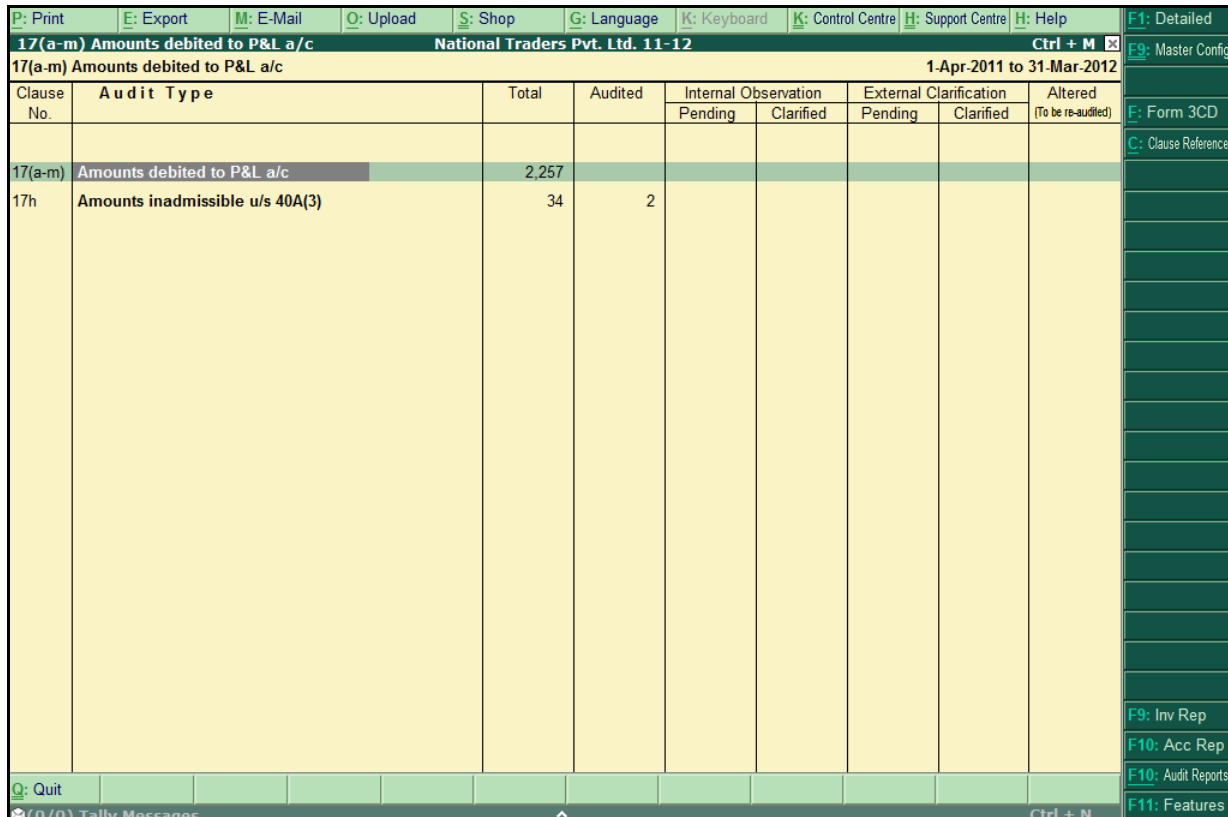
- 17(a-m) - Amounts debited to P&L a/c
- 17h- Amounts inadmissible u/s 40A(3)

Clause 17(a-m) - Amounts debited to P&L a/c

Certain expenditure which are capital in nature or personal expense of the assessee, shall not be allowed in computing the income chargeable under "Profits and gains of business or profession"- Sec 37 of the IT Act. These information have to be provided under this sub-clause.

Audit Scope: To find the amount(s) of capital expenditure debited to P&L A/c.

1. Select **Amounts debited to P&L a/c** and click **Enter** in **Tax Audit** Dashboard to display the **17 (a-m) Amounts debited to P&L a/c** screen



Clause No.	Audit Type	Total	Audited	Internal Observation		External Clarification		Altered (To be re-audited)
				Pending	Clarified	Pending	Clarified	
17(a-m)	Amounts debited to P&L a/c	2,257						
17h	Amounts inadmissible u/s 40A(3)	34	2					

Figure 15. 17(a-m) Amounts debited to P&L a/c Screen

2. Select **17 (a-m) Amounts debited to P&L a/c** and click **Enter** in the **17 (a-m) Amounts debited to P&L a/c** screen display the **Clause 17(a-m) Summary** screen

Clause 17(a-m) Summary		National Traders Pvt. Ltd. 11-12		Ctrl + M	
Clause 17(a-m) Summary		1-Apr-2011 to 31-Mar-2012			
Group: All Items					
Particulars	Total Amount	Audit Status			
		Audited	Unaudited	Total	
† ... 18 more					
Packing Charges	3,20,020.00 Dr		12	12	
Investments	3,00,000.00 Dr		2	2	
Audit Fees	3,00,000.00 Dr		1	1	
Research & Development Expenses	2,95,000.00 Dr		2	2	
Output VAT @ 12.5%	2,92,725.17 Dr		45	45	
Building	2,50,000.00 Dr		1	1	
Advance Tax	2,50,000.00 Dr		1	1	
State Bank of India	2,45,000.00 Dr		2	2	
M.M.Lal	2,38,550.00 Dr		3	3	
Conveyance	2,29,900.00 Dr		36	36	
Gaitonde Traders	1,93,525.00 Dr		4	4	
Fortune Computer Services	1,44,995.00 Dr		8	8	
Office Repairs & Maintenance	1,40,000.00 Dr		4	4	
Legal Fees	1,37,500.00 Dr		2	2	
Assembling Charges	1,30,193.53 Dr		13	13	
Godown Rent	1,30,000.00 Dr		13	13	
Furniture & Fixtures	1,20,000.00 Dr		2	2	
Dep. on Building	1,20,000.00 Dr		1	1	
Dep. on Plant & Machinery - I	1,20,000.00 Dr		1	1	
Dep. on Motor Car	1,20,000.00 Dr		1	1	
Business Promotion Expenses	1,00,000.00 Dr		2	2	
Office Automation Systems	79,750.00 Dr		4	4	
Overtime Pay	79,190.00 Dr		30	30	
Dep on Plant & Machinery - II	78,000.00 Dr		1	1	
Computer Point	70,460.00 Dr		3	3	
Futura Systems	67,590.00 Dr		3	3	
Bonus	67,050.00 Dr		13	13	
Electricity Charges	66,091.00 Dr		7	7	
				144 more ... ↓	
Grand Total	27,06,306.62 Cr		2,257	2,257	

Figure 16. Clause 17(a-m) Summary Screen

3. Select **Electricity Charges** ledger account and click **Enter**

Ledger Vouchers		National Traders Pvt. Ltd. 11-12		Ctrl + M		
Ledger : Electricity Charges		1-Apr-2011 to 31-Mar-2012				
List of All Vouchers						
Date	Particulars	Vch Type	Vch No.	Transaction Value	Audit Status	Audit Note
8-6-2011	Canara Bank	Payment	88	2,161.00 Dr		
14-8-2011	Canara Bank	Payment	184	3,019.00 Dr		
11-10-2011	Canara Bank	Payment	244	2,987.00 Dr		
9-12-2011	Canara Bank	Payment	311	2,638.00 Dr		
9-12-2011	Canara Bank	Payment	312	50,000.00 Dr		
11-2-2012	Canara Bank	Payment	388	2,871.00 Dr		
31-3-2012	Provision for Outstanding Expenditure	Journal	107	2,415.00 Dr		

Figure 17. Ledger Vouchers Screen

4. Select **Vch No. 312** and click **Alt + Enter** to display the **Voucher Display** screen

The **Voucher Display** screen is displayed.

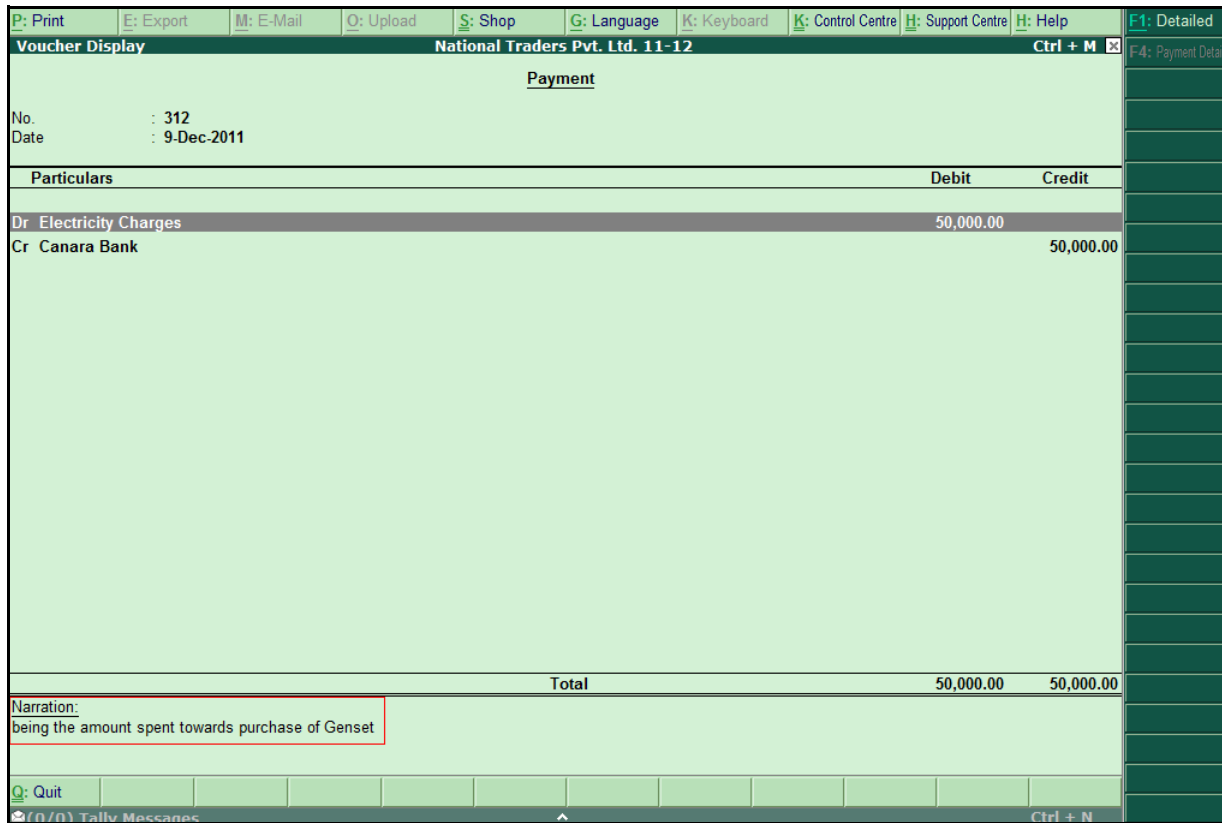


Figure 18. Voucher Display Screen

Under **Narration**, the details mention that the amount of Rs. **50000** is expended towards the purchase of a Genset and is debited to the **Electricity Charges** account, a revenue ledger. This amount shall not be allowed as deduction while calculating the profits and gains of business or profession.

The transaction has to be audited by the Auditor.

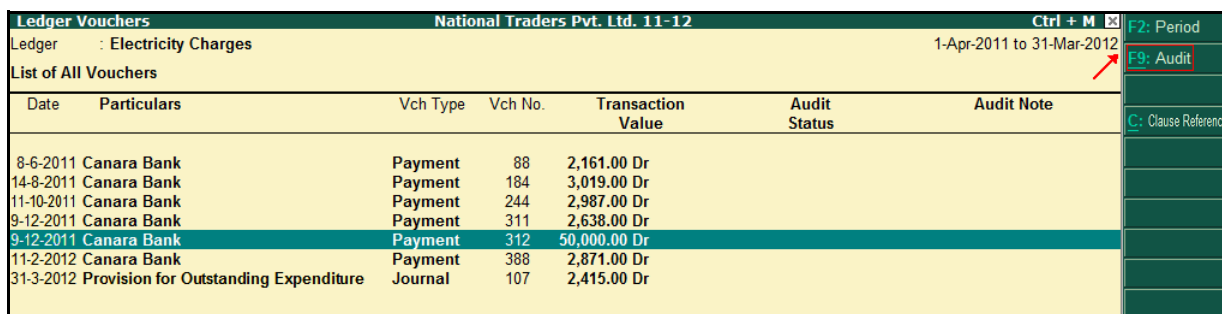


Figure 19. Audit of Ledger Voucher Screen

5. Select the transaction (**Vch No. 312**) and click **Enter**

The **Select Clause** screen is displayed.

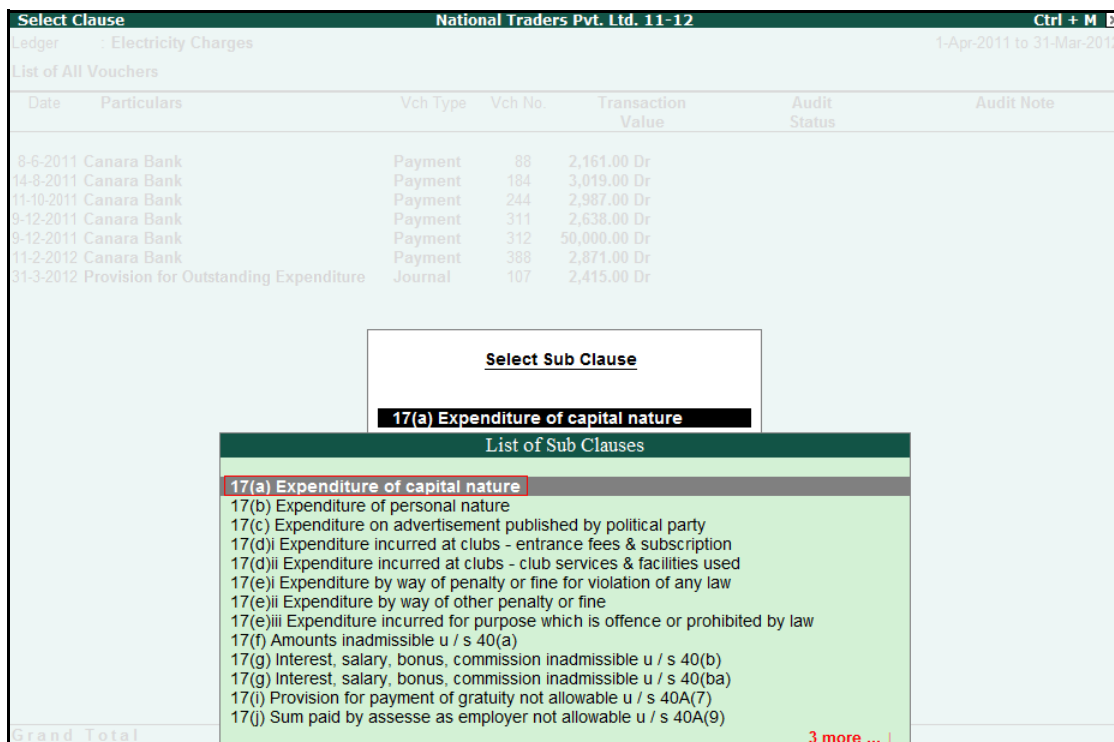


Figure 20. Selection of Clause in Select Clause Screen

6. Select **17(a) Expenditure of capital nature** under **Select Sub Clause** and click **Enter**

The **Audit Details for** window is displayed.

