GLOBAL RESEARCH ANALYSIS

ISSN No 2277 - 8160

Listed & Indexed with

ISSN Directory, Paris



Multi-Subject Journal

Volume : 1 | Issue : 1 | June 2012 | ₹ 250/-

GLOBAL RESEARCH ANALYSIS

ISSN No 2277 - 8160

GLOBAL RESEARCH ANALYSIS

Editor In-Chief :

Dr. Khansa Memon
SARA Publishing Academy

Dr. Ashok S. Pawar Associate Professor, Dept. of Economic Dr. Babaasaheb Ambedkar Marathwada.University, Aurngabad.(MS-India)-431004	**Dr.(Prof) Vijay Kumar Soni** Principal, Jai Meenesh College, Phagi, Jaipur, Rajasthan	**Dr. A.R. Saravankumar** Assistant Professor in Education DDE, Alagappa University, Tamilnadu
Dr. R. Ramachandran Commerce DDE Annamalai University Tamilna	**Dr. R Ganpathy** Assistant Professor in Commerce Directorate of Distance Education Alagappa University Karaikudi.	**Dr. Amit Bandyopadhyay** Assistant Professor Department of Physiology University of Calcutta
Dr. V. Kumaravel Professor and Head Vivekanandha Business School for Women Tiruchengode, Namakkal Dist	**Dr. K. Prabhakar** Professor, Department of Management Studies, Velammal Engineering College, Chennai - 600 066.	**Dr. Sunita J. Rathod** Maharashtra Education Service Group-B DIET Dist. Jalna

SUBSCRIPTION DETAILS

Period	Rate	Discount	Amount Payable
One Year (12 issues)	3000/-	Nil	3000/-
Two Years (24 issues)	6000/-	200/-	5800/-
Three Years (36 issues)	9000/-	300/-	8700/-
Five Years (60 issues)	15000/-	600/-	14400/-

You can download the Subscription form from website www.theglobaljournals.com. You will require to print the form. Please fill the form completely and send it to the Editor, GLOBAL RESEARCH ANALYSIS along with the payment in the form of Demand Draft/Cheque at Par drawn in favour of GLOBAL RESEARCH ANALYSIS payable at Ahmedabad.

- Thoughts, language, vision and examples in published research paper are entirely of author of research paper. It is not necessary that both the editor, and editorial board agrees with the author. The responsibility of the matter of research paper/article is entirely of author.
- Editing of the Global Research Analysis is processed without any remittance. The selection and publication is done after recommendations of atleast two subject expert referees.
- In any condition if any National/International University denies accepting the research paper published in GRA, then it is not the responsibility of Editor, Publisher and Management
- Only the first author is entitle to receive the copies of all co-authors
- Before re-use of published paper in any manner, it is compulsory to take written permission from the Editor-GRA unless it will be assumed as disobedience of copyright rules
- All the legal undertaking related to Global Research Analysis is subject to Ahmedabad Jurisdiction.
- The research journal will be send by normal post. If the journal is not received by the author of research paper then it will not be the responsibility of the Editor and publisher. The amount for registered post should be borne by author of the research paper in case of second copy of the journal.

Editor,
GLOBAL RESEARCH ANALYSIS
3, SUHANA, Near. Ruby Apartment, B/h NID, Rajnagar Road, Paldi Ahmedabad – 380007. Gujarat (INDIA)
Cell : +91 98247 02127, 8866 00 3636

