

During Interview



Concentrate man,
concentrate

It's Easy,
Go on reading the article



Yaah! It's really easy!

Guide to be a Good Accountant



YKT Talentica India Private Limited
Partnering for Business Growth and Sustainability

Why am I writing this article?

Interviewing the hundreds of candidates year after year, noticeably I understand very few candidates are able to distinguish themselves from the data entry operator (DEO). With changing business dynamics, the role of the accountants is shifting but many graduates, post-graduates are lacking in terms of business expectations. Whom to blame? And what blame will do???

Finally, I decided to pen down the article so as to guide those who are really interested, keen to see where they can improve.

It's Easy to be a Good Accountant!

Accounting always adds value to the business. It helps you to see beyond just the profitability. Cashflow management, WC management, Fund-flow management, Treasury management are easily possible with the correct accounting techniques. Hence, perfection is business need. *Unfortunately, most of the SME businesses look at it as compliance need and employees need to see it beyond data entry.*

Let's get to the topic immediately

The practical expectations of the business from the accountant demands the knowledge of following five key areas. Rest of the specialized jobs can be taken care by the field experts.

1. Understanding of the Entity
2. Basics of accounting
 - Capital Vs. Revenue Expenditure
 - Double entry bookkeeping system
 - Bank Reconciliation
3. GST
4. Tax Deduction at Source
5. Salary Processing and Return filing

1. Understanding of the Entity

Accountant shall know the in and out of the business. The role of accountants goes far beyond the accounting entries. It is very important to know

- the business of the entity
- what all laws are applicable to the entity

The accounting system and reporting revolves around it. Non-availability of applicable statutory registrations will attract penalty provisions. For Eg.

- Market availability will have different frequency for input and output
- Labour intense industry will have different challenges over tech-based industry.
- Local political dynamics will have different business impact etc.
- Manufacturing industry will have different set-up of operations against the service industry.
- GST applicability to SEZ entities and regular entities differs
- MSME applicability will have different payment cycle over others
- etc.

So, have the full understanding of the business of the entity at the earliest.

2. Basics of Accounting

Considering the knowledge of accounting entries, an accountant shall have in-depth knowledge of

a. Capital Vs. Revenue expenditure –

Looking at the invoice, an accountant shall acknowledge the nature of expenditure. If the expenditure is resulting in the asset creation or improving the life of the existing asset, it shall be capitalized. As against this, if the expense is resulting in facilitating the regular business operations, it shall be a revenue expenditure.

Key questions – whether to capitalize the expenditure when block of asset does not exist?

b. Double entry bookkeeping system

Robust accounting system helps to develop the information resulting in statutory report generation and availability of the numbers for business analysis. It is utmost important to route every transaction through debtors or creditors. This helps in better data control.

Meticulous application of the double entry system of accounting easily helps in confirming the stake-holders closing balances and presenting the data for statutory reporting.

c. Bank Reconciliation –

Complexity of BRS increases with the incremental number of business transactions. Online business transactions through payment gateways increases the complexity with different TAT, Commission and uniformity in the transactional value.

To keep the BRS updated is one of the challenges for the bigger organizations. Accountant shall pay earnest importance to this area.

3. Goods and Service Tax

Though launched on July 01, 2017, GST is still evolving, and it will keep on evolving. E-invoicing and E-way bill are the part of evolution. Accountant is expected to have the knowledge of

- Blocked Credit
- RCM
- Input tax credit rules
- Credit Reversal rules

Knowledge of these 4 concepts provides the strong base to the accountant. One shall make use of knowledge of these 4 concepts while recording the transactions.

Accountant shall be able to distinguish between the GSTR-2A vs. GSTR-2B. The probable cash-flow impact can be analyzed from the reconciliation of books with these GST Returns. This may help business to understand the trait of the vendors, they are dealing with.

a. Blocked Credit

It simply means, “Pay the GST to the supplier but don’t claim the credit of GST”. Section 17 (5) of CGST Act, defines instances when GST credit is blocked.

These instances shall be conceptually learnt by heart. Only 12 instances are mentioned in this section.

b. Reverse Charge Mechanism (RCM)

When law asks the service receiver to pay the GST, though not mentioned on the invoice by the Supplier, it is referred to as GST payment under RCM. GST credit of such tax is available. However, it is important to understand how to generate the self invoice.

Presently, GST has given 20 instances where RCM is applicable. It is important to know about these cases.

c. Input Tax Credit

Claiming ITC helps in reducing the GST liability. The easiest way to remember the credit rules is as under -

- CGST and SGST being the step-brothers cannot set-off their tax liabilities against each other.
- IGST being the father gives first preference to elder son (i.e. CGST) and second preference to SGST
- CGST and SGST can set-ff their liabilities against IGST

d. Reversal of Input Tax Credit

It increases the GST Liability of the business entity. Reversal is required generally in three cases

- Payment to the supplier is not released within 180 days from the invoice date
- GST credit is available against the business revenue which is not subject to GST
- Partial GST credit reversal is needed if some part of revenue belongs to non-GST

Reversal of input tax credit demands proper plotting of input transactions against the revenue which is not subject to GST.

4. Tax deduction at source

Income Tax law permits the expenses only if tax is deducted at source on permissible transactions. Previously, only service nature of transactions was within the ambit of the TDS. Now, everything has been brought under the scanner of TDS. Government is trying to mechanize their revenue generation by tracing the loopholes in the reporting to the direct and indirect tax departments.

It is extremely important to understand the TDS applicability on business transactions. For more details, you can refer the article “[Filing of TDS Returns - CA Kush Tapas](https://ykttalentica.com/ykt-talentsatra/)” uploaded on <https://ykttalentica.com/ykt-talentsatra/>

5. Salary Processing

Practical knowledge of the important labor laws (viz. EPF, ESI, PT, LWF, Gratuity, Bonus Act etc.) is essential and is the need of time.

Salary processing is a critical function and need to be accounted for component-wise. Statutory reports ask for the detailing of the salary. This helps the government to plan for the future of the generation. Pension Funds, Insurance, Gratuity and others asks for the different components of the salary for proper calculations.

For more details, you can refer the article “[Payroll Processing - Beyond crediting salary - CA Kush Tapas](https://ykttalentica.com/ykt-talentsatra/)” uploaded on <https://ykttalentica.com/ykt-talentsatra/>

Final Remarks

Accountants provide the strong base for the growth of the organization. Mastering the above areas, one can easily be a productive resource.

The management can go for seeking the experts help to comply with the statutory compliances, but the good accountant will always provide the base for them.

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