Audit Details for <i>17(a) Expenditure of capital nature</i>			
Audit Status	Type	Amount of Capital Expenditure	Audit Note
To Be Reported	Capital Exp Debited to P&L A/c	50,000.00	Genset purchase- Capital Expenditure debited to Electricity Charges -P&L A/c

Figure 21. Audit Details for Window

7. Select **To be Reported** under **Audit Status**

8. Type the comments under **Type**

The value of the transaction is displayed under **Amount of Capital Expenditure**

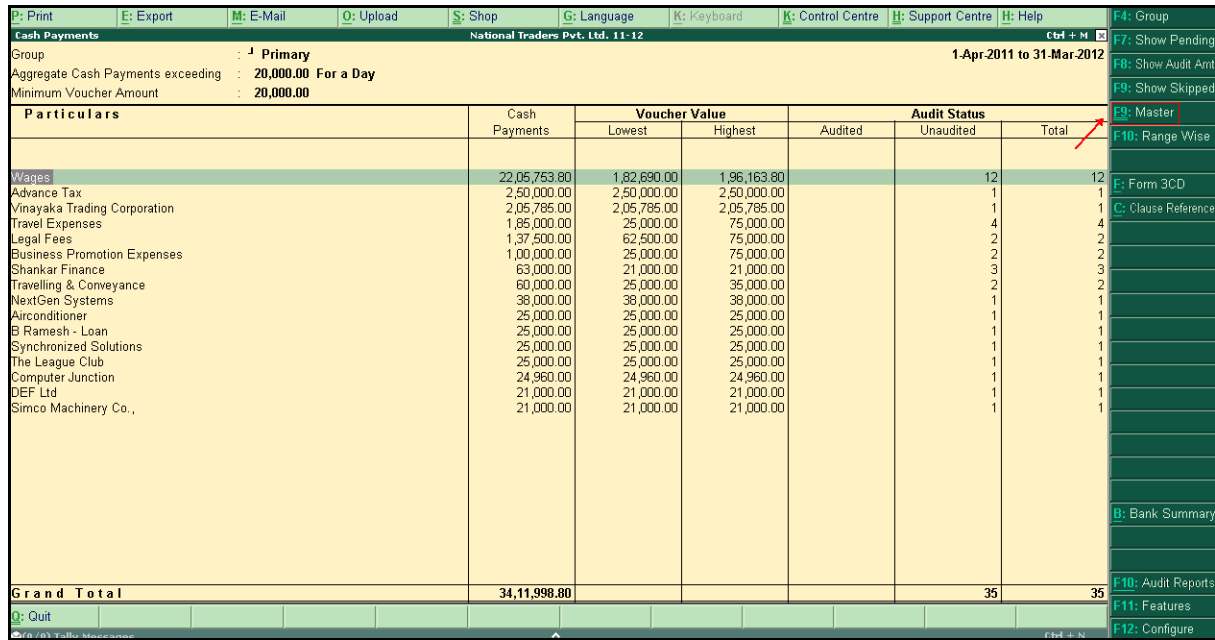
9. Type the details under **Audit Note** and accept the selection and entries

Clause 17(h) - Amounts inadmissible under Sec40 (A) 3

Under this clause of the Sec 40A, any payments aggregating to and exceeding an amount of twenty thousand rupees shall be made through an account payee cheque or an account payee demand draft on any day. Any liability of a previous year if discharged during the current year by cash is deemed to be profits and gains of the current year and will be disallowed as a deduction.

Audit scope: To find the payments made by cash in a day which aggregate and exceed rupees twenty thousand rupees.

1. Select **Amounts debited to P&L a/c** and click **Enter** in **Tax Audit** Dashboard to display the **17 (a-m) Amounts debited to P&L a/c** screen
2. Select **Amounts inadmissible under Sec40 (A) 3** in **17 (a-m) Amounts debited to P&L a/c** screen to display the **Cash Payments** screen



Particulars	Cash Payments	Voucher Value		Audit Status		
		Lowest	Highest	Audited	Unaudited	Total
Wages	22,05,753.80	1,82,690.00	1,96,163.80		12	12
Advance Tax	2,50,000.00	2,50,000.00	2,50,000.00		1	1
Vinayaka Trading Corporation	2,05,785.00	2,05,785.00	2,05,785.00		1	1
Travel Expenses	1,85,000.00	25,000.00	75,000.00		4	4
Legal Fees	1,37,500.00	62,500.00	75,000.00		2	2
Business Promotion Expenses	1,00,000.00	25,000.00	75,000.00		2	2
Shankar Finance	63,000.00	21,000.00	21,000.00		3	3
Travelling & Conveyance	60,000.00	25,000.00	35,000.00		2	2
NextGen Systems	38,000.00	38,000.00	38,000.00		1	1
Airconditioner	25,000.00	25,000.00	25,000.00		1	1
B Ramesh - Loan	25,000.00	25,000.00	25,000.00		1	1
Synchronized Solutions	25,000.00	25,000.00	25,000.00		1	1
The League Club	25,000.00	25,000.00	25,000.00		1	1
Computer Junction	24,960.00	24,960.00	24,960.00		1	1
DEF Ltd	21,000.00	21,000.00	21,000.00		1	1
Simco Machinery Co.,	21,000.00	21,000.00	21,000.00		1	1
Grand Total	34,11,998.80				35	35

Figure 22. Cash Payments Screen

If the auditor wants to exclude any payment from the purview of this clause as per the **Rule 6DD**, you can configure the exclusion by these steps:

3. Click **Ctrl+F9: Master** button or press **Ctrl** and **F9** in the **Cash Payments** screen to display the **List of Ledgers** screen
4. Select any Ledger to display the **Ledger Alteration** screen for excluding it under Rule 6 DD
5. Select **Amount inadmissible under 40 A (3) [clause 17h]** from **List of Reports**
6. Enter the dates under **Applicable From** and **Applicable To** respectively
7. Accept and save the entry

The **Ledger Alteration** screen is displayed with requisite details.

Ledger Alteration			National Traders Pvt. Ltd. 11-12			Ctrl + M
Name : Advance Tax (alias) :						List of Reports
Under : Current Assets						J End of List
			Cash Payments	Voucher Value		Amount inadmissible 40A(3) [clause 17(h)]
				Lowest	Highest	
Skip Audit						
Name of Audit Class	Applicable From	Applicable To	22,05,753.80	1,82,690.00	1,96,163.80	
Amount Inadmissible 40A(3) (Clause 17(h))	1-4-2011	31-3-2012	2,50,000.00	2,50,000.00	2,50,000.00	
			2,05,785.00	2,05,785.00	2,05,785.00	
			1,85,000.00	25,000.00	75,000.00	
			1,37,500.00	62,500.00	75,000.00	
			1,00,000.00	25,000.00	75,000.00	
			63,000.00	21,000.00	21,000.00	
			60,000.00	25,000.00	35,000.00	
			38,000.00	38,000.00	38,000.00	
			25,000.00	25,000.00	25,000.00	
			25,000.00	25,000.00	25,000.00	
			25,000.00	25,000.00	25,000.00	
			24,960.00	24,960.00	24,960.00	
			21,000.00	21,000.00	21,000.00	
			21,000.00	21,000.00	21,000.00	

Figure 23. Ledger Alteration Screen to exclude a ledger from Clause 17h audit

8. Press **Ctrl + Q** or **Esc** to return to the **Cash Payments** screen

A list of cash payments is displayed in the **Cash Payments** screen. The details displayed in this screen are:

- ❑ Particulars (Ledger Account)
- ❑ Cash Payments (Total amount of cash expenses incurred)
- ❑ Voucher Value- Lowest & Highest (the range of low and high values accounted)
- ❑ Audit Status (Audited, Unaudited and Total vouchers)

The **Cash Payments** screen is displayed.

Cash Payments		National Traders Pvt. Ltd. 11-12			Ctrl + M	
Group : Primary					1-Apr-2011 to 31-Mar-2012	
Aggregate Cash Payments exceeding : 20,000.00 For a Day						
Minimum Voucher Amount : 20,000.00						
Particulars	Cash Payments	Voucher Value		Audit Status		
		Lowest	Highest	Audited	Unaudited	Total
Wages	22,05,753.80	1,82,690.00	1,96,163.80		12	12
Vinayaka Trading Corporation	2,05,785.00	2,05,785.00	2,05,785.00		1	1
Travel Expenses	1,85,000.00	25,000.00	75,000.00		4	4
Legal Fees	1,37,500.00	62,500.00	75,000.00		2	2
Business Promotion Expenses	1,00,000.00	25,000.00	75,000.00		2	2
Shankar Finance	63,000.00	21,000.00	21,000.00		3	3
Travelling & Conveyance	60,000.00	25,000.00	35,000.00		2	2
NextGen Systems	38,000.00	38,000.00	38,000.00		1	1
Airconditioner	25,000.00	25,000.00	25,000.00		1	1
B Ramesh - Loan	25,000.00	25,000.00	25,000.00		1	1
Synchronized Solutions	25,000.00	25,000.00	25,000.00		1	1
The League Club	25,000.00	25,000.00	25,000.00		1	1
Computer Junction	24,960.00	24,960.00	24,960.00		1	1
DEF Ltd	21,000.00	21,000.00	21,000.00		1	1
Simco Machinery Co.,	21,000.00	21,000.00	21,000.00		1	1
Grand Total	31,61,998.80				34	34

Figure 24. Cash Payments – Sec 40A (3)

9. Click **F9:Show Skipped** to display the details of skipped ledgers.

The **Cash Payments** screen with details of skipped ledgers is displayed.

Cash Payments						
National Traders Pvt. Ltd. 11-12		Ctrl + M		1-Apr-2011 to 31-Mar-2012		
Group	: Primary					
Aggregate Cash Payments exceeding	: 20,000.00 For a Day					
Minimum Voucher Amount	: 20,000.00					
Particulars	Cash Payments	Voucher Value		Audit Status		Total
		Lowest	Highest	Audited	Unaudited	
Vapes	22,05,753.80	1,82,680.00	1,96,163.80		12	12
Vinayaka Trading Corporation	2,05,785.00	2,05,785.00	2,05,785.00		1	1
Travel Expenses	1,85,000.00	25,000.00	75,000.00		4	4
Legal Fees	1,37,500.00	62,500.00	75,000.00		2	2
Business Promotion Expenses	1,00,000.00	25,000.00	75,000.00		2	2
Shankar Finance	63,000.00	21,000.00	21,000.00		3	3
Travelling & Conveyance	60,000.00	25,000.00	35,000.00		2	2
NextGen Systems	38,000.00	38,000.00	38,000.00		1	1
Airconditioner	25,000.00	25,000.00	25,000.00		1	1
B Ramesh - Loan	25,000.00	25,000.00	25,000.00		1	1
Synchronized Solutions	25,000.00	25,000.00	25,000.00		1	1
The League Club	25,000.00	25,000.00	25,000.00		1	1
Computer Junction	24,960.00	24,960.00	24,960.00		1	1
DEF Ltd	21,000.00	21,000.00	21,000.00		1	1
Simco Machinery Co.,	21,000.00	21,000.00	21,000.00		1	1
Skipped Ledgers						
Advance Tax	2,50,000.00	2,50,000.00	2,50,000.00		1	1
Grand Total						
	34,11,998.80				35	35

Figure 25. Cash Payments Screen with Skipped Ledgers Details

Click **F9:Hide Skipped** to hide the details of skipped ledgers (default display).



10. Click/Press **Enter** any ledger (e.g. **Business Promotion Expenses**) in the **Cash Payments** screen (refer Fig 13 above)

The **Ledger Vouchers** screen is displayed.

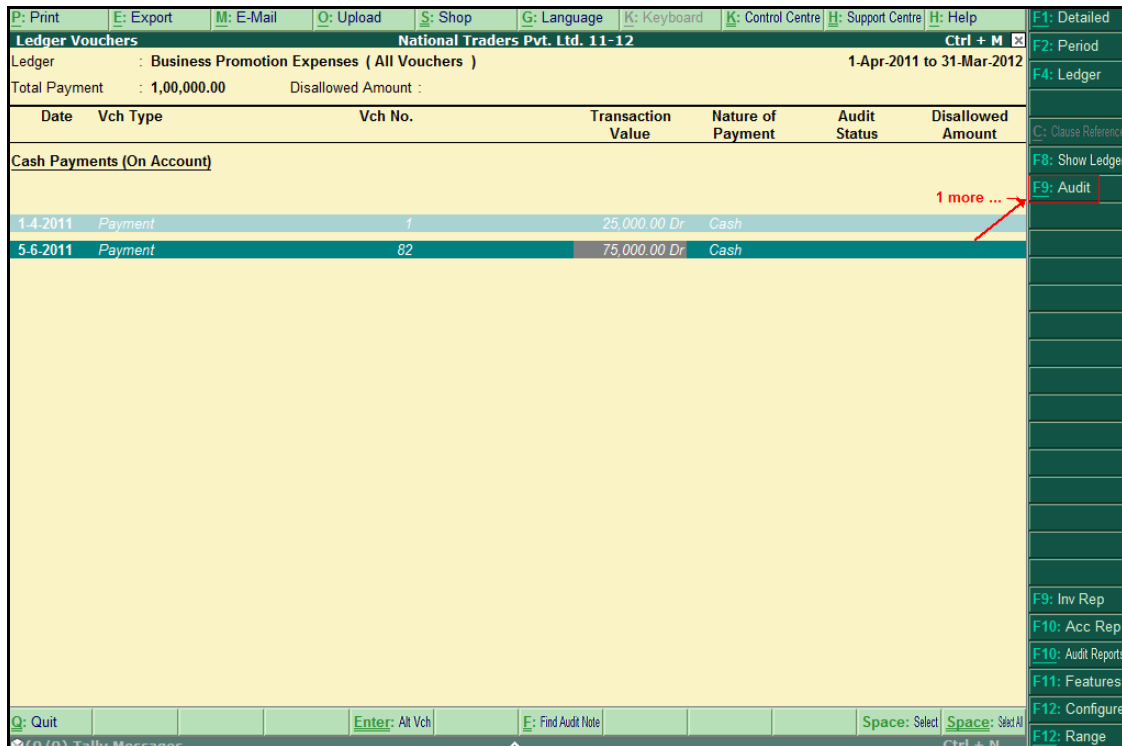


Figure 26. Audited Vouchers- Cash Payments- with F9-Audit option

11. Select the voucher(s) in **Ledger Vouchers** screen by clicking the **Spacebar**
12. Click **F9: Audit** button or press **F9** to display the **Audit Details** window
13. Select the required value for **Audit Status**
14. Enter the comments under **Audit Note**

The **Audit Details** window under **Audit Details** screen is displayed.

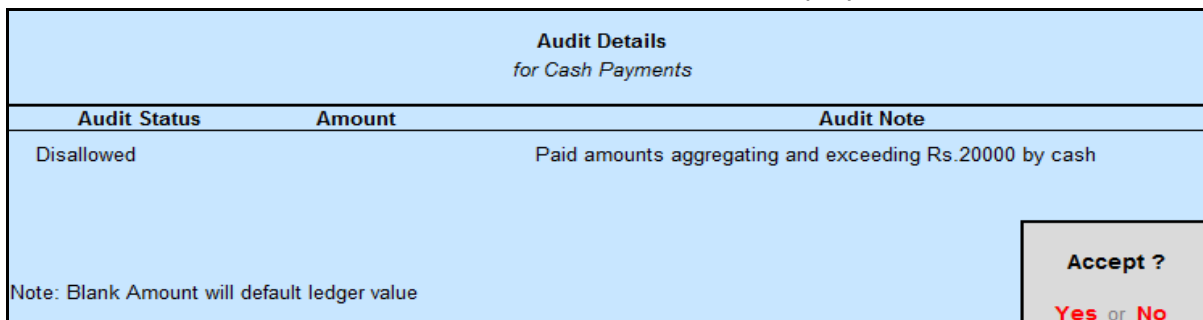


Figure 27. Audit Details with Audit Status and Audit Note details



To audit a cash entry, execute the path: **Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->Amounts debited to P&L a/c>17h-Amounts inadmissible u/s 40A(3)>Cash Payments->Ledger Vouchers**

15. Click **Alt + P** to print the annexure to the clause

The **Annexure to Clause 17(h)** report is enclosed.

