

Practical Techniques in Preparation of ITR for Non Audit Cases

BY

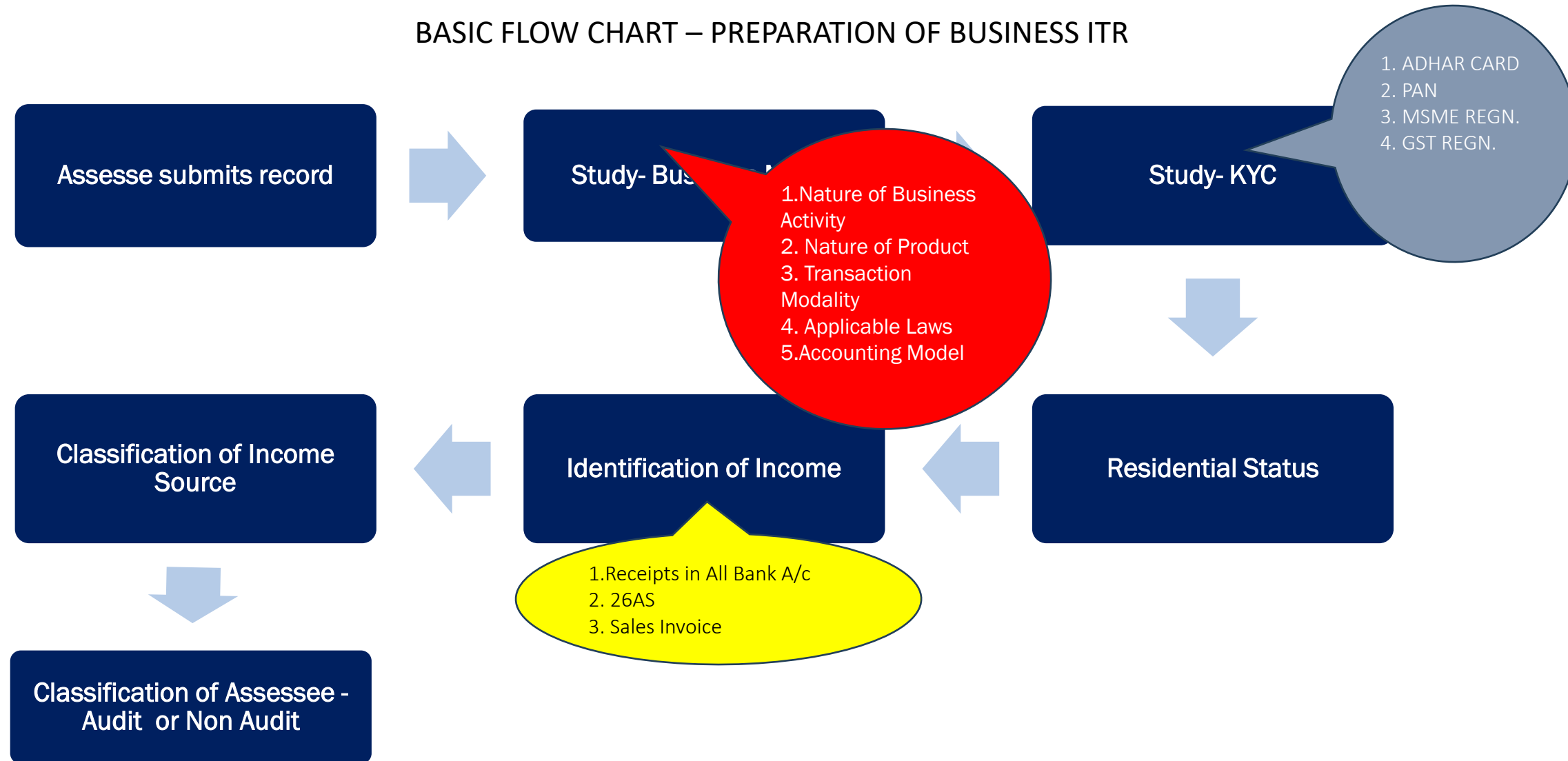
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2. Key Issues in Non Audit cases of Business Income
3. Study the Impact of Asset & Liabilities
4. Checklist for Source Documents – Business Non Audit Cases
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6. ITR Management Technique
7. Common Mistakes by Team in Preparation of ITR

