

Financial Year 2023-2024 ending soon....

Guide to Help You for closing of books of accounts

Introduction

In India, the Financial Year (FY) starts on the 1st of April and ends on the 31st of March of the following year. Currently, we are in the Financial Year of 1st April 2023- 31st March 2024 i.e. FY 2023-24. As the end of the financial year approaches, it is very important for taxpayers, business owners, and professionals to take proactive steps to ensure optimal financial health and compliance. Hence, 31st March is an important date by which important financial obligations must be fulfilled. This guide outlines some essential actions to consider before the financial year closes to ensure a smooth financial year end.

Important Points

Sr. No.	Area	Sub Area	Important Points
1	Accounting	Revenue Recognition	<ul style="list-style-type: none"> • Ensure that revenue is recognized properly as per applicable Accounting Standards (AS)/Ind AS. • Ensure that unbilled revenue and deferred revenue are properly recorded in the books of accounts. • Ensure that accrued revenues viz. interest, commission, etc. are properly reconciled with other information and recorded in the books of accounts.
		Inventory	<ul style="list-style-type: none"> • It is advisable to get the inventories physically verified before the year's end and to reconcile inventory details with the books. • Obtain the confirmation in respect of inventory held with a third party. • Quantity-wise/item-wise records of inventory are maintained.

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		Fixed Assets	<ul style="list-style-type: none"> • It is advisable to carry out physical verification of fixed assets before the year's end and reconcile the fixed assets details with books. • Obtain the confirmation in respect of fixed assets held with third party viz. sub-contractors, distributors/dealers, etc. • Fixed Assets Register containing the complete records of fixed assets viz. block-wise and location-wise is to be maintained. • Ensure that depreciation /amortization on fixed assets is calculated in accordance with provisions of the Companies Act, 2013/Income Tax Act, 1961. • Ensure that profit/loss arising on sale/write-off of fixed assets are properly calculated and recorded in the books of accounts.
		Investments	<ul style="list-style-type: none"> • Obtain the certificate of various investments held at year-end from a third party viz. Fixed Deposit (FD) certificate from bank, Equity shareholding/Mutual Funds holding certificate from brokers /depositories, etc. • Ensure that capital gain or profit/loss on the sale of investments is properly calculated and recorded in the books of accounts.
		Trade Receivables and Payables	<ul style="list-style-type: none"> • Obtain the balance confirmation along with ledger extract from top customers and creditors for balances outstanding at year end.

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			<ul style="list-style-type: none"> • Age-wise classification of the outstanding debtors and creditors is to be maintained as per Schedule III of the Companies Act, 2013. • Ensure that records of the classification of creditors between MSME and Non MSME be maintained. • Ensure that payments due to micro and small suppliers (MSE) are made before the year-end to avoid 100% disallowance of expenditure under section 43B(h) of the Income Tax Act. • Ensure that balance of customers and suppliers outstanding in foreign currency at year end are restated with foreign exchange rate of the year end.
		Cash in Hand	Ensure that cash in hand at year-end is reconciled with the books of accounts.
		Bank Balance	<ul style="list-style-type: none"> • Obtain the balance confirmation certificate from the banks/financial institutions in respect of all accounts viz. Current Account, Saving Account, etc. • Prepare and maintain Bank Reconciliation Statement (BRS) for year-end entries.

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		Loans and Borrowings	Obtain the balance confirmation certificate from the banks/financial institutions in respect of all loan accounts viz. Term Loan Account, Cash Credit Account, Overdraft Account, etc.
		Foreign Exchange Gain/ Loss	Foreign exchange gain or loss arising on foreign currency transactions are properly calculated and classified between revenue expenditure and capital expenditure.
		Statutory Dues	Ensure to make payment of various statutory dues outstanding at year end to avoid negative reporting in Audit Report and disallowance of those dues in Income Tax Return.
		Employee related liabilities	<ul style="list-style-type: none"> • Paid leaves, sick leaves, and casual leaves are some of the common leave types provided by employers to employees. • Before the year-end, review employee's attendance records, check and approve if there are any pending leave requests, and calculate carry forward balances for each employee. • If employers also allow for encashment of unused paid leaves as an added perk, ensure to calculate tax on leave encashment amount as per Section 10(10AA) of the Income Tax Act.