Annexure to Clause 17(h)						
Amount Inadmissible Under Section 40A (3)						
Name and Address of the Assessee				Previous Year Ended: 31-Mar-2012		Page 1
National Traders Pvt. Ltd.				Assessment Year : 2012 - 13		
PO Box 12345				PAN/TAN Number : AACCT3705E		
Greenfields						
Bengaluru						
Sl. No.	Date	Vch No.	Nature & Particulars of Expenditure	Amount Paid Other wise Than by account payee cheque /draft	Voucher Amount	Remarks
1	1-Apr-2011	1	Business Promotion Expenses	25,000.00	25,000.00	
2	5-Jun-2011	82	Business Promotion Expenses	75,000.00	75,000.00	
Grand Total				1,00,000.00	1,00,000.00	

Figure 28. Annexure to Clause 17(h) – Sec 40(A)3

Button menus in the Cash Payments screen



F4: Group: Click this button or press **F4** to select any Group for finding out the payments made by cash exceeding twenty thousand rupees on a day.

F7: Show Pending: Click this button or press **F7** to display the details of only the **Unaudited** number of vouchers. Click **F7: Show All Vch** or press **F7** to display **Audited, Unaudited and Total** number of vouchers.

F8: Show Audit Amount: Click this button or press **F8** to display the details of the disallowed amounts after audit. Click **F8: Hide Audit Amt** to return to the previous screen,

F9: Show Skipped: Click this button or press **F9** to display the details of ledgers that have been skipped (**Rule 6DD**). Click **F9: Hide Skipped** or press **F9** to return to the earlier screen.

Ctrl+F9: Click this button or press **Ctrl** and **F9** together to select any ledger for exclusion under this clause for reporting. Click **Esc** after saving the selection to return to the earlier screen.

F10: Range Wise: Click this button or press **F10** to list cash payments for a select range of amount with the highest and lowest values and the **Unaudited Vouchers** details. Click **F10: Group Wise** or press **F10** to return to the earlier screen.

Alt + F: Form 3CD: Click this button or click **Alt** and **F** keys together to access the clause directly in the Form 3CD feature. Click **Ctrl + Q**: Quit or **Esc** key to return to the previous screen.

Alt + C: Clause Reference: Click this button or click **Alt** and **C** keys together to map and enter reference details for the selected clause.

Alt + B: Click this button or press **Alt** and **B** together to display the details of payments through the bank accounts. Click **Ctrl + Q** or **Esc** to return to the earlier screen.

Alt + F10: Audit Reports: Click **Alt** and **F10** keys together to go to **Audit & Analysis** screen.

F11: Features: Click this button or press **F11** to define and save the **Tax Audit Rules**. The values entered under Sec 40A (3) are pre-configured. However, the user may configure the parameters with the desired values.

F12: Configure: Click this button or press **F12** to define the configuration details for the display of details under the clause.

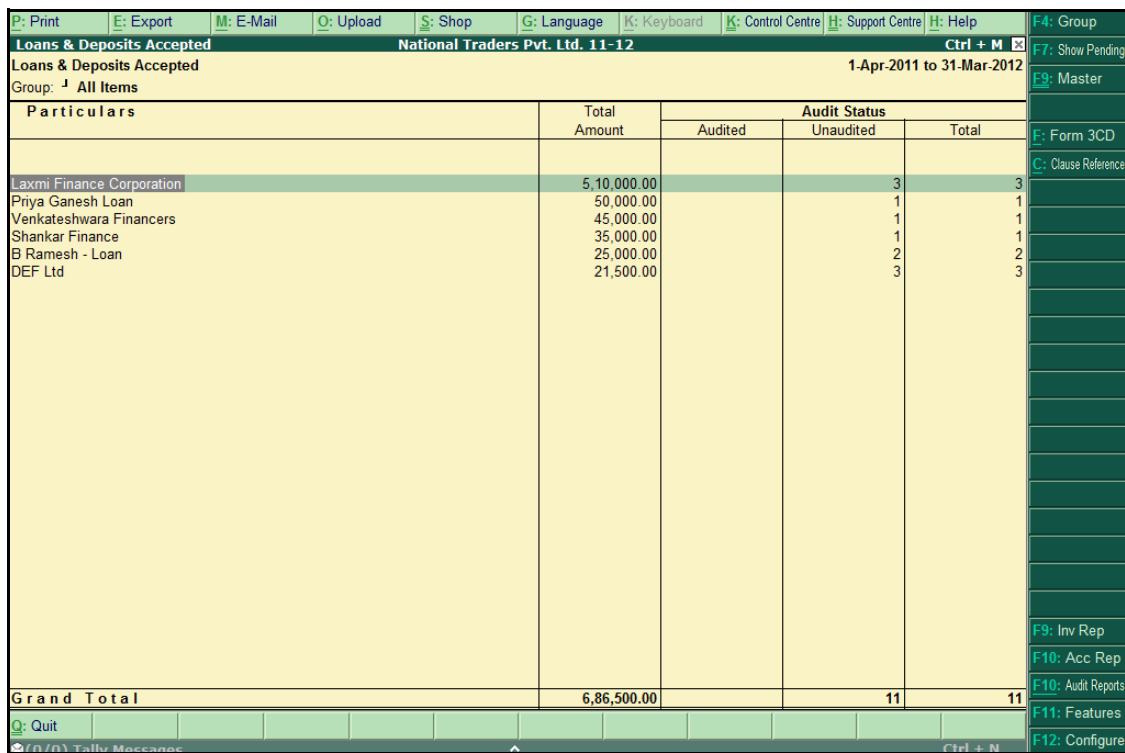
Clause 24(a)- Loans & Deposits Accepted under Sec 269 SS

This section refers to the mode of acceptance of loans and deposits by any person through an account payee cheque or demand draft only, for amounts equal to and exceeding Rs.20000/-. In other words receiving cash payments for amounts equal to and exceeding Rs.20000/- will be disallowed as deductions while computing the annual income for tax.

Audit scope: To find those receipts (loans & deposits) accepted by cash and which aggregate to and exceed rupees twenty thousand in a day.

1. Select **24 (a)- Loans and Deposits Accepted** and click **Enter** in the **Tax Audit** dashboard screen

The **Loans and Deposited Accepted** screen is displayed.



Particulars	Total Amount	Audit Status		
		Audited	Unaudited	Total
Laxmi Finance Corporation	5,10,000.00		3	3
Priya Ganesh Loan	50,000.00		1	1
Venkateshwara Financers	45,000.00		1	1
Shankar Finance	35,000.00		1	1
B Ramesh - Loan	25,000.00		2	2
DEF Ltd	21,500.00		3	3
Grand Total	6,86,500.00		11	11

Figure 29. Details of loans & deposits accepted- Sec 269SS of the IT Act

The details displayed in this screen are:

- Particulars (Ledger Account Details)
- Audit Status (Vouchers under **Audited**, **Unaudited** and **Total**)



The ledgers to be audited under this clause 24(a) have to be configured by the Auditor in consultation with the Client. To configure the ledgers for audit, the Auditor has to:

- i. Click **Ctrl + F9: Master** button in the **Loans and Deposits Accepted** screen
- ii. Select the required **Group(s)** for configuration
- iii. Select the ledger(s) under the Group by pressing the **Spacebar**
- iv. Click **Ctrl + A: Change** to consider for inclusion in the report for audit

2. Select any ledger (**Lakshmi Finance Corporation**) in the **Loans & Deposits Accepted** screen and click Enter to display the **Ledger Vouchers** screen

Date	Vch Type	Vch No.	Transaction Value	Nature of Receipt	Audit Status	Loan Amount
Receipts (On Account)						
11-1-2012	Receipt	95	30,000.00 Cr	Cash		
11-1-2012	Receipt	96	30,000.00 Cr	Cash		
31-3-2012	Receipt	128	4,50,000.00 Cr	Cash		

Figure 30. Details of cash payment for an entry for audit- Sec 269SS of the IT Act

3. Select any receipt voucher(s) by pressing the **Spacebar**
4. Click **Alt + F9: Audit** button or click **Alt** and **F9** keys to display the **Audit Details for Loans Accepted** window
5. Select the required value for **Audit Status**
6. Type the value for **Amount** depending on the value selected for **Audit Status**
7. Type the comments under **Audit Note**

The **Audit Details** window is displayed.

Audit Details for Loans Accepted		
Audit Status	Amount	Audit Note
Accepted by Cash	30,000.00	Loan accepted by cash.
Note: Blank Amount will default ledger value		Accept ? Yes or No

Figure 31. Audit Details with Audit Status and Audit Note



To audit a loans and deposits accepted entry, execute the path: **Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->44AB Audit ->24 (a)-Loans & Deposits Accepted->Ledger Vouchers**

8. Click **Alt + P** to print the annexure to the clause

The **Annexure to Clause 24(a)** report is displayed.

Annexure to Clause 24(a) Loans and Deposits Accepted						
Name and Address of the Assessee				Previous Year Ended	: 31-Mar-2012	
National Traders Pvt. Ltd.				Assessment Year	: 2012 - 13	
PO Box 12345 Greenfields Bengaluru				PAN/TAN Number	: AACCT3705E	
Sl. No.	Name, address and PAN of the lender or depositor	Amount of loan or deposit taken or accepted	Whether the loan or deposit was squared up during the previous year	Maximum amount outstanding in the account at any time during the previous year	Whether the loan or deposit was taken or accepted otherwise than by an account payee cheque or an account payee bank draft.	Remarks
1	Laxmi Finance Corporation 65, 5TH CROSS, 12TH MAIN, INDIRA NAGAR, BANGALORE, PAN : AKQPJ7654M	30,000.00	No	5,24,000.00	Yes	
By Cash : 30,000.00						
Grand Total		30,000.00				

Figure 32. Annexure to Clause 24(a) –Sec 269 SS

Button menus available in the Loans and Deposits Accepted screen



F4: Group: Click this button or press **F4** to select any group for finding out the loans and deposits accepted by cash exceeding twenty thousand rupees on a day.

F7: Show Pending: Click this button or press **F7** to display the details of unaudited vouchers. **F7: Show All Vch:** Click this button or press **F7** to display the details of **Audited**, **Unaudited** and **Total** number of vouchers. **Ctrl+F9:** Click this button or press **Ctrl** and **F9** together to select any group for inclusion under this clause for audit and reporting. Select the particular group and press **Ctrl +A** to include the group under this clause for audit. Click **Esc** or **Ctrl + Q** after saving the selection to return to the earlier screen.

Alt + F: Form 3CD: Click this button or click **Alt** and **F** keys together to access the clause directly in the Form 3CD feature. Click **Ctrl + Q:** Quit or **Esc** key to return to the previous screen.

Alt + C: Clause Reference: Click this button or click **Alt** and **C** keys together to map and enter reference details for the selected clause.

F9: Inv Rep: Click this button or the **F9** key to display the inventory related features to get information.

F10: Acc Rep: Click this button or the **F10** key to display the accounts related features to get information.

Alt + F10: Audit Reports: Click **Alt** and **F10** keys together to go to **Audit & Analysis** screen.

F11: Features: Click this button or press **F11** to define and save the **Tax Audit Rules**.

F12: Configure: Click this button or press **F12** to define the configuration details for the display of details under the clause.

Clause 24(b)- Loans & Deposits Repaid under Sec 269 T

This clause relates to repayments of loans and deposits repaid by an assessee who is a company, firm, person, Co-operative society, etc., by an account payee cheque or demand draft only for amounts equal to and exceeding Rs.20000/-. In other words, repayments of loans and deposits by cash for amounts aggregating to and exceeding Rs.20000/-, will be disallowed as deductions while computing the annual income for tax.

Audit scope: To find those repayments (loans & deposits) made by cash and which aggregate to and exceed rupees twenty thousand in a day.

1. Select **24 (b)-Loans and Deposits Repaid** in **Tax Audit** Dashboard screen

The **Loans and Deposits Repaid** screen is displayed.

Particulars	Total Amount	Audit Status		
		Audited	Unaudited	Total
City Auto Finance	2,11,455.24		12	12
Shankar Finance	67,000.00		4	4
Laxmi Finance Corporation	31,000.00		1	1
Priya Ganesh Loan	25,000.00		1	1
B Ramesh - Loan	25,000.00		1	1
Interest Account	23,788.68		12	12
DEF Ltd	21,000.00		1	1
Venkateshwara Financers	20,000.00		1	1
HDFC Silver Credit Card	10,770.00		1	1
Grand Total	4,35,013.92		34	34

Figure 33. Loans & Deposits Repaid – Sec 269 T

A list of loans and deposits repaid is displayed for the ledgers group wise in the **Loans and Deposited Repaid** screen. The details displayed in this screen are:

- Particulars (Ledger Account Details)
- Audit Status (Vouchers under **Audited**, **Unaudited** and **Total**)



The ledgers to be audited under this clause 24(b) have to be configured by the Auditor in consultation with the Client. To configure the ledgers for audit, the Auditor has to:

- i. Click **Ctrl + F9: Master** button in the **Loans and Deposits Repaid** screen*
- ii. Select the required **Group(s)** for configuration*
- iii. Select the ledger(s) under the Group by pressing the **Spacebar***
- iv. Click **Ctrl + A: Change** to consider for inclusion in the report for audit*

- Select any ledger (**Shankar Finance**) in the **Loans and Deposited Repaid** screen to display the Ledger Voucher screen.

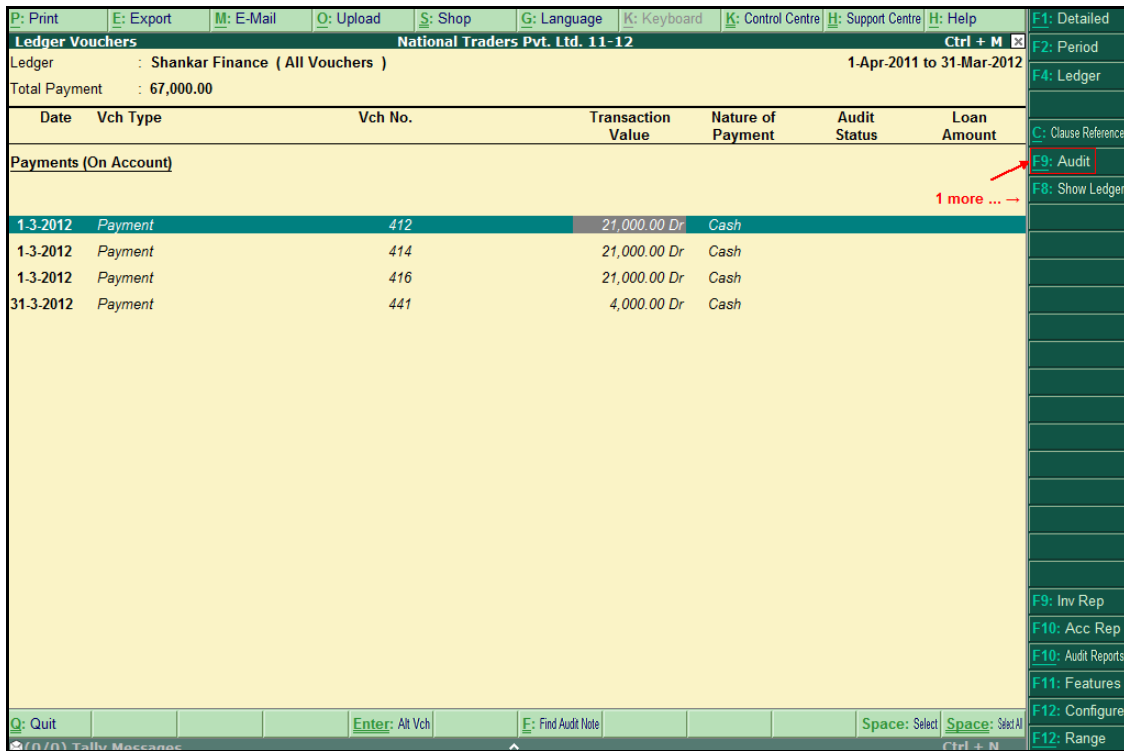


Figure 34. Ledger Vouchers Unaudited

- Select any payment voucher(s) by clicking the spacebar
- Click **Alt + F9: Audit** button or click **Alt** and **F9** keys to display the **Audit Details for Loans Repaid** window
- Select the required value for **Audit Status**

The value under **Amount** appears by default.