INDEX

Sr. No.	Title	Author	Subject	Page No.
1	Vat And Accounting and Emerging Financial Services	Dr.Kishor V. Bhesaniya	Accountancy	1-2
2	Regulations for Alternative Investment Funds – A Primer	Dr. Bheemanagouda	Commerce	3-4
3	Financial Inclusion in India: A Real Effort for Growth	Dr. Jyotindra M. Jani, Manish B. Raval	Commerce	5-6
4	Tourism Industry and Medical Tourism in India – An Analysis	Dr. M. K. Maru	Commerce	7-8
5	Enhancing Supply Chain Performance through Effective Transportation	Dr. Vipul Chalotra	Commerce	9-10
6	Growth of Consumer Co-Operatives in J&K- A Study	Tarsem Lal	Commerce	11-12
7	Uses of College Funds in Assam-With Reference to Lakhimpur District	Dr. Niranjan Kakati	Commerce	13-14
8	LIC –A Modle Employer	Dr.J.K.Sehgal	Commerce	15-16
9	A study of the use of Information technology enabled banking services by Indian Customers	Dr Sunny Thomas, MsWaheeda Sheikh	Economics	17-18
10	The Role of Women Entrepreneurs in The Emerging Economic Force	Dr.Sangappa.V. Mamanshetty	Economics	19-21
11	Trade-off Between Inflation and Unemployment for BRICS Countries – Dead or Alive?	Krunal K Bhuva, Ashok R. Bantwa	Economics	22-23
12	Urbanisation and its Impact on Poverty	Dr. K.J. Thankachan, Mrs. Nazia Ansari	Economics	24-25
13	Food Security- Issues and Concerns	Munisha Gaur	Economics	26-27
14	Teaching Strategies : A Model Approach	Dr. Mujibul Hasan Siddiqui	Education	28-29
15	School Curriculum in Terms of Life Skills and its Implications for Teacher Education	Ramesh B. Sakhiya	Education	30-31
16	Edge Detection using live video acquisition	Patel Janakkumar Baldevbhai, R.S. Anand, Patel Nilam J.	Engineering	32-34
17	Topological Characteristics of Dynamics of Heart in Various Pathological Cases using Lyapunov Exponent and RBF Network	Abinash Dahal, Deepashree Devaraj, Dr. N. Pradhan	Engineering	35-37
18	Implementation of Digital Logic Method for Selection of Material of Automotive Brake Disc	Mr. Keval J. patel, Tushar M. Patel, Ankit A. Darji	Engineering	38-40
19	Initial and after Market Performance of Indian IPOs	Dr. Ashvin H. Solanki	Finance	41-43
20	Facilitation of Collateral Free Loan to Improve Financial Linkages For Start Up & Growth – A Case Study	D M Parikh	Finance	44-46
21	Impact of Maternal Nutrition Education Module on Nutritional Knowledge And Status in Rural Pregnant Women	Dr. Anjali A. Rajwade	Home Science	47-49
22	Trends and Challenges in Indian Insurance Industry	Dr Mahalaxmi Krishnan	Insurance	50-51
23	(Raksha Patrakarita : Dayra Badhae Media Sansthan)	Dr. Subodh Kumar	Journalism	52-53
24	NATIONAL WAGE POLICY VIZ-A-VIZ CORRELATION BETWEEN WAGES, PRICE AND TAX	Manish Parshuram Pawar, Dr. Ashok Shankarrao Pawar	Law	54-55

Sr. No.	Title	Author	Subject	Page No.
25	Shobha De's treatment of sex in Starry Nights	Chetan J. Marakana	Literature	56
26	A Catalyst to Promote Teaching and Learning English Grammar	Elsamma Sebastian	Literature	57-58
27	A Study on Effectiveness of Employee Training in Health Care Industry in a Private Multi-Speciality Organization	Dr C Swarnalatha, TS Prasanna	Management	59-61
28	Insights in to the Tomorrow Retailing in India: A Point of View and Method	Anuradha Averineni	Management	62-63
29	A Study on the Excellence of Worklife Among the Employees of it Sector in Coimbatore	G. Murali Manokari, R.Kanaka Rathinam	Management	64-65
30	Socio Cultural Issues in Marketing	Kavita A. Trivedi	Management	66-67
31	Organised Multi Brand Retailing: Opportunity For Sustainable Development	Rachita Sambyal	Management	68-69
32	Investors Perception for Mutual Fund Investment in 21st Century	Dr. Deepak H. Tekwani	Management	70-71
33	FDI in India	Dr. M Venkata Subba Reddy, Mr.udaya Banu	Management	72-73
34	Global Crisis and Indian Economy, A Comparative Analysis with World Economy	Dr. Pankaj K. Trivedi	Management	74-76
35	Practical Utility of Intellectual Capital Approach-A Critical Analysis	Dr. Shilpa Trivedi	Management	77-78
36	An In-depth study of Consumer Preference towards Personal Care Products	Dr.Sharif Memon	Management	79-81
37	Consumer Awareness and Preferences towards Ayurvedic Cosmetic Products in Coimbatore City	Mrs. B. Menaka, Dr. T. Ramasamy, Dr. R. Ganapathi	Management	82-90
38	Miracle combination of five herbs Methi, Kalongi, saunf, jeera and Rai	Dr. Sneh Harshendra Sharma	Management	91-93
39	Social Marketing: Towards a new horizon	Dr Partha Sarkar	Marketing	94-95
40	Epidemiological Transition and Emerging Conflicts in Health Care	Dr. Pawan Kumar, Dr. Abdul Majeed Khan	Public Health	96-97
41	Knowledge, Attitude and Practice of Reproductive Health Care Services among the Members and Non-members of Self Help Groups (SHGs)	Dr.K.Jothy	Social Sciences	98-100

Volume : 1 | Issue : 1 | June 2012 • ISSN No 2277 - 8160

Research Paper | Accountancy

Vat And Accounting and Emerging Financial Services

Dr.Kishor V. Bhesaniya Prof., Shree A.r. Sakhida & Shree C.C. Gediwala Commerce College, Limbdi

ABSTRACT

Added value Tax [AVT. in the American tax dictionary], Tax on value Added (TVA, as the French & Germans refer to it], and Value Added Tax [Vat, the popular English usage and also adopted in India] is a concept which originated during the first quarter of the 20th century. However, it has been practically adopted only since the mid – fifties.