BASIC FLOW CHART – PREPARATION OF BUSINESS ITR



STUDY OF BUSINESS MODEL

Nature of Business Activity

- Retail, Wholesale, Service, Manufacturing

Nature of Product

- Commodity, Service Product

Nature of Transaction

- Cash, Bank, Debit Notes , Credit Note, Loans, credit cards,

Accounting Data Maintained

- Sale, Purchase, Bank, Debtors and Creditors List

Nature of Constitution

- Proprietorship or Partnership

Related Party Transaction

- Nature , volume, Value

STUDY OF KYC

Nature of Constitution

- Proprietorship or Partnership

Business Proof

- Udyam Adhar-MSME , Shop act License, Partnership Deed

Statutory RC

- PAN, GST

Verification of Business Add

- Light bill , Rent Agreement ,

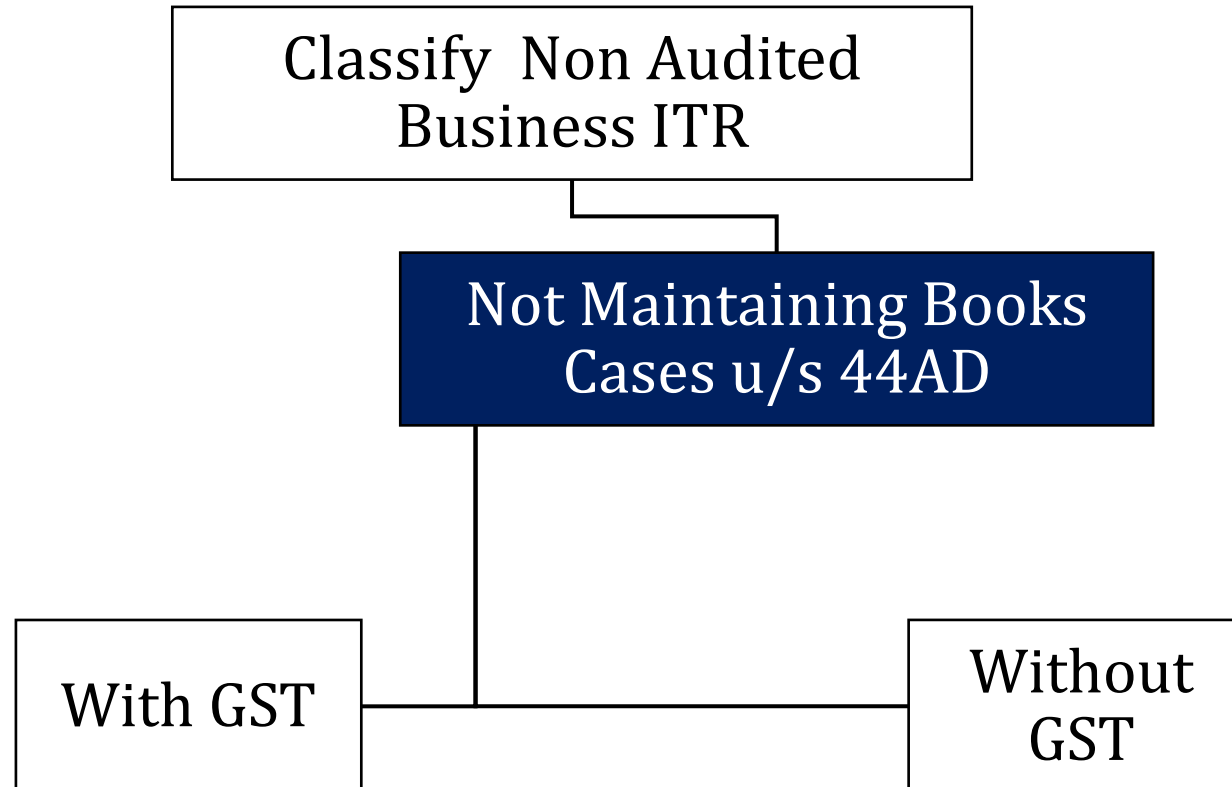
Verification of Add

- Add on Business proof and add proof

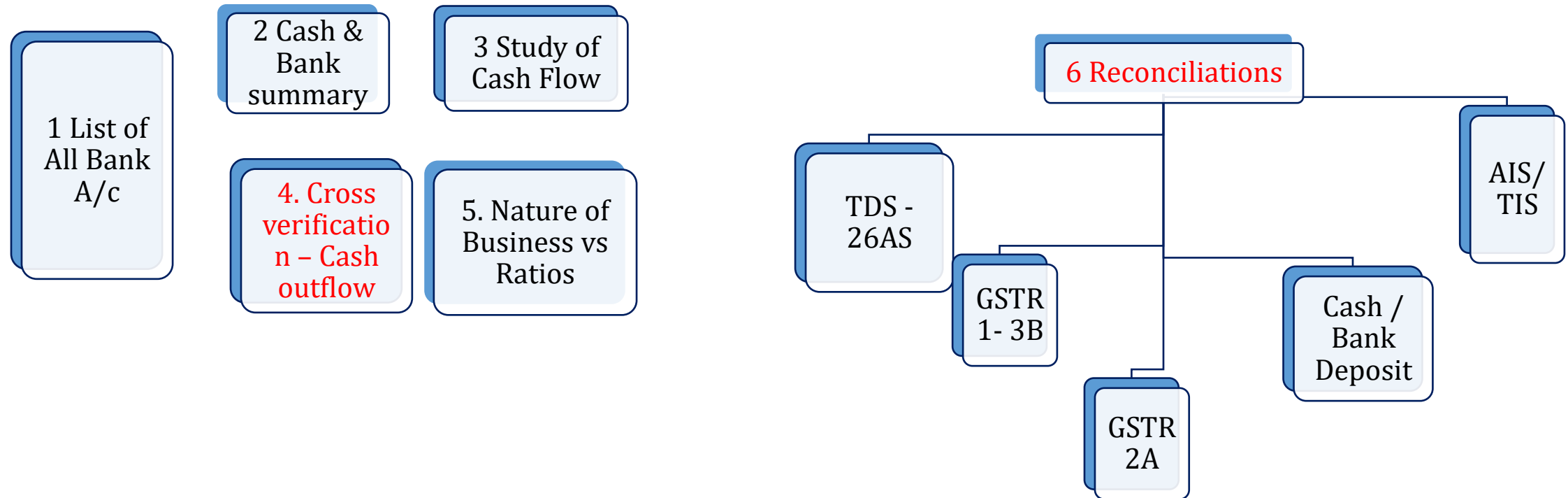
Verification of Name of Entity

- Name on Business Proof and Add Proof