- Type the comments under **Audit Note**

The **Audit Details** window in the **Audit Details** screen is displayed.

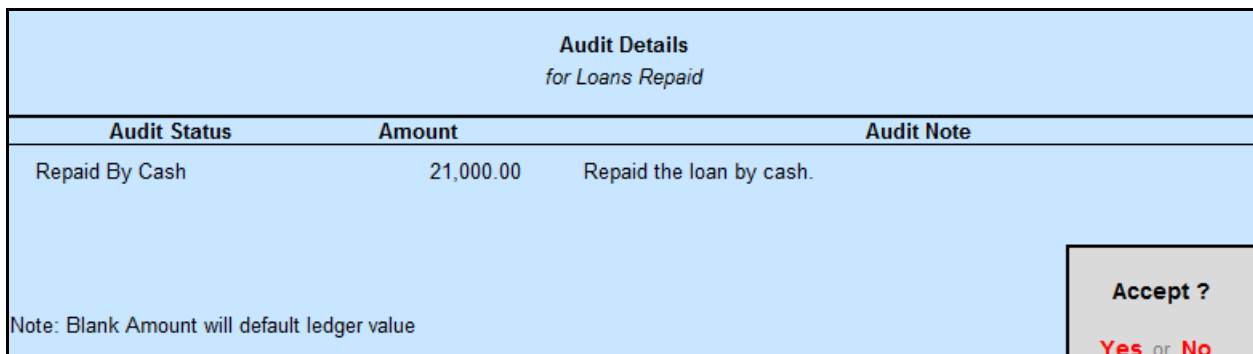


Figure 35. Audit Details with Audit Status and Audit Note

In a similar manner you can audit the cash payments made above Rs.20000/- relating to the other vouchers in the ledger account.



To audit an entry under Sec 269 T, execute the path: **Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->44AB Audit -> 24 (b)-Loans & Deposits Repaid->Ledger Vouchers**

7. Click **Alt +P** to print the annexure to the clause

The **Annexure to Clause 24(b)** report is displayed.

Annexure to Clause 24(b)					
Loans and Deposits Repaid					
Name and Address of the Assessee			Previous Year Ended	: 31-Mar-2012	
National Traders Pvt. Ltd.			Assessment Year	: 2012 - 13	
PO Box 12345			PAN/TAN Number	: AACCT3705E	
Greenfields					
Bengaluru					
Sl. No.	Name, address and PAN	Amount of repayment	Maximum amount outstanding in the account at any time during the previous year	Whether the repayment was made otherwise than by account payee cheque or account payee bank draft	Remarks
1	Shankar Finance By Cash : 21,000.00	21,000.00	49,000.00	Yes	
Grand Total		21,000.00			

Figure 36. Annexure to Clause 24(b) –Sec 269 T

Button menus available in the Loans and Deposits Repaid screen



F4: Group: Click this button or press **F4** to select any Group for finding out the loans and deposits repaid by cash exceeding twenty thousand rupees on a day.

F7: Show Pending: Click this button or press **F7** to display the details of unaudited vouchers. **F7: Show All Vch:** Click this button or press **F7** to display the details of **Audited, Unaudited and Total** number of vouchers.

Ctrl+F9: Click this button or press **Ctrl** and **F9** together to select any group for inclusion under this clause for audit and reporting. Select the particular group and press **Ctrl+ A** to include the group under this clause for audit. Click **Esc** or **Ctrl+ Q** after saving the selection to return to the earlier screen.

Alt + F: Form 3CD: Click this button or click **Alt** and **F** keys together to access the clause directly in the Form 3CD feature. Click **Ctrl + Q:** Quit or **Esc** key to return to the previous screen.

Alt + C: Clause Reference: Click this button or click **Alt** and **C** keys together to map and enter reference details for the selected clause.

F9: Inv Rep: Click this button or the **F9** key to display the inventory related features to get information.

F10: Acc Rep: Click this button or the **F10** key to display the accounts related features to get information.

Alt + F10: Audit Reports: Click **Alt** and **F10** keys together to go to **Audit & Analysis** screen.

F11: Features: Click this button or press **F11** to define and save the **Tax Audit Rules**.

F12: Configure: Click this button or press **F12** to define the configuration details for the display of details under the clause.

Clause 18- Payments to Specified Persons under Sec 40(2) (b) of the Income Tax Act

Under this section, certain expenses or payments made to any person can be inadmissible as perceivable by the IT dept if found to be excessive or unreasonable having regard to the fair value of goods, services or facilities offered by them. The persons who are covered by this section are:

- relatives of the assessee
- directors of a company
- partners of a firm,
- person having substantial interest in a company or firm
- family members of the director/partner

Audit Scope: To find whether there have been payments to specified persons made by the assessee, which are excessive or unreasonable, as per the Income Tax Act.

1. Select **CI 18 -Payments to Specified Persons** and click **Enter** in the **Tax Audit** Dashboard screen

The **Payments to Specified Persons** screen is displayed.

Particulars		Relation Type	Total Amount	Audit Status		
				Audited	Unaudited	Total
Aravind Kumar		Relative	23,88,412.00		5	5
AVT Computers		Relative	11,47,856.00		1	1
Challenger Systems		Partner	8,60,948.00		8	8
Computer Junction		Sister Concern	1,34,586.00		4	4
Adview Consultants		Sister Concern	10,000.00		1	1
Best Travels Ltd		Relatove	5,000.00		1	1
Grand Total			45,46,802.00		20	20

Figure 37. Payments to specified persons – Clause 18

A list of ledgers of specified persons is displayed with the amounts paid to them and the information on the unaudited vouchers.

The identification of specified persons can be made at the **ledger master creation** by the assessee.

Alternatively, you can mark those ledgers which are to be included as specified persons by executing these steps.

2. Click the **Ctrl+F9:Master** button in the **Payments to Specified Persons** screen to display the **List of Groups** for selection
3. Select **All Items** or a desired **Group** to display the **Related Party Configuration** screen
4. Select the particular ledger account and press **Spacebar**
5. Click **F5:Update** button to change the value under **Is Related Party?** to **Yes**

The **Related Party Configuration** screen is displayed.

S.No.	Name of Ledger	Name of Group	Primary Group	Is Related Party ?	Relation Type
1.	Accum. Dep. on Airconditioner	Accumulated Depreciation on Fixed Assets	Fixed Assets	No	
2.	Accum. Dep. on Building	Accumulated Depreciation on Fixed Assets	Fixed Assets	No	
3.	Accum. Dep. on Computer & Per.	Accumulated Depreciation on Fixed Assets	Fixed Assets	No	
4.	Accum. Dep. on Furn. & Fixt.	Accumulated Depreciation on Fixed Assets	Fixed Assets	No	
5.	Accum. Dep. on Genset	Accumulated Depreciation on Fixed Assets	Fixed Assets	No	
6.	Accum. Dep. on Motor Car	Accumulated Depreciation on Fixed Assets	Fixed Assets	No	
7.	Accum. Dep. on P & M - I	Accumulated Depreciation on Fixed Assets	Fixed Assets	No	
8.	Accum. Dep. on P & M - II	Accumulated Depreciation on Fixed Assets	Fixed Assets	No	
9.	Advance Tax	Current Assets	Current Assets	No	
10.	Advertising Expenses	Indirect Expenses	Indirect Expenses	No	
11.	Adview Consultants	South Debtors	Sundry Debtors	Yes	Sister Concern
12.	Airconditioner	Fixed Assets	Fixed Assets	No	
13.	Akshaya Trust	Sundry Creditors	Sundry Creditors	No	
14.	All India Computer Institute	Sundry Creditors	Sundry Creditors	No	
15.	Amar Computer Peripherals	South Debtors	Sundry Debtors	No	
16.	AMC Computers	Direct Incomes	Direct Incomes	No	
17.	Anand & Co.	Sundry Creditors	Sundry Creditors	No	
18.	ANS Tech	Sundry Creditors	Sundry Creditors	No	
19.	A-One Supplier	Sundry Creditors	Sundry Creditors	No	
20.	Aravind Kumar	South Debtors	Sundry Debtors	Yes	Relative
21.	Ashok Financiers	Sundry Creditors - Non Trading	Sundry Creditors	Yes	Director
22.	Assembling Charges	Direct Expenses	Direct Expenses	No	
23.	Audit Fees	Indirect Expenses	Indirect Expenses	No	
24.	Audit Fees Payable	Current Liabilities	Current Liabilities	No	
25.	Avanthi Constructions	Sundry Creditors - Non Trading	Sundry Creditors	No	
26.	A.Varadarajan & Co	Sundry Creditors	Sundry Creditors	No	
27.	AVT Computers	Sundry Debtors	Sundry Debtors	Yes	Relative
28.	Azura Systems	Sundry Creditors - Non Trading	Sundry Creditors	No	
29.	Bank Charges	Interest & Finance Charges	Indirect Expenses	No	
30.	Basic Pay	Salaries & Remuneration Paid	Indirect Expenses	No	
31.	BBMP	Sundry Creditors	Sundry Creditors	No	

Figure 38. 51- Configuration of Ledger Account as Related Party

- Press **Esc** or **Ctrl +Q** to return to the **Payments to Specified Persons** screen
- Select any ledger (e.g. **Challenger Systems**) and click **Enter** in the **Payments to Specified Persons** screen

The **Ledger Voucher** screen with the payment entry details is displayed.

Date	Ref. No.	Vch No.	Transaction Value	Audit Status	To be Reported Amount	Nature of Payment
Payment (Billwise)						
1.4-2011	SI/336					
	28-Oct-2011	Payment	254		1,20,000.00 Dr	
	15-Nov-2011	Payment	281		1,00,000.00 Dr	
	23-Dec-2011	Payment	317		90,948.00 Dr	
	10-Feb-2012	Payment	387		1,00,000.00 Dr	
2-7-2011	123					
	2-Jul-2011	Payment	124		1,00,000.00 Dr	
	2-Aug-2011	Payment	171		1,50,000.00 Dr	
	9-Aug-2011	Payment	179		1,00,000.00 Dr	
	1-Oct-2011	Excise - Purchase	1		7,17,631.00 Cr	
22-11-2011	261					
	22-Nov-2011	Payment	286		1,00,000.00 Dr	

Figure 39. Ledger Account of Monthly Payment Details to Specified Person

8. Select the payment by pressing the **Spacebar**

The **Alt+F9: Audit** button menu is activated on the right panel.

9. Click **Alt+F9: Audit** button or press the **Alt** and **F9** keys to display the **Audit Details** window

10. Select the required value for **Audit Status**

The value under **Amount** is displayed automatically.

11. Type the detail under **Nature of Payment** depending on the value selected for **Audit Status**

12. Type the comments under **Audit Note**

The **Audit Details** window in the **Audit Details** screen is displayed.

Audit Details for Payments to Specified Persons			
Audit Status	Amount	Nature of Payment	Audit Note
To be Reported	1,20,000.00	Excess Payment	Payment to Specified Person.
Note: Blank Amount will default ledger value			Accept ? Yes or No

Figure 40. Audit Details with Audit Status and Audit Note



To audit a payment to specified person, execute the steps:

Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->44AB Audit->Payments to Specified Persons->Ledger Vouchers

13. Click **Alt + P** to print the annexure to the clause

The **Annexure to Clause 18** is displayed.

Annexure to Clause 18 Payments to Specified Persons Under Section 40A(2)(b) (Sundry Creditors - Trading)				
Name and Address of the Assessee			Previous Year Ended	: 31-Mar-2012
National Traders Pvt. Ltd.			Assessment Year	: 2012 - 13
PO Box 12345 Greenfields Bengaluru			PAN/TAN Number	: AACCT3705E
Sl. No.	Name	Nature of Payment	Amount	Remark
1	Challenger Systems	Excess Payment	1,20,000.00	
Grand Total			1,20,000.00	

Figure 41. Annexure to Clause 18 - Sec 40(2) (b)

Button menus available in the Payments to Specified Persons screen



F4: Group: Click this button or press **F4** to select any ledger for finding out the payments to specified persons.

Click **F7: Show Pending** or press **F7** to show details of Unaudited vouchers. Click **F7: Show All Vch:** Click this button or press **F7** to display the details of **Audited, Unaudited and Total** number of vouchers.

F8:Show Audit Amt: Click this button or press **F8** to display the details of the disallowed amounts after audit. Click **F8:Hide Audit Amt** to return to the previous screen,

Alt + F: Form 3CD:Click this button or click **Alt** and **F** keys together to access the clause directly in the Form 3CD feature. Click **Ctrl + Q:** Quit or **Esc** key to return to the previous screen.

Alt + C: Clause Reference: Click this button or click **Alt** and **C** keys together to map and enter reference details for the selected clause.

F9: Inv Rep: Click this button or the **F9** key to display the inventory related features to get information.

F10: Acc Rep: Click this button or the **F10** key to display the accounts related features to get information.

Alt + F10: Audit Reports: Click **Alt** and **F10** keys together to go to **Audit & Analysis** screen.

F11: Features: Click this button or press **F11** to define and save the **Tax Audit Rules**.

F12: Configure: Click this button or press **F12** to define the configuration details for the display of details under the clause.

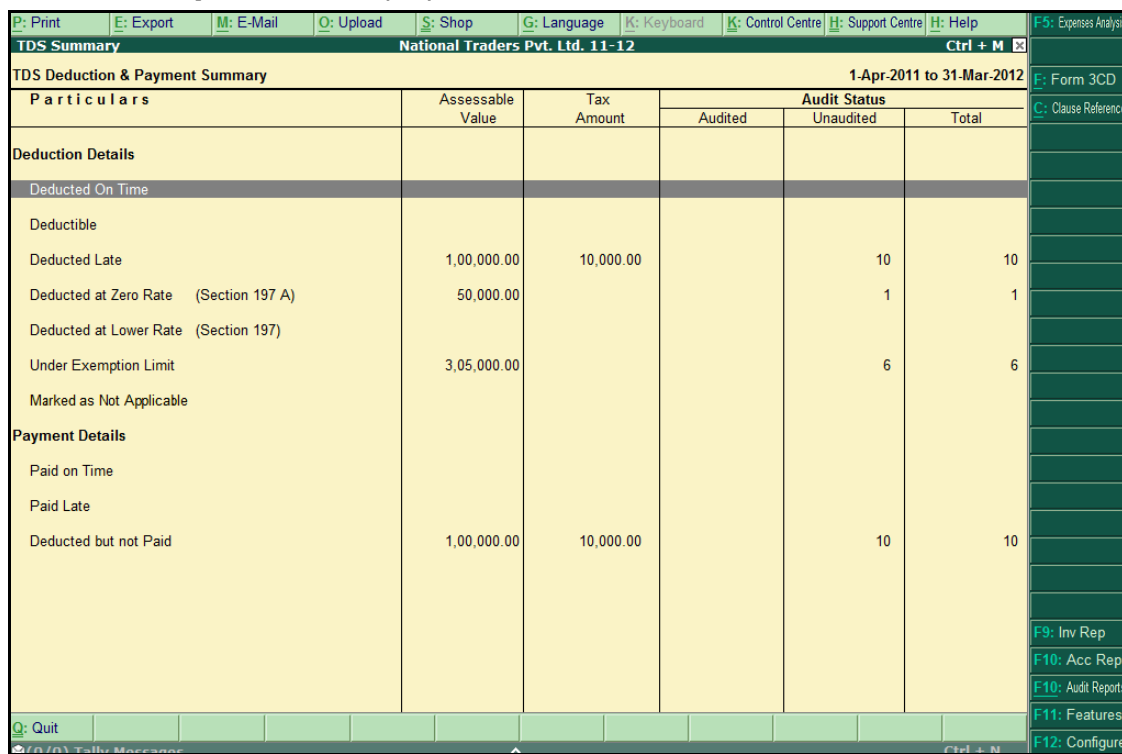
Clause 27- Tax Deducted at Source

Under this clause the assessee has to report whether tax at source has been deducted and paid to the account of the Government as per the provisions of Chapter XVII- B of the Income Tax Act. Any person deducting any tax in accordance with the provisions of this Chapter shall pay the amount within the prescribed time, to the credit of the Central Government or as the Board directs. The person deducting shall also prepare the necessary statements and file them with the IT Dept as required under the Act.