The concept of "Value added" has been familiar from the earning 19205. It has been specifically defined in the context of national income and social accounts. so, there is a close relationship to social dividends rather than to the base of VAT.

The value Added Tax has been a subject of considerable interest even in India. Though in passing, for instance, the central Excise Reorganization committee of 1963 made reference to VAT as a probable substitute for the union Excise duties and in the name of General Excise duty. The other committee argued for its adoption in place of excise duties on select commodities in 1969.

Value Added Tax (VAT) is a multi – point sales Tax with set – off for tax paid on purchases. Unlike the present sales Tax scheme, which is essentially a single point tax, VAT is charged and collected at each stage of production / processing / trading on the portion of the value added to the goods sold. It contemplates rebating tax paid on inputs / capital goods and on account of this; it doesn't have any cascading effect. It comes into effect from April 1, 2005 in place of the sales Tax in various states.

KEYWORDS:

Introduction :-

In India, taxation more so the commodity Taxation influences the free flow of goods and services between states. Therefore, it is of vital importance to eliminate the fiscal barriers between the states & harmonies taxes being levied by different states. This would pave way for much needed development of nation wide market in India. The negative features of the present sales tax system have made it unworkable, particularly in the context of on – on going economic liberalization.

The solution to the problems faced by the assesses and administration in the area of indirect taxation lies in introducing a destination based, invoice based and consumption based value Added Tax. Value Added Tax (VAT) by it's very name implies Tax on Value Addition. Tax is paid at every level where there is value addition to a product, but there is a set off for tax paid at earlier levels for production. Thus, the cascading effect of taxation is avoided.

Value Added Tax is a concept which originated during the first quarter of the 20th century. However it has been practically adopted only since the mid fifties of the 20th century. For above stated beneficial effects; VAT was introduced first in Brazil in mid 1960's then in European countries in 1971's and subsequently introduced in about 130 countries. Even in India, the VAT System was introduced by the Government of India about 10 years back in respect of Central Excise duties. At the state level, the VAT system as decided by the state Governments would now be introduced in terms of Entry 54 of the state list of the constitution.

Adoption of Value Added Tax (VAT) in India :-

Indirect tax reforms have always been an integral port of the liberalization process since 1991. In the first phase, India has been steadily attempting to move towards a tax structure that is simple, moderate, rational and easy to administer and comply with. At the central level, the move has been to bring down the tariffs – both excise and customs, reduce the number of rates, correct anomalies, get rid of the complexities in the system and on the whole reduce the interface with the Government. Reforms at central level were smooth and brought in mainly through the annual budget presentation in the parliament and are applicable through – out the country.

VAT is a state subject, for which the States are independent in taking decisions. The states, through discussion in the Empowered Committee of state Finance ministers, constituted by the ministry of Finance, Government of India, have found it in their interest to have certain features of VAT to be common for all the Sates with a view to avoid unhealthy competition. These features are contained in the 'White paper on state level value Added Tax' released by the Empowered committee on January 17, 2005 and constitute the basic design of VAT. At the same time, the states have freedom for making appropriate variations in their respective state laws consistent with this basic design.

ACCOUNTING TREATMENT FOR VAT CREDIT IN CASE OF INPUTS/SUPPLIES

The accounting treatment for VAT credit recommended in the following paragraphs is required only in situations where the VAT credit is available. Accordingly, accounting treatment recommended hereinafter would not be applicable in cases where no VAT credit is available such as would not be applicable in cases where no VAT credit is available such as for

(1) Dealers not registered under VAT, or

(2) dealers having turnover below the theresold limit as fixed under the State laws on VAT, and opting for composition scheme, or

(3) Dealers engaged in the works contract and opting to pay tax by way of composition; or

(4) Purchase of goods from unregistered dealers..

(6) The cost of inventories should comprise all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition."

(7) The costs of purchase consist of the purchase price including duties and taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards and other expenditure directly attributable to the acquisition. Trade discounts, rebates, duty drawbacks and other similar items are deducted in determining the costs of purchases."

Attention is invited to the paragraph related to 'costs of purchase', according to which, only those taxes have to be included as costs of purchase which are not subsequently recoverable by the enterprise from the taxing authorities. Since the tax paid on inputs is available for set-off against the tax payable on sales or is refundable, it is of the nature of taxes recoverable from taxing authorities and accordingly, input tax paid should not be included in the costs of purchase.

• **ACCOUNTING TREATMENT FOR VAT CREDIT IN CASE OF CAPITAL GOODS**

The accounting treatment recommended in the following paragraph applies only to those capital goods which are eligible for the credit.