Key Issues in Non Audit cases of Business Income



Key Issues in Non Audit cases of Business Income



CROSS VERIFICATION OF INCOME

INCOME TO BE VERIFIED ON BASIS OF CASH OUTFLOW ANALYSIS

EXAMPLE

CASH OUTFLOW OF ASSESSEE

Mr A

Mr B

Mr C

1 Drawings	10	10	10
2 Personal Investment	15	15	15
3 Expense of Foreign Trip	25	25	25
4 Expense of Any Major Function	20	20	20
5 Major Medication Expense	12	12	12
6 School/College Fees paid in FOREX	18	18	18
Total Income before deduction	100	100	100

INCOME SOURCE IDENTIFIED

1 Salary	30	30	30
2 Business	60	60	40
3 Other Source	10	0	0
Total Income before deduction	100	90	70

Short Declaration of Income

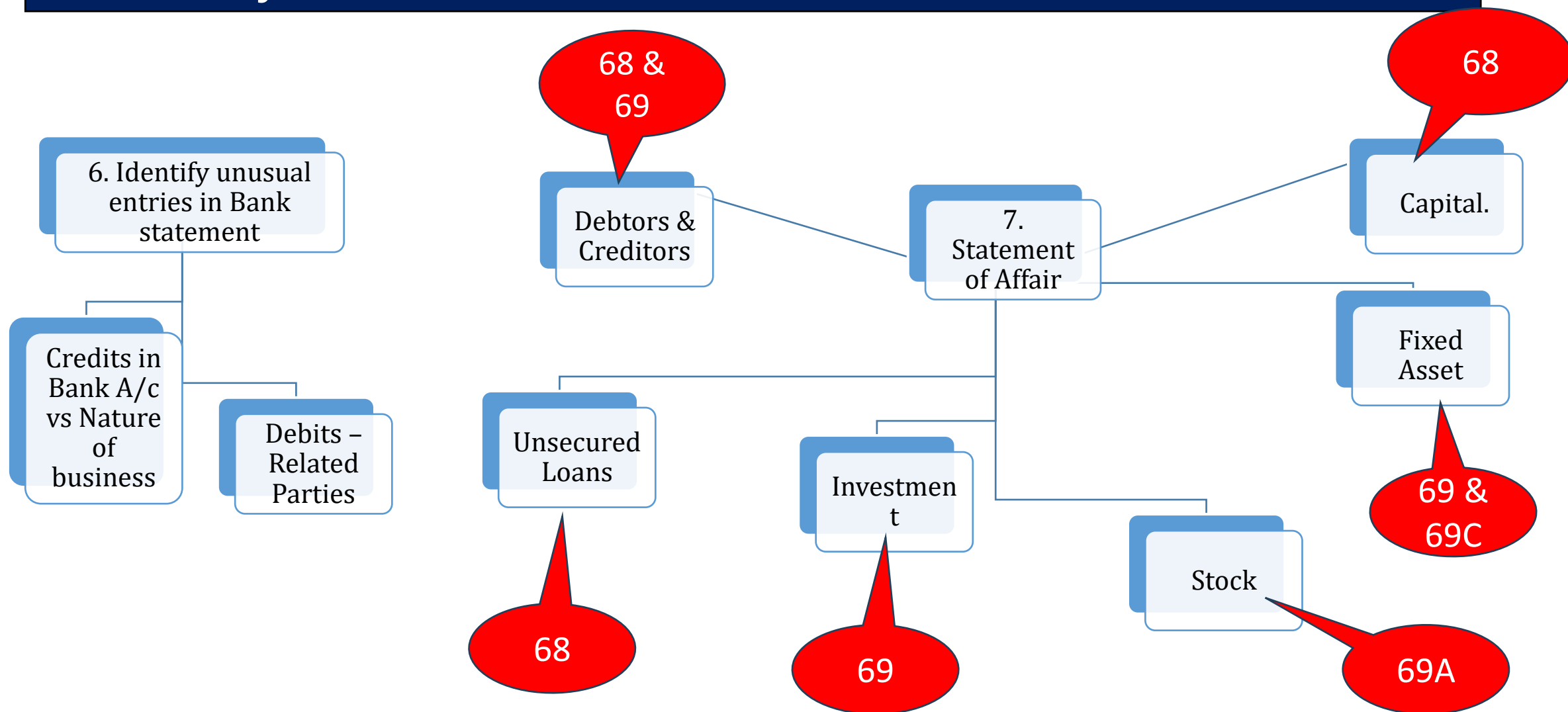
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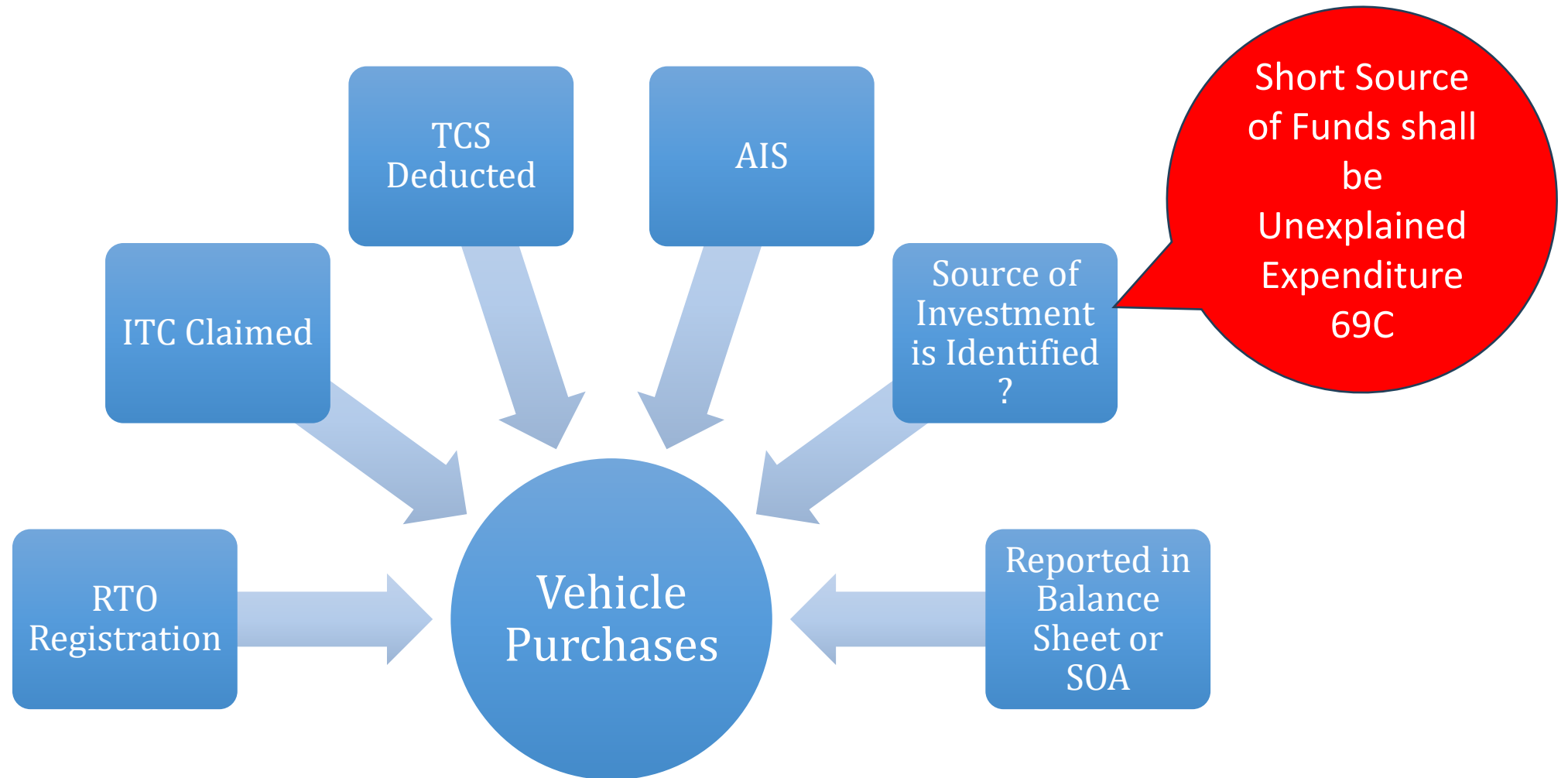
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The Short declaration of Income attracts Penalty of Misreporting or Under reporting