Audit Scope: To verify whether the assessee has complied with the provisions of Chapter XVII-B relating to tax deducted at source (TDS).

1. Select **CI 27-Tax Deducted at Source** and click **Enter** in **Tax Audit** Dashboard screen

The **TDS Summary** screen is displayed.



TDS Summary					
National Traders Pvt. Ltd. 11-12					
TDS Deduction & Payment Summary					
1-Apr-2011 to 31-Mar-2012					
Particulars	Assessable Value	Tax Amount	Audit Status		
			Audited	Unaudited	Total
Deduction Details					
Deducted On Time					
Deductible					
Deducted Late	1,00,000.00	10,000.00		10	10
Deducted at Zero Rate (Section 197 A)	50,000.00			1	1
Deducted at Lower Rate (Section 197)					
Under Exemption Limit	3,05,000.00			6	6
Marked as Not Applicable					
Payment Details					
Paid on Time					
Paid Late					
Deducted but not Paid	1,00,000.00	10,000.00		10	10

Figure 42. TDS Summary -TDS Deduction & Payment Summary

A list of deduction and payment details are displayed with the tax information in the screen:

- ❑ Assessable Value
- ❑ Tax Amount
- ❑ Audit Status (Audited/Unaudited/Total)

2. Select **Deducted Late** and click **Enter** under **Deduction Details** in the **TDS Summary** screen

The **TDS Summary** screen is displayed.

TDS Summary					
National Traders Pvt. Ltd. 11-12					
Deducted Late - Expenses Summary					
1-Apr-2011 to 31-Mar-2012					
Particulars	Assessable Value	Tax Amount	Audit Status		
			Audited	Unaudited	Total
Godown Rent	1,00,000.00	10,000.00		10	10
Grand Total	1,00,000.00	10,000.00		10	10

Figure 43. TDS Summary for the deductions made

3. Select the ledger in the **Deducted Late - Expenses Summary** screen and click **Enter**
The **TDS Details** screen is displayed.

TDS Bills								
National Traders Pvt. Ltd. 11-12								
Deducted Late for : Godown Rent								
1-Apr-2011 to 31-Mar-2012								
Ref No.	Party Ledger	Nature of Payment	Assessable Value	Tax Amount	Tax Rate	Audit Status	Audit Note	
Jrnl / 1-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 6-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 7-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 8-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 9-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 10-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 11-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 12-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 13-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
Jrnl / 14-1	Nararang Co-Operative Housing Society	Rent of Land, Building Or Furniture	10,000.00	1,000.00	10 %			
		(Other Status: Deducted but not Paid)						
			1,00,000.00	10,000.00				

Figure 44. TDS Bills Details for the selected ledger

4. Click **Alt + F9: Audit** button or click **Alt** and **F9** keys to display the **Audit Details** window

5. Select the required value for **Audit Status**
6. Enter the comments under **Audit Note**

The **Audit Details** window in the **Audit Details** screen is displayed.

Audit Details for Godown Rent	
Audit Status	Audit Note
Audited	TDS deducted late for the payment of rent.
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Accept ? Yes or No </div>	

Figure 45. Audit Details with Audit Status & Audit Note



- i. You have to enable the **TDS** option under **Statutory & Taxation of F11** in Tally.ERP 9 to perform audit under this clause.
- ii. To audit a TDS transaction that is remitted to the Government as per Chapter XVII-B of the IT Act, execute these steps: **Tally Main->Gateway of Tally->Audit & Compliance->Tax Audit->44AB Audit -> 27- Tax Deducted at Source ->TDS Summary->TDS Summary**

In a similar manner you can audit other exceptions under **Deduction Details** and **Payment Details** in the **TDS Summary** screen.

7. Click **Alt +P** to print the annexure to the clause

The **Annexure to Clause 27(b)(1)** report is enclosed.

Annexure to Clause 27(b)(i)
Tax Deductible but not Deducted at all Page 1

Name and Address of the Assessee Previous Year Ended : 31-Mar-2012

National Trad **Annexure to Clause 27(b)(ii)**
Shortfall on account of lesser Deduction than required to be Deducted Page 2

PO Box 12345
Greenfields
Bengaluru

Name and Address of the Assessee Previous Year Ended : 31-Mar-2012

National Trad **Annexure to Clause 27(b)(iii)**
Tax Deducted Late Page 3

PO Box 12345
Greenfields
Bengaluru

Name and Address of the Assessee Previous Year Ended : 31-Mar-2012

National Trad **Annexure to Clause 27(b)(iv)**
Tax Deducted but not paid to the Credit of Central Government Page 4

PO Box 12345
Greenfields
Bengaluru

Name and Address of the Assessee Previous Year Ended : 31-Mar-2012

National Trad **Annexure to Clause 27(b)(v)**
Tax Paid Late Page 5

PO Box 12345
Greenfields
Bengaluru

Name and Address of the Assessee Previous Year Ended : 31-Mar-2012

National Traders Pvt. Ltd. Assessment Year : 2012 - 13

PO Box 12345
Greenfields
Bengaluru PAN/TAN Number : AACCT3705E

SI No	Section	Nature of Expense	Amount of Payment / credit	Tax Deposited	Due date of Payment	Actual date of Payment	Delay (in-days)
1	194I						
2	194I						
3	194I						
4	194I						
5	194I						
6	194I						
7	194I						
8	194I						
9	194I						
10	194I						
Total							

Figure 46. Annexure to Clause 27 (b) (1)

Button menus available in the TDS Summary screen



F5: Expense Analysis: Click this button or press **F5** to display the debit and credit details of the **TDS** and **Non TDS Expenses** and the closing balance.

Alt + F: Form 3CD: Click this button or click **Alt** and **F** keys together to access the clause directly in the Form 3CD feature. Click **Ctrl + Q:** Quit or **Esc** key to return to the previous screen.

Alt + C: Clause Reference: Click this button or click **Alt** and **C** keys together to map and enter reference details for the selected clause.

F9: Inv Rep: Click this button or the **F9** key to display the inventory related features to get information.

F10: Acc Rep: Click this button or the **F10** key to display the accounts related features to get information.

Alt + F10: Audit Reports: Click **Alt** and **F10** keys together to go to **Audit & Analysis** screen.

F11: Features: Click this button or press **F11** to view the **Tax Audit Rules** on the payment schedule for statutory deductions.

F12: Configure: Click this button or press **F12** to define the configuration details for the display of details under the clause.

Clause 21- Payments under Sec 43B

Under this clause certain statutory payments made by an assessee are allowable as deductions to the income to the extent of the actual amount paid.

These payments are for liabilities in respect of:

- ❑ taxes and duties.
- ❑ employer contribution to any provident fund or superannuation funds, etc.
- ❑ interest on loans/borrowings.
- ❑ leave salary.

The condition is that the deductions are allowable if the assessee discharges the liabilities before the due date of filing the tax return for the financial year.

Audit Scope: To verify the actual payments of certain statutory dues to the Govt/Funds, etc. before the due date of filing the tax return.

1. Select **Employer’s Contribution** under **Payments under Section 43B** and click **Enter** in the **Tax Audit** screen to display the **Employer’s Deduction** screen

National Traders Pvt. Ltd. 11-12					1-Apr-2011 to 31-Mar-2012
Particulars	Amount			Payment Status	
	Contributed / Deducted	Paid	Difference		
Provident Fund	1,50,097.11 Cr	1,39,806.11 Dr	10,291.00 Cr	Due/Late (Partially)	
Employees' Statutory Deductions	1,05,794.00 Cr	1,05,794.00 Dr		Late (Partially)	
Employer's Other Charges	3,594.11 Cr	3,594.11 Dr		Late (Partially)	
Employer's Statutory Contributions	40,709.00 Cr	30,418.00 Dr	10,291.00 Cr	Due/Late (Partially)	
Employee State Insurance	14,561.00 Cr	13,620.00 Dr	941.00 Cr	Due (Partially)	
Employees' Statutory Deductions	5,750.00 Cr	5,750.00 Dr		On Time	
Employer's Statutory Contributions	8,811.00 Cr	7,870.00 Dr	941.00 Cr	Due (Partially)	
Professional Tax	20,740.00 Cr	20,890.00 Dr	150.00 Dr	On Time	
Employees' Statutory Deductions	20,740.00 Cr	20,890.00 Dr	150.00 Dr	On Time	
Bonus		75,250.00 Dr			
Paid to Employees		75,250.00 Dr			
Total					

Figure 47. Employer’s Deductions Screen

The screen displays the following details:

- ❑ Amount contributed/deducted (Provident Fund/ESI- Employer and Employee related deductions and charges)
- ❑ Amount paid and the difference
- ❑ Payment status (On Time or Due [Partially])
- ❑ Audit Status (Audited/Unaudited/Total)

The amounts in **red** colour indicate that they are due (partially) to be paid/deposited into the Funds.

2. Select Employer’s Statutory Contributions under **Provident Fund** and click **Enter** in the **Employer’s Deductions** screen

The **Payroll Monthly Summary** screen is displayed.

Payroll Monthly Summary						National Traders Pvt. Ltd. 11-12		Ctrl + M	
Statutory Pay Type		: Provident Fund				1-Apr-2011 to 31-Mar-2012			
Pay Head Type		: Employer's Statutory Contributions							
Particulars	Amount			Int & Other Payments	Payment Status				
	Contribution / Deducted	Paid	Difference						
April	1,837.00 Cr	1,837.00 Dr			On Time	1 more ... →			
May	3,171.00 Cr	3,171.00 Dr			On Time				
June	3,808.00 Cr	3,808.00 Dr			On Time				
July	3,926.00 Cr		3,926.00 Cr		Due				
August	3,849.00 Cr	941.00 Dr			Due (Partially)				
September	3,480.00 Cr	3,480.00 Dr			Late				
October	3,457.00 Cr		3,457.00 Cr		Due				
November	3,457.00 Cr	3,457.00 Dr			On Time				
December	3,326.00 Cr	3,326.00 Dr			On Time				
January	3,480.00 Cr	3,480.00 Dr			On Time				
February	3,480.00 Cr	3,480.00 Dr			On Time				
March	3,438.00 Cr	3,438.00 Dr			On Time				
Grand Total	40,709.00 Cr	30,418.00 Dr	10,291.00 Cr						

Figure 48. Payroll Monthly Summary – Employer’s Contribution to Provident Fund

3. Select any month (**April 2011**) and click the amount in the **Paid** field
4. The **Provident Fund Payment Vouchers** screen is displayed.

Provident Fund Payment Vouchers										National Traders Pvt. Ltd. 11-12		Ctrl + M	
Provident Fund Payment for April (All Vouchers)										1-Apr-2011 to 30-Apr-2011			
Date	Vch No.	Challan Date	Due Date	Payment Status	Amount	Interest Payments	Audit Status	Audit Note					
30-4-2011	38	30-4-2011	15-5-2011	On Time	1,837.00 Dr								
Total					1,837.00 Dr								

Figure 49. Provident Fund Payment Vouchers

5. Select a payment entry by clicking the **Spacebar**
6. Click **Alt + F9: Audit** button or click **Alt** and **F9** keys to display the **Audit Details** window

7. Select the required value for **Audit Status**
8. Type the comments under **Audit Note**

The **Audit Details** window in the **Audit Details** screen is displayed.

Audit Details for Payroll	
Audit Status	Audit Note
Paid on Time	Contribution paid on time.
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Accept ? Yes or No </div>	

Figure 50. Audit Details with Audit Status and Audit Note



- i. You have to enable the **Payroll** option under **Statutory & Taxation of F11** in Tally.ERP 9 to perform audit under this clause.
- ii. To audit a statutory deduction is remitted to the respective fund within time, execute these steps: **Tally MAIN->Gateway of Tally->Audit & Compliance->Tax Audit->44AB Audit -> Payments Under Section 43B-> Employer's Contribution->Payroll Monthly**

Similarly you can audit the employer's deductions under **Employees State Insurance** scheme and taxes payable under **Service Tax, Value Added Tax** and **Tax Collected at Source** and generate the required Annexures.

9. Click **Alt +P** to print the annexure to the clause

The **Annexure to Clause 16 and 21** report is enclosed.

Annexure to Clause 16 and 21																																																																																									
Provident Fund Payments																																																																																									
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Figure 51. Annexure to Clause 21

Button menus available in the Employer's Contribution screen



F5: Masters: Click this button or press **F5** display the **List of Pay Heads** screen.

F6: Payment Summary: Click this button or press **F6** to display the **Payments Summary** details relating to **Bonus, Employee State Insurance, Professional Tax** and **Provident Fund** for displaying the respective payment details.

Alt +X: Exceptions: Click this button or press **Alt** and **X** together to display only the exception details for audit. Click **Alt+ X: All** to return to the earlier screen.**Alt + F: Form 3CD:**Click this button or click **Alt** and **F** keys together to access the clause directly in the **Form 3CD** feature. Click **Ctrl + Q:** Quit or **Esc** key to return to the previous screen.

Alt + C: Clause Reference: Click this button or click **Alt** and **C** keys together to map and enter reference details for the selected clause.

F9: Inv Rep: Click this button or the **F9** key to display the inventory related features to get information.

F10: Acc Rep: Click this button or the **F10** key to display the accounts related features to get information.

Alt + F10: Audit Reports: Click **Alt** and **F10** keys together to go to **Audit & Analysis** screen.

F11: Features: Click this button or press **F11** to view the **Tax Audit Rules** on the payment schedule for statutory deductions

F12: Configure: Click this button or press **F12** to define the configuration details for the display of details under the clause.

Verification of Vouchers

This is a new feature added under **44AB Audit**.

1. If the client has enabled the statutory and payroll features and accounted the transactions accordingly, the vouchers are automatically mapped against the seven clauses.

For example, if the client has enabled TDS (Tax Deducted at Source) module and accounted the tax related transactions (deductions) accordingly, the vouchers for audit of the clause 27 are automatically mapped against it for audit.

2. If the client has not enabled the statutory/payroll features, the Auditor can map the vouchers to the respective clauses for reference to be used when filling the Form 3CD report.

The advantage of this feature is that the vouchers can be tagged/mapped to more than one clause of the Form 3CD report.

1. Select **Verification of Vouchers** and click **Enter** in **Tax Audit** screen

The **Verification of Vouchers** screen is displayed.

Verification of Vouchers			National Traders Pvt. Ltd. 11-12		Ctrl + M	
Verification of Vouchers			1-Apr-2011 to 31-Mar-2012		F1: Detailed	
Particulars	Total Vouchers	Audited Vouchers	F2: Period			
Loans (Liability)	252		F5: Led-wise			
Current Liabilities	647					
Fixed Assets	10					
Investments	2					
Current Assets	666					
Sales Accounts	118					
Purchase Accounts	98					
Direct Incomes	10					
Direct Expenses	25					
Indirect Incomes	3					
Indirect Expenses	282					
			F9: Inv Rep			
			F10: Acc Rep			
			F10: Audit Reports			
			F12: Range			
			F12: Value			

Figure 52. Verification of Vouchers Screen



To display the vouchers of **Group** in the **Verification of Vouchers** screen, select any group and click **Enter**. The group vouchers for the entire year are displayed.

A ledger wise display of total vouchers is displayed when the **F5:Led-wise** button menu is clicked.

2. Click **F5:Led-wise** button menu in the **Verification of Vouchers** screen

The **Verification of Vouchers** screen with ledger and voucher details is displayed.