Paragraph 9.1 of Accounting Standard (AS) 10, Accounting for fixed assets issued by the Institute of charted Accountants of India, interalia, provides as below.:

"9.1 the cost of an item of fixed asset comprises its purchase price, including import duties and other non-refundable taxes of levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price...."

Vat credit is considered to be of the nature of a refundable tax. Therefore, the tax paid on purchase of capital goods should not be included in the cost of such capital goods.

• ACCOUNTING TREATMENT FOR LIABILITIES ADJUSTED FROM VAT CREDIT RECEIVABLE BALANCE – INPUTS AND / OR CAPITAL GOODS.

A dealer may, normally, utilize the Vat credit receivable balance pertaining either to inputs of to capital goods for adjusting / settings off the following liabilities.

a. Liabilities in respect of VAT payable on sales.
b. Liability in respect of disallowance / withdrawal of VAT credit.

All liabilities adjusted out of the VAT credit receivable balance should be credited to the VAT Credit Receivable (Inputs) Account or VAT Receivable (Capital Goods) Account. The corresponding debit for the same should be given to the account maintained for recording VAT liability on sales, say 'VAT Payable Account', if the liability for VAT payable on sales has been met by using the balance in the said account.

If, on the other hand, the amount utilized pertains to disallowance/ withdrawal of VAT credit taken on purchase of inputs made during the year, the same should be added to the coast of inputs.

• ACCOUNTING TREATMENT FOR |REFUND OF INPUT TAX

Input tax which cannot be adjusted against the VAT payable over the specified period of time and input tax paid on purchase made for export out of the country are eligible for refund. any refund of input tax received in this manner should be credited to the VAT Credit Receivable (Inputs) Account of VAT Credit Receivable (Capital Goods) Account, as appropriate.

• VALUATION OF INVENTORS OF INPUTS AND FINAL PRODUCTS

The inventory of inputs should be valued net of input tax. in other words, the tax on inputs will not form part of the cost of inventories. balance in VAT Credit Receivable Inputs) Account should be shown in the Balance Sheet under the head ' Loans and Advances' on the 'Assets' side.

Where inputs/supplies have been obtained from small dealers or other dealers who are exempt from VAT, the actual cost of purchase should be considered as a part id inventory.

• VALUTION OF INVENTORIES OF CAPITAL GOODS

Inventories of capital goods, such as, components, spare parts accessories, tools, etc. should be valued net of VAT credit. In other words, input tax paid on such capital goods should not from part of their cost

• ACCOUNTING TREATMENT FOR VAT CREDIT ON GOODS LYING IN STOCK AT THE INCEPTION OF THE VAT SCHEME

VAT credit is also available in respect of tax – paid goods lying in stock at the inspection of the VAT scheme. the amount of VAT credit available in respect of opening stock should be credited to 'VAT Credit Available on opening Stock Account' at the inspection of the VAT scheme, if required documents for availing this credit are available with the dealer. the corresponding debit for this amount should be given to 'VAT Credit Receivable (Inputs) Account' if the VAT credit is available immediately. if the VAT credit is not available immediately but is available in future, the corresponding debit for this amount should be given to VAT becomes actually available, the appropriate adjustment for the same should be made, i.e. the amount of credit becoming available should be credited to VAT credit Differed (Opening Stock) Account' with corresponding debit to VAT credit receivable (Inputs) account'.

• ACCOUNTING TREATMENT FOR OUTPUT TAX, i.e., VAT ON SALES

Output tax or VAT payable on sales is an indirect tax which is ultimately borne by the final consumer but is collected at each stage of distribution chain. A question may arise as to whether VAT recovered from the customers should be recognized as income in the profit and loss account and, correspondingly, whether VAT payable on sales should be treated as an expense.

The Framework for the Preparation and Presentation of Financial Statements, issued by the Institute of Chartered Accountants of India, has defined the term 'income' as below:

"Income is increase in economic benefits during the accounting period in the form of inflows or enhancements of assets of decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants."

The Value Added Tax (VAT) is collected from the customers on behalf of the VAT authorities and, therefore its collection from the customers is not an economic benefit for the enterprise and it does not result in any increase in the equity of the enterprise. Accordingly, it should not be recognized as an income of the enterprise. Similarly, the payment of VAT should not be treated as an expense in the financial statements of the enterprise.



Sara Publishing Academy
GLOBAL RESEARCH ANALYSIS
Multi-Subject Journal

Editor,
GLOBAL RESEARCH ANALYSIS
3, SUHANA, Nr. Ruby Apartment,
B/h NID, Rajnagar Circle, Paldi, Ahmedabad - 380007

Printed at Unique Offset, Novatsing Rupam Estate, Opp. Abhay Estate, Tavdipura, Shahibaug, Ahmedabad

Designed By : AdVoice Inc. +91 9824484447