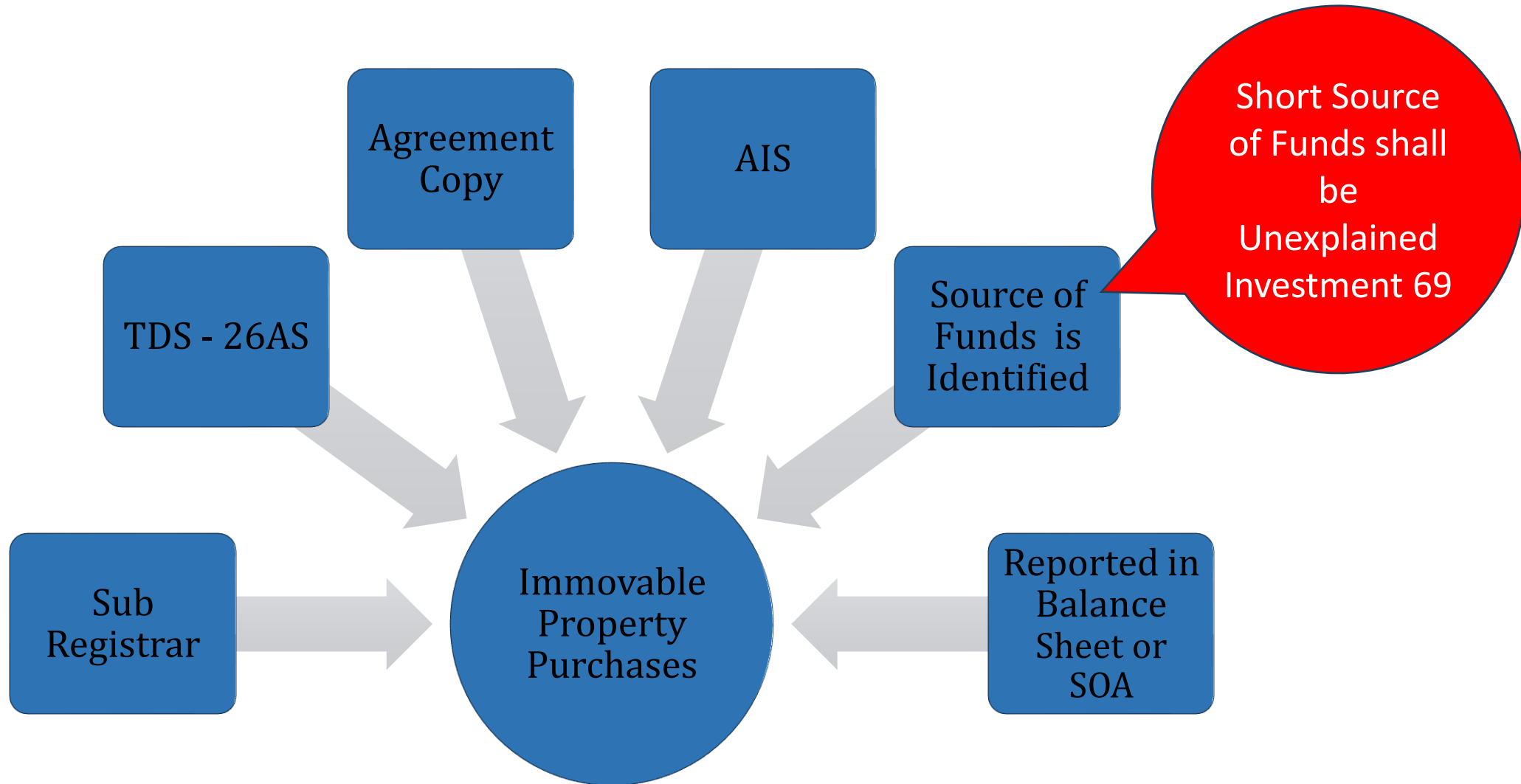
Key Issues in Non Audit cases of Business Income