Verification of Vouchers			
Particulars		Total Vouchers	Audited Vouchers
Accum. Dep. on Airconditioner		1	
Accum. Dep. on Building		1	
Accum. Dep. on Computer & Per.		1	
Accum. Dep. on Furn. & Fixt.		1	
Accum. Dep. on Genset		1	
Accum. Dep. on Motor Car		1	
Accum. Dep. on P & M - I		1	
Accum. Dep. on P & M - II		1	
Advance Tax		1	
Advertising Expenses		4	
Adview Consultants		2	
Airconditioner		1	
Akshaya Trust		2	
All India Computer Institute		1	
Amar Computer Peripherals		4	
AMC Computers		1	
Anand & Co.		2	
ANS Tech		2	
A-One Supplier		1	
Aravind Kumar		12	
Ashok Financiers		1	
Assembling Charges		13	
Audit Fees		1	
Audit Fees Payable		1	
			214 more ... ↓

Figure 53. Verification of Vouchers Screen- Ledger and Voucher Details

The Auditor can select the required ledger and drill down to the voucher level.

Ledger Vouchers						
Ledger : Advertising Expenses						1-Apr-2011 to 31-Mar-2012
List of All Vouchers						
Date	Particulars	Vch Type	Vch No.	Transaction Value	Audit Status	Audit Note
5-4-2011	Phoenix Agencies	Journal	7	5,00,000.00 Dr		
8-4-2011 (as per details)	Phoenix Agencies	Journal	8	1,12,360.00 Dr		
	TDS on Contracts (Advt.)			1,11,360.00 Cr		
				1,000.00 Cr		
10-4-2011	Anand & Co.	Purchase	11	1,50,000.00 Dr		
14-4-2011	Anand & Co.	Purchase	13	50,000.00 Dr		
Grand Total				8,12,360.00 Dr		

Figure 54. Ledger Vouchers Screen - For Audit

Mapping and Audit

The mapping and audit of a transaction is explained here. The Auditor, for example, can audit the interest payable to a MSME party which is not allowed as a deduction and has to be reported in Form 3CD under Clause 17A.

1. Select the **Indirect Expenses** group and click **Enter**

The **Group Vouchers** screen for **Indirect Expenses** is displayed.

Group Vouchers						
National Traders Pvt. Ltd. 11-12						Ctrl + M
Group : Indirect Expenses						1-Apr-2011 to 31-Mar-2012
Date	Particulars	Vch Type	Vch No.	Transaction Value	Audit Status	Audit Note
↑ ... 1188 more						
31-3-2012	Global Traders (Loan A/c)	Debit Note	5	1,49,508.19 Cr		
	Global Traders (Loan A/c)			1,49,508.19 Dr		
	Interest Account			1,49,508.19 Cr		
31-3-2012	Euro Softs	Journal	112	108.01 Cr		
	Euro Softs			108.01 Dr		
	Forex Gain/Loss			108.01 Cr		
31-3-2012	Fuzitsy Systems	Journal	113	2,267.90 Dr		
	Fuzitsy Systems			2,267.90 Cr		
	Forex Gain/Loss			2,267.90 Dr		
31-3-2012	Loss on Account of Theft	Journal	114	35,000.00 Dr		
	Loss on Account of Theft			35,000.00 Dr		
	Insurance Claim Receivable			35,000.00 Cr		
31-3-2012	Audit Fees	Journal	115	3,00,000.00 Dr		
	Audit Fees			3,00,000.00 Dr		
	Audit Fees Payable			3,00,000.00 Cr		
31-3-2012	Travel Expenses	Payment	457	50,000.00 Dr		
	Travel Expenses			50,000.00 Dr		
	Cash			50,000.00 Cr		
31-3-2012	Membership Fees	Payment	458	20,000.00 Dr		
	Membership Fees			20,000.00 Dr		
	Canara Bank			20,000.00 Cr		
31-3-2012	Fines and Penalty	Payment	459	500.00 Dr		
	Fines and Penalty			500.00 Dr		
	Cash			500.00 Cr		
31-3-2012	Tax Expense for 2011-12	Journal	116	2,75,000.00 Dr		
	Tax Expense for 2011-12			2,75,000.00 Dr		
	Provision for Tax 2011-12			2,75,000.00 Cr		
31-3-2012	Interest Account	Journal	117	1,000.00 Dr		
	Interest Account			1,000.00 Dr		
	Provision for Interest			1,000.00 Cr		
Grand Total				75,80,914.24 Dr		

Figure 55. Group Vouchers Screen

2. Select the transaction (**Vch No. 117**) in **Group Voucher - Indirect Expenses** screen and click **Enter**

The **Select Clause** window is displayed.

Select Clause	
List of Clauses	
12A Capital Asset converted into Stock-in-Trade	
13 Amount not credited to P&L a / c	
14 Depreciation allowable as per IT Act, 1961	
15(a to I) Amounts admissible u / s 35AB - 35AE	
17A Amount of interest inadmissible u / s 23 of MSMED Act, 2006	
19 Amount deemed to be profits & gains u / s 33AB or 33ABA or 33AC	
20 Amount of profit chargeable to tax u / s 41	
22 CENVAT credits & prior period expenditure	
23 Amount borrowed, due, repaid on hundi otherwise than u / s 69D	
25 Brought forward loss / depreciation	
26 Deduction admissible under chapter VIA	
29 For domestic comp. tax paid on distributed profit u / s 115O	

Figure 56. Mapping of Clause 17A to the Transaction

3. Select the appropriate clause (**17A**) under **List of Clauses** for display under **Select Clause** and click **Enter**

The **Audit Details for** window is displayed.

Audit Details for <i>17A Amount of interest inadmissible u / s 23 of MSMED Act, 2006</i>	
Audit Status	Audit Note
Audited	Provision of interest to MSME not admissible _

Figure 57. Audit of MSME Transaction

4. Select **Audited** under **Audit Status** and type audit observation under **Audit Note**
5. Accept the selection and details

These details will be available as a **Report** for the **Clause 17A** in **Form 3CD**.



*The details of the **Report** for **Clause 17A** are mentioned under the **Form 3CD** feature in the following pages (see **Reports**)*

Form 3CD

The assessee whose accounts is to be audited under Sec44AB of the IT Act have to furnish a statement of particulars as required by the Income Tax Dept in Form 3CD.

The **Form 3CD** screen is displayed.

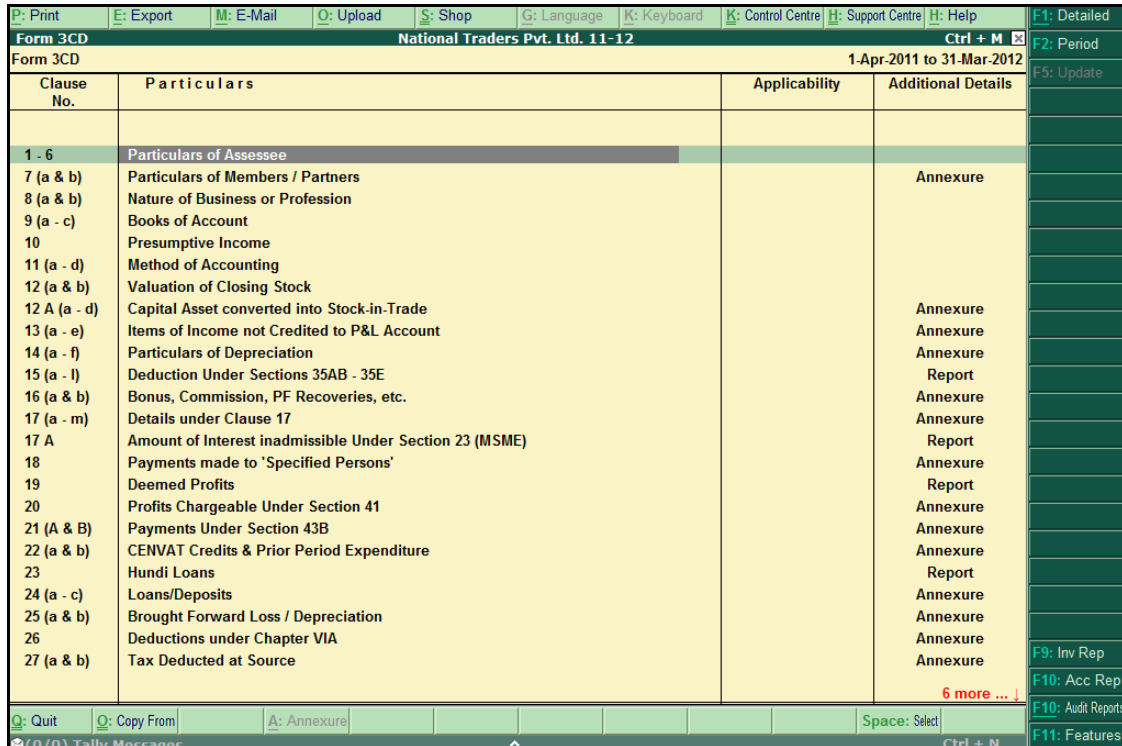


Figure 58. Form 3CD Annexures

The Auditors’ Edition of Tally.ERP 9 provides a means to enter details for the clauses in the Form 3CD report. The supporting annexures are generated by executing the clauses discussed in the beginning of this document.

The report comes with user-friendly option to copy the content of the report from one financial year to another or from one company to another. There is also a facility to copy a single clause details from one company to another. Apart from these, you can also select text for quicker entry of details.

Short cut buttons in the screen:

Ctrl + O: Copy From-Click this button or click **Ctrl** and **O** together to copy the form details from another company or from another financial year.

The **Data Configuration** screen is displayed.

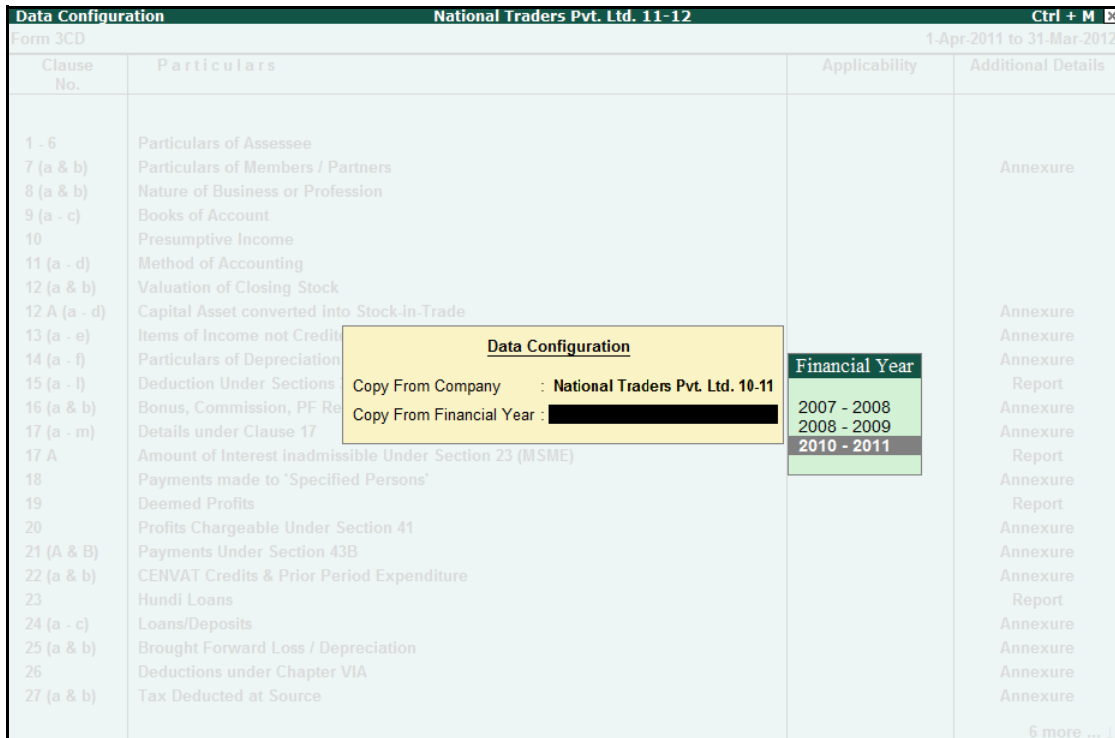


Figure 59. Data Configuration Screen - Copy of Form 3CD details from another Company/FY

In the above image the Form 3CD configuration of the year 2010-11 is copied to the year 2011-12.

Alt + T: Select Text: Select any Tax Audit clause in the Form 3CD screen and press **Enter**.

The **Details of Books of Accounts** window in the **Details of Books of Accounts** screen is displayed.

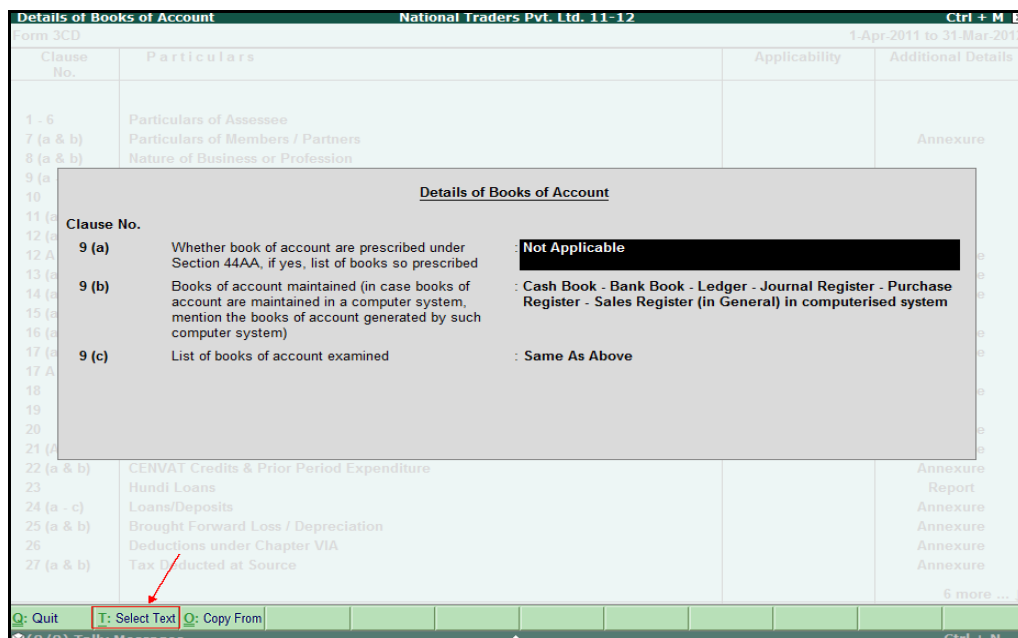


Figure 60. Select Text Option- Form 3CD

Click this button or click **Alt** and **T** together and select the required text to be filled in the field.

The **Select Text** window in the **Select Item** screen is displayed.

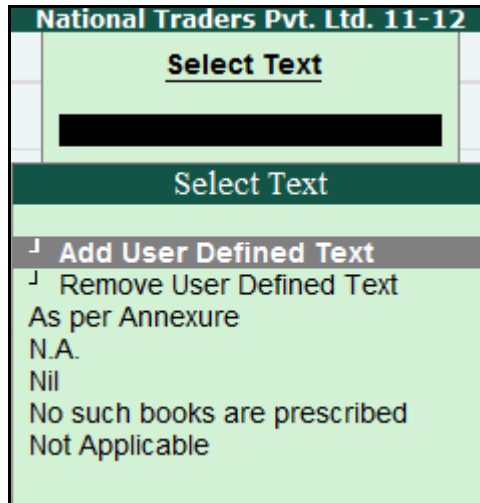


Figure 61. Selection of Text- Form 3CD

Select the required text or add a text for selection. There is an option to remove the user defined text.

View Clause Reference

The Auditor can make a clause reference while auditing the transaction under any clause. For example, when auditing transaction under 17h, the Auditor can enter a reference by clicking **Alt + C: Clause Reference** button in the **17(a-m) Amounts debited to P&L a/c** screen and enter the reference details.