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		Provisions /Accruals	<ul style="list-style-type: none"> Ensure that the year-end provisions to be made for expenses viz. professional fees, rent, freight, bonus, etc. are made on a reasonable basis and TDS on the same, wherever applicable, has been properly deducted and paid.
		Loan to Directors /Related Parties	<ul style="list-style-type: none"> Loan to the Director or any other person in whom the Director is interested is allowed under the Companies Act 2013 subject to certain conditions. Management of the company needs to ensure that the loan given to directors/their relatives is in accordance with the provisions of the Companies Act 2013.
		Intra-group transactions	Ensure that transactions between group entities are reconciled before the year-end and outstanding balances are matched.
2	Income Tax	File Updated ITR for FY 2020-21	<ul style="list-style-type: none"> Filing an updated income tax return for FY 2020-2021/Assessment Year (AY) 2021-2022 is crucial and must be completed by March 31, 2024. Failure to meet this deadline means taxpayers cannot file or update their returns thereafter. Thus, ensure timely submission to avoid penalties or compliance issues.

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		Income Tax and Deferred Tax Provision	<ul style="list-style-type: none"> • Pay Advance Tax before 31 March 2024 if you are liable and missed to pay Advance Tax in previous installments, to save section 234B interest. • Review the information available on the income tax portal viz. Annual Information Statement (AIS), Annual Tax Statement (Form 26AS), etc. and ensure that transactions appearing there are not properly recorded in the books. • Ensure that payments due to micro and small suppliers (MSE) are made before the year-end to avoid disallowance of 100% expenditure under section 43B(h) of the Income Tax Act. • Review the tax positions taken in previous years with respect to allowance/disallowance of any business expenditure before the year-end in light of changes introduced in the Income Tax Act or due to judicial decisions. • Ensure the payment of section 43B disallowances and other disallowances in previous years before the year-end to claim the deduction in the current year.
		TDS/TCS provisions	<ul style="list-style-type: none"> • Review of the transactions (including provisions /accruals made at year-end) of the entire financial year that are subject to TDS/TCS provisions and ensure that TDS/TCS is deducted/collected at the correct rate and paid before the due date of TDS/TCS payment.

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			<ul style="list-style-type: none"> • Ensure that TDS on employees' salary is deducted based on actual investment documents rather than provision declaration. • Reconcile the TDS/TCS credit appearing in Form 26AS with the books to ensure that the correct TDS credit is claimed in the tax provision working.
3	Goods and Service Tax (GST)		<ul style="list-style-type: none"> • Reconcile the sales transactions as per GSTR-1 and GSTR-3B with books of accounts. • Reconcile the purchases and expenses appearing in GSTR-2A and GSTR-2 B with books of accounts. • If ITC on purchases and expenses recorded in the books does appear in GSTR-2A, coordinate with the concerned parties for correction in their GST return to avoid rejection of ITC credit by the GST Officer in the future. • Reverse ITC and pay the same if any supplier has remained unpaid for more than 180 days from the bill date. • Reconciliation of GST ledgers (Electronic Cash ledger, Credit ledger, Liability Ledger) appearing on the GST portal with the books. • The last date for opting GST Composition scheme for FY 2024-2025 is 31 March 2024.

Conclusion

The countdown to March 31, 2024, underscores the importance of diligent financial planning and tax compliance. It is always great to keep this checklist handy during the financial year end activities and it can help not only in ensuring peace of mind but also pave the way for a prosperous and compliant new financial year.

**For any further information and query, you
may reach us at**

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