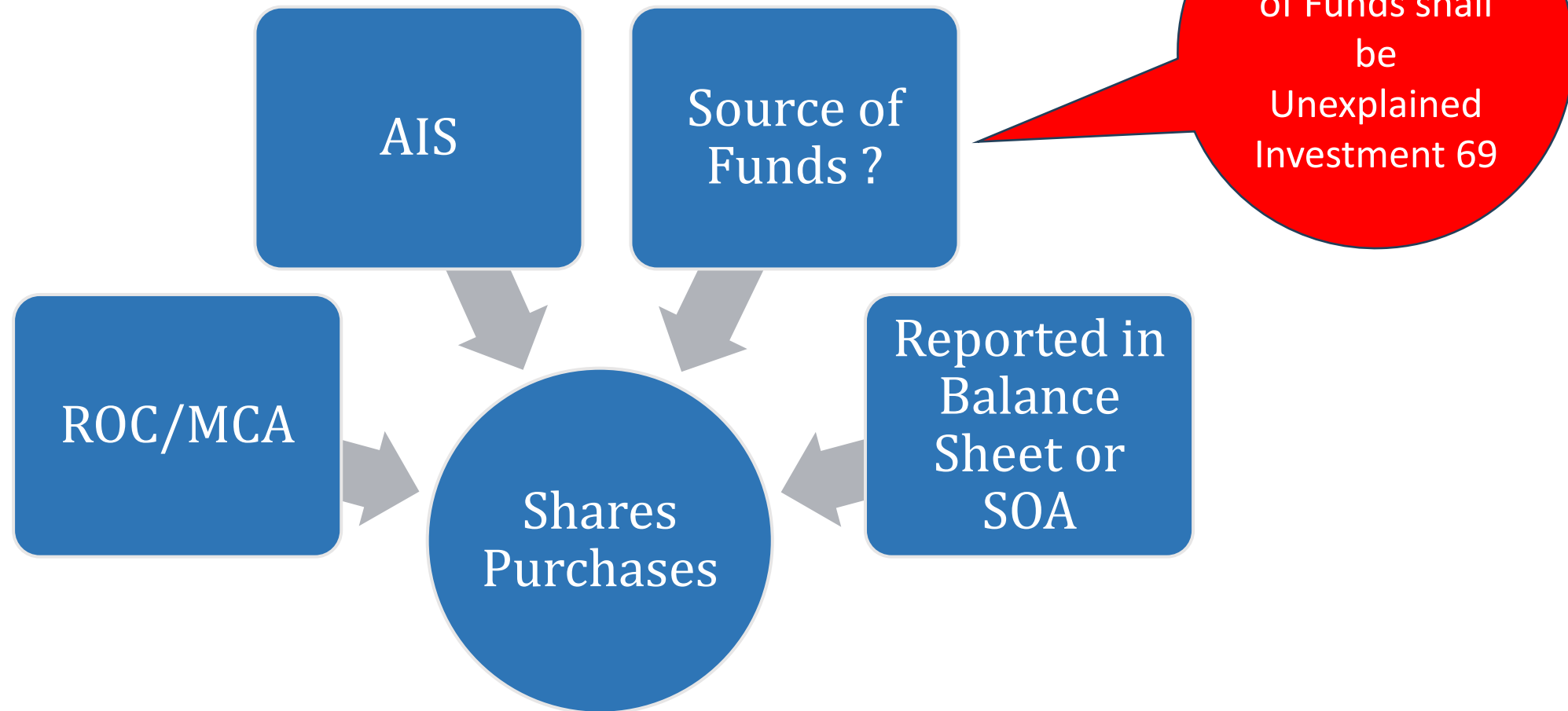
Study the Impact of Important Assets & Liabilities