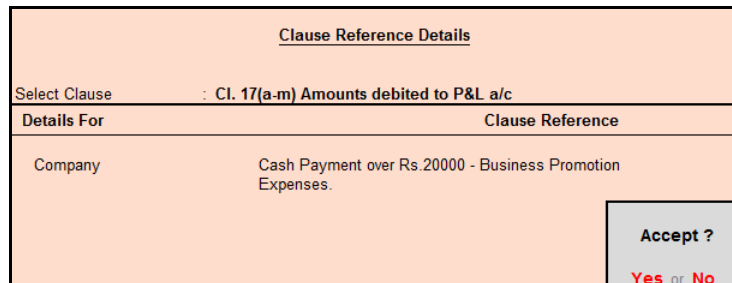


Figure 62. Entry of Clause Reference Details Window

These details will be of use to the Auditor when filling the Form 3CD. When the details for the 17(h) clause, the Auditor can click the **Alt + C: View Clause Ref.** button in the **Details under Clause 17** screen in **Form 3CD**.

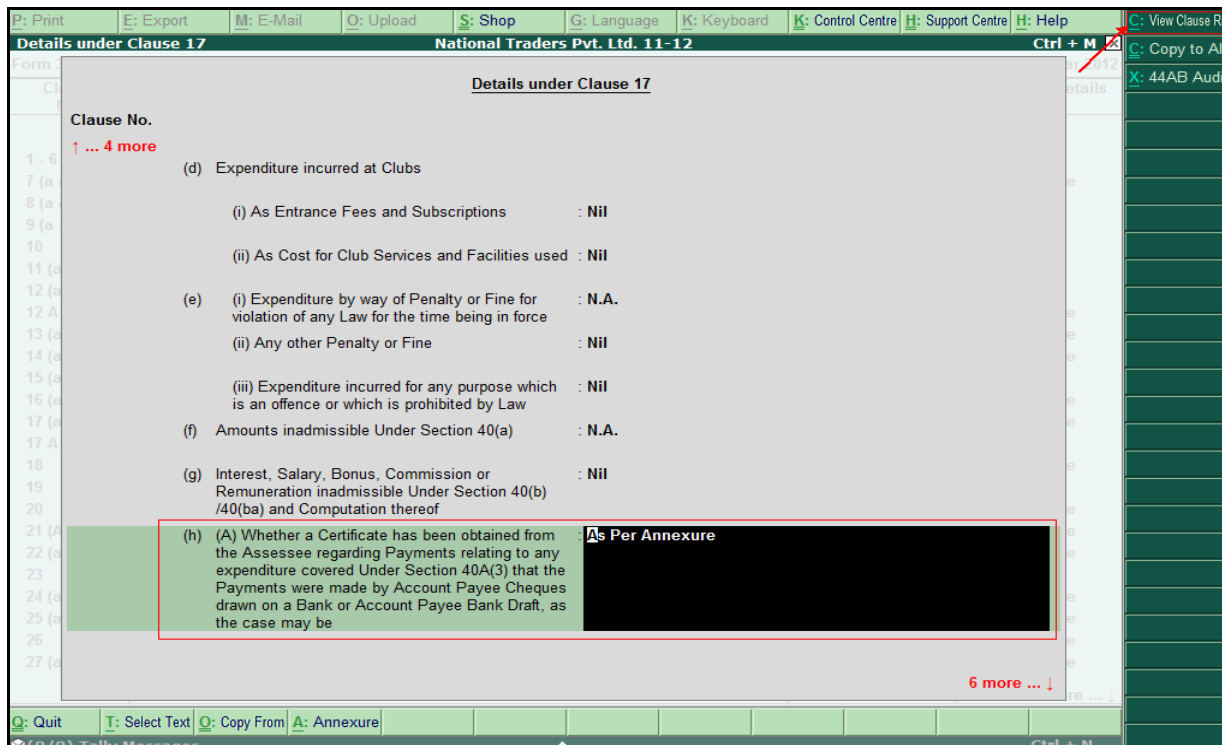


Figure 63. Details under Clause 17h

On clicking the **Alt + C: View Clause Ref.** button, the **Clause Reference Details** screen is displayed.

Clause Reference Details		National Traders Pvt. Ltd. 11-12		Ctrl + M
Clause Reference for Details under Clause 17			Audit Period : 1-Apr-2011 to 31-Mar-2012	
Company Note				
Sl.No	Notes	Note By		
1	Cash Payment over Rs.20000 - Business Promotion Expenses.	Raj		
Voucher Note				
Date	Particulars	Vch No.	Note By	

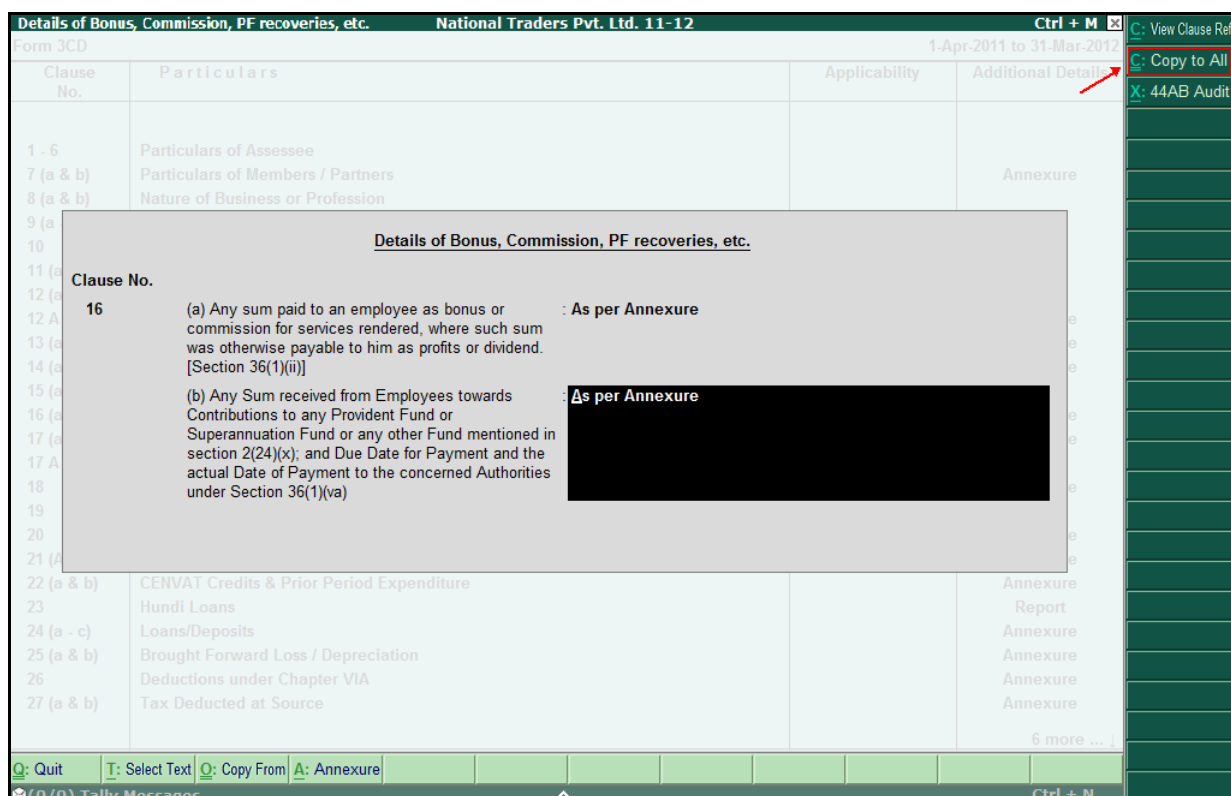
Figure 64. Clause Reference for Details Under Clause 17



The Clause Reference details can also be entered at the voucher level and viewed in Form 3CD while filing.

Ctrl +C: Copy to All

This button is used to copy the same content of the first sub-clause to other sub-clauses in a clause. The **Details of Bonus, Commissions, PF recoveries, etc** screen is displayed.



Clause No.	Particulars	Applicability	Additional Details
1 - 6	Particulars of Assessee		
7 (a & b)	Particulars of Members / Partners		Annexure
8 (a & b)	Nature of Business or Profession		
9 (a)	Details of Bonus, Commission, PF recoveries, etc.		
10			
11 (a)	Clause No.		
12 (a)	16	(a) Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend. [Section 36(1)(ii)]	: As per Annexure
12 (a)		(b) Any Sum received from Employees towards Contributions to any Provident Fund or Superannuation Fund or any other Fund mentioned in section 2(24)(x); and Due Date for Payment and the actual Date of Payment to the concerned Authorities under Section 36(1)(va)	: As per Annexure
13 (a)			
14 (a)			
15 (a)			
16 (a)			
17 (a)			
17 A			
18			
19			
20			
21 (A)			
22 (a & b)	CENVAT Credits & Prior Period Expenditure		Annexure
23	Hundi Loans		Report
24 (a - c)	Loans/Deposits		Annexure
25 (a & b)	Brought Forward Loss / Depreciation		Annexure
26	Deductions under Chapter VIA		Annexure
27 (a & b)	Tax Deducted at Source		Annexure

Figure 65. Copy to All Feature

Alt +A: Annexure

The Auditor can view the annexure details for certain clauses which is generated automatically or has to be entered manually depending upon whether the statutory modules are enabled for accounting. For example in the case of Cl16, since the Payroll module has been enabled the generation of the annexures is automatic.

The **Details of Bonus, Commissions, PF recoveries, etc** screen is displayed.

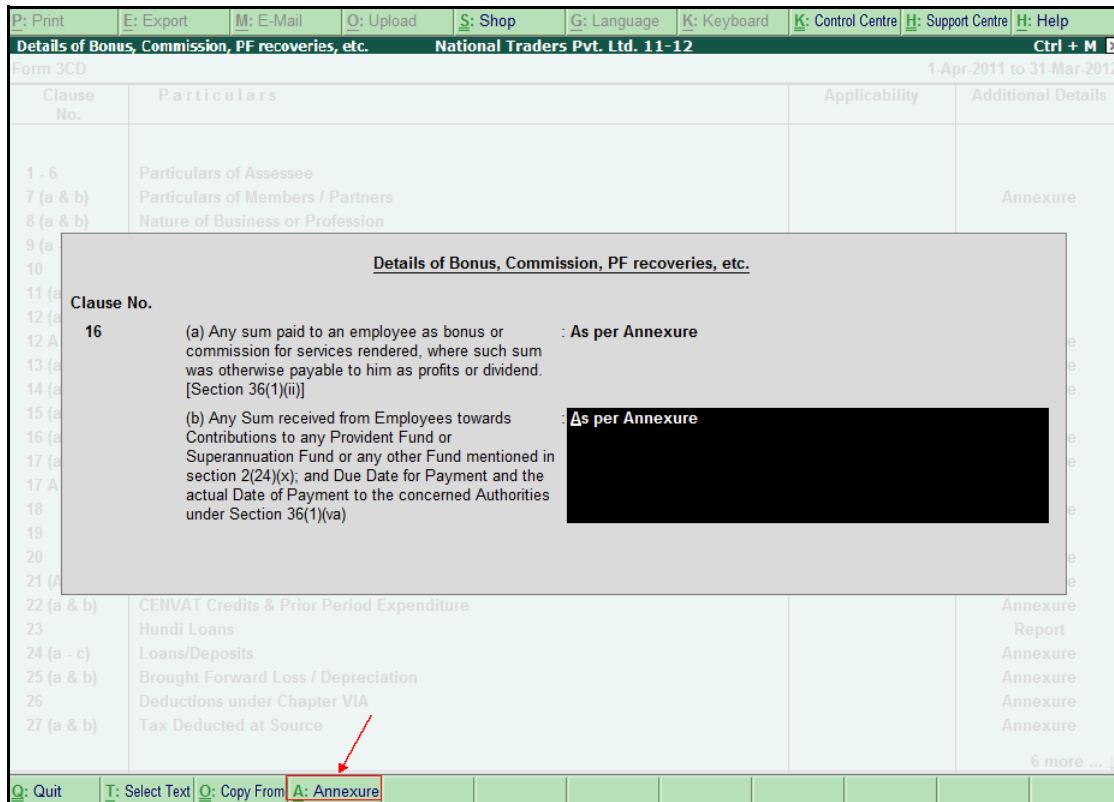


Figure 66. Alt +A: Annexures Feature

The Auditor can click the **Alt +A: Annexure** button found in the bottom status bar in the screen of the clause for which the annexure has to be generated.

The **Annexures** window is displayed.

Annexures		National Trader
Annexures to Clause 16		
Sl.No.	Particulars	
1	Bonus Payments	
2	Provident Fund Payments	
3	ESI Payments	
4	Professional Tax Payments	

Figure 67. Annexures Window to Cl 16

1. Select **Bonus Payments** under **Particulars** and click **Enter**

The **Annexure to Clause 16 - Bonus Payments** screen is displayed.

Annexure to Clause 16			National Traders Pvt. Ltd. 11-12			Ctrl + M		
Annexure to Clause 16								
Bonus Payments								
Name and Address of the Assessee			Previous Year Ended			: 31-Mar-2012		
National Traders Pvt. Ltd.			Assessment Year			: 2012 - 13		
PO Box 12345			PAN/TAN Number			: AACCT3705E		
Greenfields								
Bengaluru								
Particulars						Paid		Remarks
April								
May						4,000.00		
June						1,500.00		
July								
August								
September								
October						6,500.00		
November						4,250.00		
December						2,500.00		
January								
February						2,500.00		
March						54,000.00		
Grand Total						75,250.00		

Similarly the other Annexures can be generated.

Reports

For some of the clauses in the Form 3CD, a Report option is provided to view the audit details for analysis before entry. The Auditor clicks the **Alt +X: 44AB Audit** button in the right panel to view the audit details in the report. For example, the **CI 17A - Interest to MSME inadmissible**- the interest payable to MSME, is not allowed as deduction when computing the tax. (Refer the example under **Verification of Vouchers** featured earlier in the book). The following images show the report details for the mentioned clause which will help the Auditor to fill the details for the clause.

The **Details of Interest inadmissible** screen is displayed.

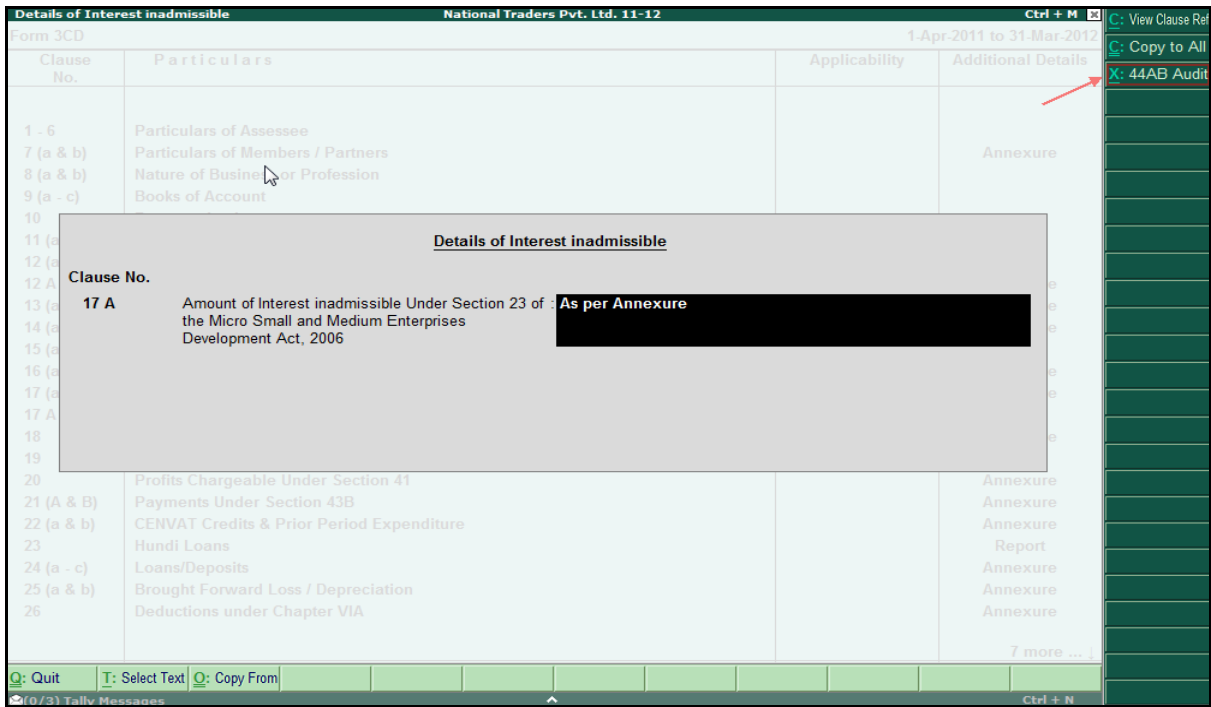


Figure 68. Details of Interest Inadmissible Window- Cl 17A-

1. Click **Alt +X: 44AB Audit**

The **Details of Interest inadmissible** screen is displayed.