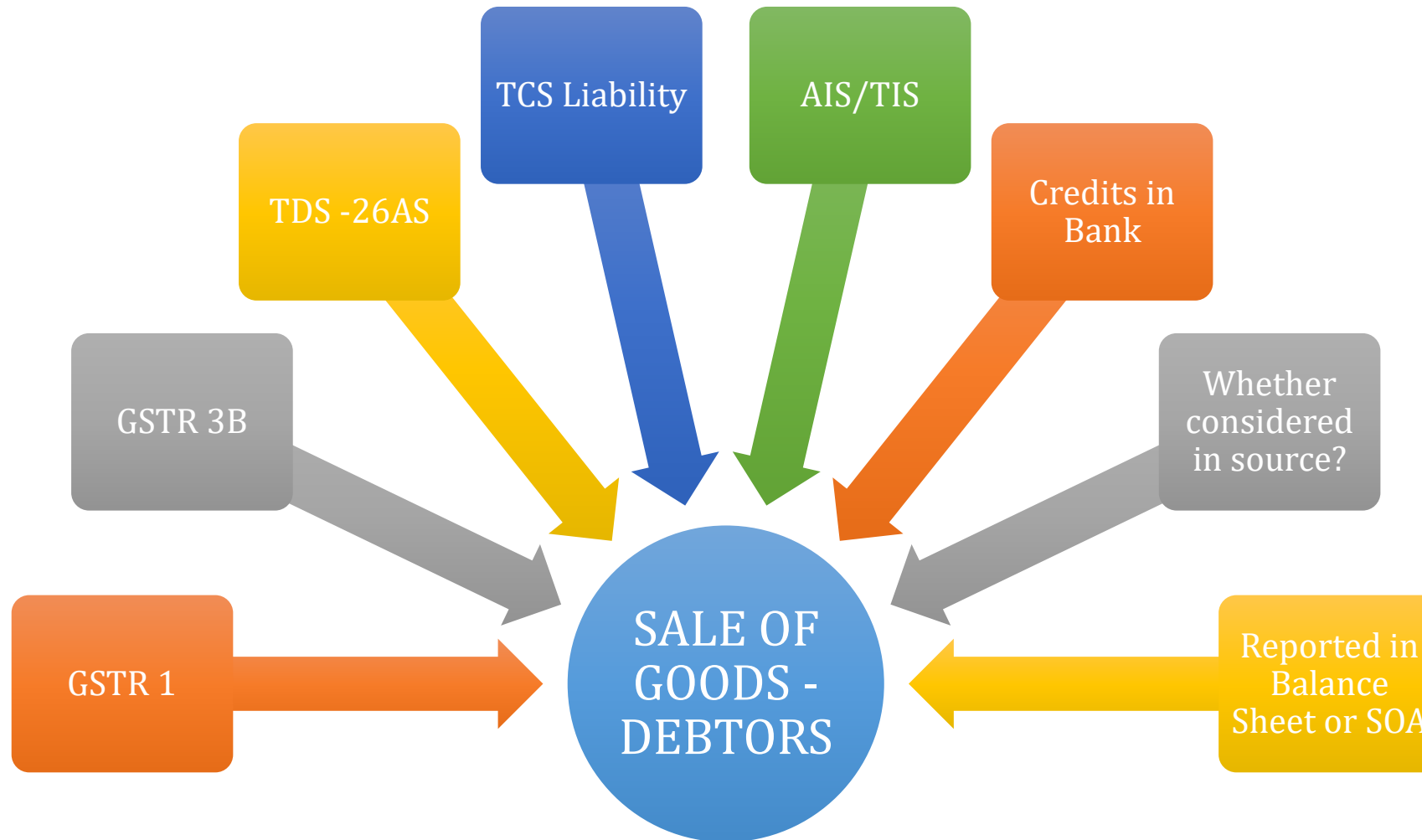
Study the Impact of Important Assets & Liabilities