Details of Interest inadmissible						
National Traders Pvt. Ltd. 11-12						
Ctrl + M						
Clause : 17A Amount of interest inadmissible u / s 23 of MSMED Act, 2006						
List of Audited Vouchers						
1-Apr-2011 to 31-Mar-2012						
Date	Particulars	Vch Type	Vch No.	Transaction Value	Audit Status	Audit Note
11-3-2012	Interest Account	Journal	117	1,000.00 Dr		
	Interest Account			1,000.00 Dr		
	17A Amount of interest inadmissible u / s 23 of MSMED Act, 2006				Audited	Provision of interest to MSME Party not admissible.
	Provision for Interest			1,000.00 Cr		
Grand Total				1,000.00 Dr		

Figure 69. Details of Interest inadmissible Screen

The Auditor now views the above report before filling the clause details in Form 3CD.

Printing of FORM NO. 3CD Report

Click **Alt + P: Print** to print the **FORM NO.3CD** report.

The **FORM NO. 3CD** report is generated.

FORM NO.3CD	
[See rule 6G(2)]	
Statements of Particulars required to be furnished Under Section 44AB of the	
Income-Tax Act, 1961	
PART A	
1. Name of the Assessee	: National Traders 11-12
2. Address	: 80 Feet Road 10th Block, Koramangala Bengaluru 560068 Karnataka
3. Permanent Account Number	: AACCT3705E
4. Status	: An Association of Person
5. Previous Year ended	: 31-Mar-2012
6. Assessment Year	: 2012 - 13
PART B	
7. (a) If firm or association of persons, indicate names of partners / members and their profit sharing ratios	: As per Annexure
(b) If there is any change in the partners / members or in their profit sharing ratios since the last Date of the preceding year, the particulars of such change	: Not Applicable
8. (a) Nature of business or profession (if there is more than one business or profession is carried on during the previous year, nature of every business or profession)	: FMCG
(b) If there is any change in the nature of business or profession, the particulars of such change	: There Is No Change
9. (a) Whether book of account are prescribed under Section 44AA, if yes, list of books so prescribed	: Not Applicable
(b) Books of account maintained (in case books of account are maintained in a computer system, mention the books of account generated by such computer system)	: Cash Book - Bank Book - Ledger - Journal Register - Purchase Register - Sales Register (in General) in computerised system
(c) List of books of account examined	: Same As Above
10. Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant sections (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB or any other relevant section)	:
11. (a) Method of accounting employed in the previous year	: Mercantile System
(b) Whether there has been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year	: No Change
(c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss	: N.A.
(d) Details of deviation, if any, in the method of accounting employed in the previous year from accounting standards prescribed Under Section 145 and the effect thereof on the profit or loss	: No Deviation
12. (a) Method of valuation of closing stock employed in the previous year	:
(b) Details of deviation, if any, from the method of valuation prescribed Under Section 145A, and the effect thereof on the profit or loss	: Nil
12A. Give the following particulars of the capital asset converted into stock-in-trade	:

continued .

Figure 70. Form 3 CD Annexure

The second page of the Form 3CD report is displayed.

Name of the Assessee : National Traders 11-12		Assessment Year : 2012 - 13
(a) Description of capital asset	:	As Per Annexure
(b) Date of acquisition	:	As Per Annexure
(c) Cost of acquisition	:	N.A.
(d) Amount at which the asset is converted into stock-in-trade	:	N.A.
13. Amounts not credited to the profit and loss account, being		
(a) The items falling within the scope of section 28	:	Nil
(b) The proforma credits, drawbacks, refund of duty of customs or excise or service tax, or refund of sales tax or value added tax, where such credits, drawbacks or refunds are admitted as due by the authorities concerned	:	Nil
(c) Escalation claims accepted during the previous year	:	N.A.
(d) Any other item of income	:	N.A.
(e) Capital receipt, if any	:	Not Applicable
14. Particulars of depreciation allowable as per the Income-Tax Act, 1961 in respect of each asset or block of assets, as the case may be, in the following form		
(a) Description of asset/block of assets	:	As Per Annexure
(b) Rate of depreciation	:	10%
(c) Actual cost or written down value, as the case may be	:	256666
(d) Additions/deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of	:	N.A.
(i) Modified Value Added Tax credit claimed and allowed under the Central Excise Rules, 1944, in respect of assets acquired on or after 1st March, 1994	:	As Per Annexure
(ii) Change in rate of exchange of currency, and	:	As Per Annexure
(iii) Subsidy or grant or reimbursement, by whatever name called	:	As Per Annexure
(e) Depreciation allowable	:	256666
(f) Written down value at the end of the year	:	356664
15. Amounts admissible Under Sections		
(a) 33AB	:	NIL
(b) 33ABA	:	NIL
(c) 33AC (wherever applicable)	:	Nil
(d) 35	:	Nil
(e) 35ABB	:	Nil
(f) 35AC	:	Nil
(g) 35CCA	:	Nil
(h) 35CCB	:	Nil
(i) 35D	:	25666
(j) 35DD	:	NIL
(k) 35DDA	:	NIL
(l) 35E	:	NIL
(a) Debited to the profit and loss account (showing the amount debited and deduction allowable under each section separately)	:	NIL
(b) Not debited to the profit and loss account	:	NIL

continued ...

Figure 71. Form 3 CD Annexure

The page three of the Form3CD report is displayed.

FORM3CD		Page 3
Name of the Assessee : National Traders 11-12		Assessment Year : 2012 -13
(a)	Ependiture of capital nature	: NI
(b)	Ependiture of personal nature	: NI
(c)	Ependiture on advertisement in any souvenir, brochure, tract, pamphlet or the like, published by a political party	: NI
(d)	Ependiture incurred at clubs	
	(i) As entrance fees and subscriptions	: NI
	(ii) As cost for club services and facilities used	: NI
(e)	(i) Ependiture by way of penalty or fine for violation of any law for the time being in force	: NA
	(ii) Any other penalty or fine	: NI
	(iii) Ependiture incurred for any purpose which is an offence or which is prohibited by law	: NI
(f)	Amounts inadmissible Under Section 40(a)	: NA
(g)	Interest, salary, bonus, commission or remuneration inadmissible Under Section 40(b)(40(ba) and computation thereof	: NI
(h)	(A) Whether a certificate has been obtained from the assessee regarding payments relating to any ependiture covered Under Section 40A(3) that the payments were made by account payee cheques drawn on a bank or account payee bank draft, as the case may be	: As Per Annexure
	(B) Amount inadmissible Under Section 40A(3), read with rule 6DD [with break-up of inadmissible amounts]	: NA
(i)	Provision for payment of gratuity not allowable Under Section 40A(7)	: As Per Annexure
(j)	Any sum paid by the assessee as an employer not allowable Under Section 40A(9)	: As Per Annexure
(k)	Particulars of any liability of a contingent nature	: As Per Annexure
(l)	Amount of deduction inadmissible in terms of section 14A in respect of the expenditure incurred in relation to income which does not form part of the total income	: NI
(m)	Amount inadmissible under the proviso to section 36(1)(iii)	: NI
17.A.	Amount of interest inadmissible Under Section 23 of the Micro Small and Medium Enterprises Development Act, 2006	: As per Annexure
18.	Particulars of payments made to persons specified Under Section 40A(2)(b)	:
19.	Amounts deemed to be profits and gains Under Section 33AB or 33ABA or 33AC	: NA
20.	Any amount of profit chargeable to tax Under Section 41 and computation thereof	: NI
21.* (i)	In respect of any sum referred to in clause (a), (b), (c), (d), (e) or (f) of section 43B, the liability for which	
	(A) Pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was	: As Per Annexure
	(a) Paid during the previous year	: 25000
	(b) Not paid during the previous year	: 0
	(B) Was incurred in the previous year and was	
	(a) Paid on or before the due date for furnishing the return of income of the previous year Under Section 139(1)	:
	(b) Not paid on or before the aforesaid date	:
	* State whether sales tax, customs duty, excise duty or any other indirect tax, levy, cess, impost, etc., is passed through the profit and loss account.	

continued ...

Figure 72. Form 3 CD Annexure

Form 3CA

This is an report that has to be furnished by an auditor who performs the statutory audit of the assessee's business or profession as required under any other law (other than the audit under Sec44AB). The auditor has to file the audited copies of final statements of profit & loss account, the balance sheet and annexure, to the IT Department in addition to the report under Form 3CD report.

The **Print Report** screen for generating **Form 3CA** is displayed.

Printing			
Printer	: Printer-05 (Ne02:)	Paper Type	: A4
No. of Copies	: 1		
Print Language	: English		(Printing Dimensions)
Method	: Neat Mode	Paper Size	: (8.27" x 11.69") or (210 mm x 297 mm)
Page Range	: All	Print Area	: (7.95" x 11.38") or (202 mm x 289 mm)
Report Titles			
Form 3CA			
(with Print Preview)			
Without Company Phone No.			
Print with Signatures		? Yes	
Input Details		Others Details	
Annexed Statement	: profit and loss	Firm Name	: Murali & Co.
Status	: INDIVIDUAL	FRN	: 034543S
Name of the Act. (Under Audit)	:	Name of Chartered Accountant	: Murali
Report Date	:	Salutation	: Partner
Place	: Bengaluru	MRN	: 093454
Date	: 30-Jun-2012	Address	: Sadashivanagar, Bengaluru
			Print ? Yes or No

Figure 73. Form 3CA Print Report Screen

Accept the selections/entries for generating the report.

The **FORM NO. 3CA** report is displayed.

FORM NO. 3CA	
[See rule 6G (1)(a)]	
Audit report under section 44AB of the income-tax Act, 1961, in a case where the accounts of the business of a person have been audited under any other law.	
I have to report that the statutory audit of <u>National Traders Pvt. Ltd.</u> ,	
<u>PO Box 12345, Greenfields, Bengaluru, Karnataka - 560068,</u>	
Permanent Account No. <u>AACT3705E</u> , was conducted by me <u>Murali</u>	
<u>Sadashivanagar, Bengaluru</u>	
in pursuance of the provisions of the _____ Act, and I annex hereto a copy of my audit report dated _____ along with a copy of each of the audited profit and loss account for the year ended on <u>31-Mar-2012</u> and a copy of the audited balance sheet as <u>31-Mar-2012</u> along with the documents declared by the relevant Act to be part of or annexed to the profit and loss and balance sheet.	
A further report as required under provision to section 44AB is furnished in Form No. 3CD annexed hereto. In my opinion and to the best of my information and according to explanations given to me, the particulars given in Form No. 3CD and the annexure thereto are true and correct.	
For Murali & Co. Chartered Accountants FRN: 034543S	
Place	: Bengaluru
Date	: 30-Jun-2012
Murali Partner MRN: 093454 Address: Sadashivanagar, Bengaluru	

Figure 74. Form No. 3CA Annexure

Form 3CB

This is another audit report under Sec 44AB which applies to a person who carries on business or profession, but not being a person referred to in clause 1 (a) of Rule 6G.

Note: Clause 1 (a) of Rule 6G states:

(1) The report of audit of the accounts of a person required to be furnished under section 44AB shall,—

- a. in the case of a person who carries on business or profession and who is required by or under any other law to get his accounts audited, be in Form No. 3CA;

The **Print Report** screen for generating **Form 3CB** is displayed.

Printing			
Printer : Printer-05 (Ne02:)		Paper Type :	A4
No. of Copies : 1			
Print Language : English			<i>(Printing Dimensions)</i>
Method : Neat Mode		Paper Size :	(8.27" x 11.69") or (210 mm x 297 mm)
Page Range : All		Print Area :	(7.95" x 11.38") or (202 mm x 289 mm)
Report Titles			
Form 3CB			
(with Print Preview) Without Company Phone No.			
Print with Signatures		? Yes	
Input Details	Others Details		
Annexed Statement : profit and loss	Firm Name :	Murali & Co.	
Status : INDIVIDUAL	FRN :	034543S	
Place : Bengaluru	Name of Chartered Accountant :	Murali	
Date : 30-Jun-2012	Salutation :	Partner	
Head Office Location :	MRN :	093454	
Number of Branches :	Address :	Sadashivanagar, Bengaluru	
Observations (if any 3(a)) : Yes		Print ?	Yes or No

Observations for Form 3CB

on business/profession but not being a person referred under Cl 1 (a) of Rule 6G.

Figure 75. Form 3CB Print Report Screen

The auditor can add observations to the Form 3CB report generated by selecting **Yes** against **Observations (if any 3(a))** in the above image and generate it.

The **FORM NO. 3CB** report is displayed.

<p>FORM NO. 3CB [See rule 6G (1)(b)] Audit report under section 44AB of the income tax Act, 1961, in the case of a person referred to in clause (b) of sub-rule (1) of the rule 6G</p>	
<p>I have examined the balance sheet as at 31st March, <u>2012</u> and the profit and loss for the year ended on that date attached herewith, of <u>National Traders Pvt. Ltd.</u> <u>PO Box 12345, Greenfields, Bengaluru, Karnataka - 560068,</u> Permanent Account No. <u>AACT3705E</u></p>	
<p>2. I certify that the balance sheet and the profit and loss account are in agreement with the books of account maintained at the head office at <u> </u> and <u> </u> branches</p>	
<p>3. (a) I report the following observations/comments/discrepancies/inconsistencies, if any : on business/profession but not being a person referred under Cl 1 (a) of Rule 6G. (b) Subject to above - (A) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. (B) In my opinion proper books of account have been kept by the head office and branches of the assessee so far as appears from my examination of the books. (C) In my opinion and to the best of my information and according to the explanations given to me, the said accounts, read with notes thereon, if any, give a true and fair view :- (i) in the case of the balance sheet of the state of the affairs of the assessee at 31st March 2012 and (ii) in the case of the profit and loss account, of the profit/loss of the assessee for the year ended on that date.</p>	
<p>4. The statement of particulars required to be furnished under section 44AB is annexed herewith Form No. 3CD.</p>	
<p>5. In my information and according to explanations given to me, the particulars given in the said Form No. 3CD and the annexure thereto are true and correct.</p>	
<p>Place : <u>Bengaluru</u> Date : <u>30-Jun-2012</u></p>	<p>For Murali & Co. Chartered Accountants FRN : 034543S</p> <p>Murali Partner MRN : 093454 Address : Sadashivanagar, Bengaluru</p>

Figure 76. Form No. 3CB Annexure

Tax Audit Checklist:

As an Auditor performing the Tax Audit, you have to ensure the minimum requirements for the conducting an efficient and complete audit.

- To ensure the audit is conducted efficiently, ensure you get the updated/latest data
- Plan the audit and the extent of scrutiny based on the nature and operation of business
- Collect details relating to the assessee on:
 - Partners/Directors
 - Branch/Division
 - Related Party
 - Maintenance of Books of Accounts
 - Methods of Accounting
 - Valuation of closing stock
 - Quantitative details of stock traded
 - Admissible expenses
 - Amounts debited to P&L A/c
 - Particulars of Loans & Deposits accepted and repaid
 - Accounting ratios

For assistance on the product, contact the Help Line Telephone: 1-800-258-2559

Support Hours: 9.30am to 6.30pm IST (GMT +5:30 hrs)