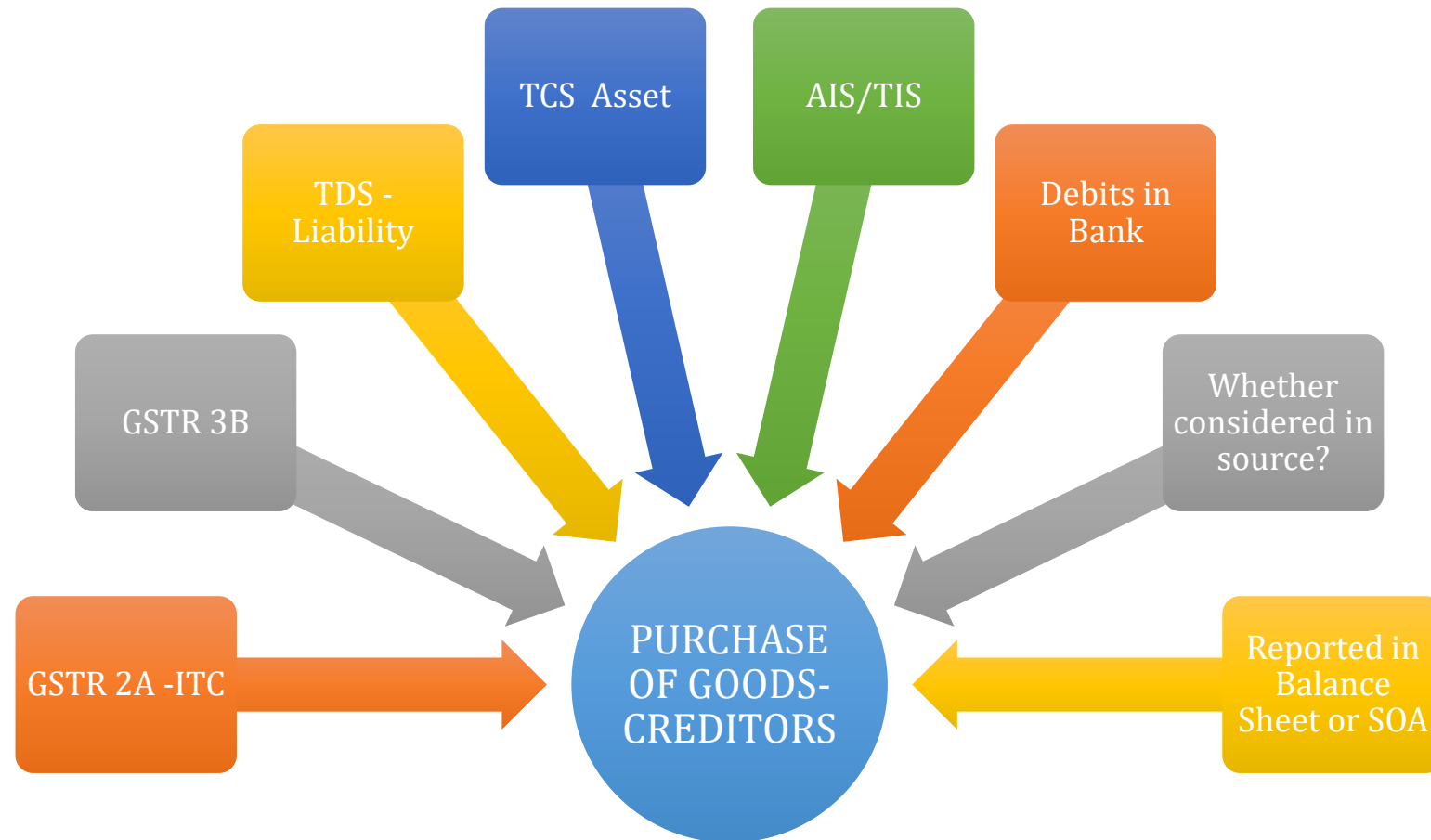
Study the Impact of Important Assets & Liabilities



Study the Impact of Important Assets & Liabilities



Study the Impact of Important Assets & Liabilities



Checklist

1. Checklist for Source Documents Business Non Audit Cases
2. Checklist for Business Non Audit Case ITR

Checklist of
Source Document to
be Verified

KYC OF ASSESSEE

ALL BANK STATEMENTS

LOAN STATEMENTS

INVESTMENT STATEMENTS

SALES INVOICES

PURCHASE INVOICES

GST RETURNS

Checklist of
Source Document to
be Verified

LIST OF RELATED PARTIES

CREDIT CARD STATEMENTS

MEDICATION EXPENSES IN FAMILY

EXP OF ANY FUNCTION DURING THE
YEAR

DETAILS OF ASSET PURCHASED

26AS + TIS + AIS

LIST OF DEBTORS AND CREDITORS

- 1 Opening Balance Verification
- 2 Verification of Sales Vs – GSTR 1 Vs GSTR-3B Debtors
- 3 Verification of Purchase Vs – GSTR 2A Vs 3B Vs Creditors
- 4 Bank Deposits
- 5 Preparation of All Bank Summary
- 6 Direct- FD or Direct payment to Loan
- 7 Verification of actual Drawings

Items to be verified

- 1 Foreign Trip
- 2 Share Purchase
- 3 MF Purchase
- 4 Foreign Educational Expense
- 5 Vehicle purchases > INR 3 Lakh
- 6 Immovable property – purchases > INR 10 Lakh
- 7 Credit Card payment > INR 3 Lakh
- 8 Insurance payment > INR 3 Lakh
- 9 Standard practice -90% of Net Profit be Drawings
- 10 Cash deposits in one or more accounts other than a current account and time deposit of a person
- 11 One or more time deposits (other than renewed time deposit of another time deposit) of a person
- 12 Cash receipt for sale, by any person, of goods or services of any nature

Deciding Gross receipt for 44 AD - Higher of the Following

Check the following

- 1 Sales as per GSTR 3B
- 2 Sales as per 26 AS
- 3 Total Bank Deposit
- 4 As per AIS/TIS

Unusual / Exceptional Items in the Records

Particulars

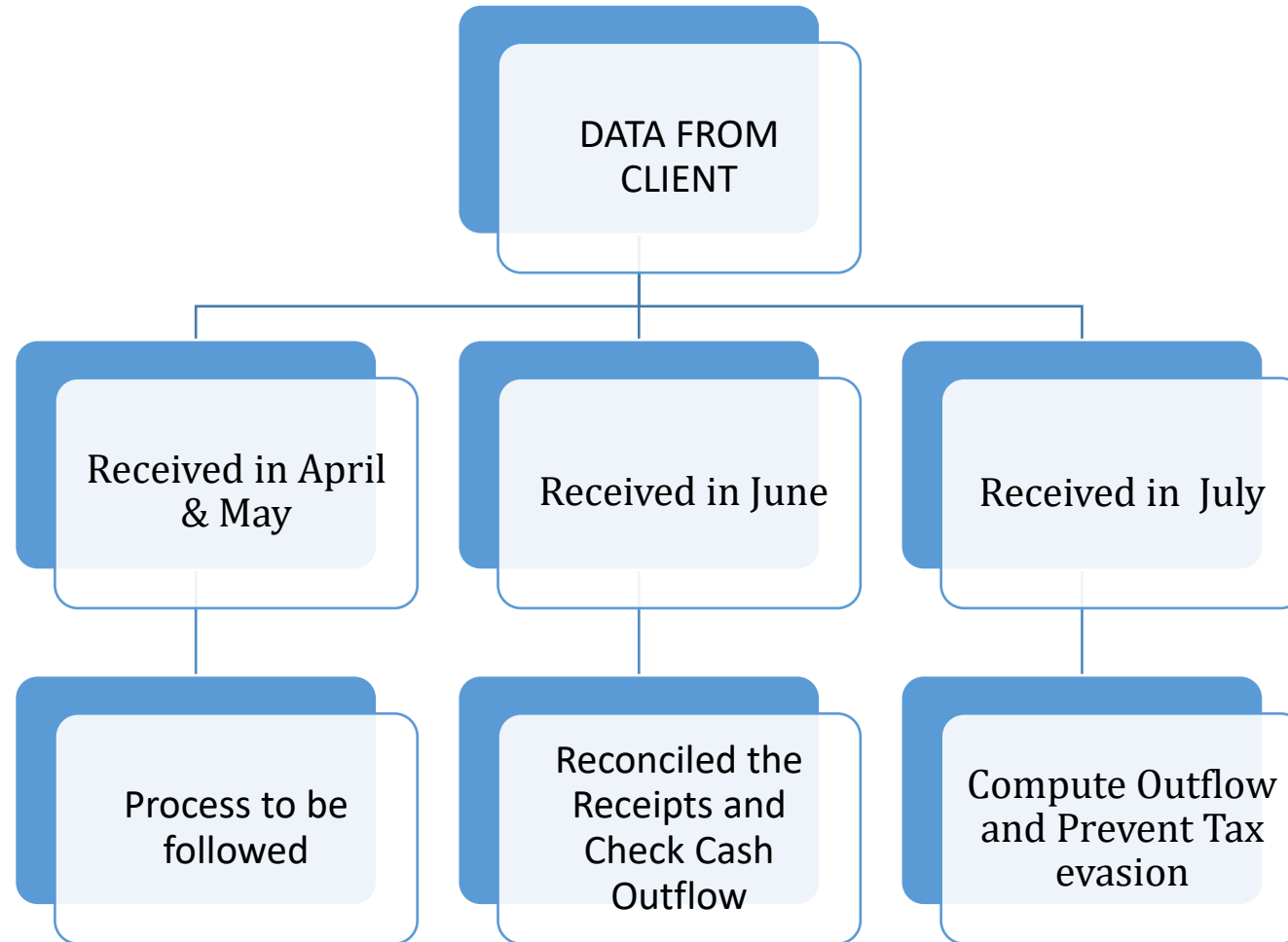
- 1 Credits in Bank Statement
- 2 Credits in Capital A/c
- 3 Excess of personal expense over the Income

Transaction with related parties

Expense of a Medication of any Family dependent member or handicapped

Reverse calculation of purchase from ITC as per 2A & checked with Purchase

ITR Mangement Technique



ITR Mangement Technique in June and July

No Time to
prepare Bank
Summary

Hughe Count Pending
and Heavy Stress

Not Possible to
Verify full
record



1	Exemption Slab - Drawings				300000	
2	Foreign Trip				150000	
3	Source of Function Expense is Personal Loan					50000
4	Down Payment for Purchases as per AIS				60000	
5	Credit Card payemnt				120000	
6	Personal Investment				250000	
	TOTAL INCOME		A		880000	

Gross Receipt as per 26AS				3600000
Gross Receipt as per 3B				4200000
Bank Deposit Less Opening Debtors				4100000
Whichever is High				4200000
Profit Ratio as per 44AD				12%
Profit - 12% X 4200000				504000

Whichever is Higher to be consider

Common Mistakes by Team in Preparation of ITR

Sr. No.	Particulars
1	Reconciliations of Sales and Purchases are ignored.
2	Cash outflow is ignored by Staff
3	Actual Personal expenses are ignored.
4	Investment are considered to the extent of Section 80.
5	Unusual entries in Bank statement are ignored.
6	History of ITR & GST - Original - Revised - Belated.
7	Magic's in Excel



For Any Query
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