POWER OF SIMPLICITY

Knowledge Map

Tally.ERP 9

Preface

What is a Knowledge Map?

A Knowledge Map is a representation of a concept using levels of information. Each level provides deeper understanding than the previous one. The emphasis is on gaining the maximum understanding in the shortest possible time.

Why Knowledge Map for Tally.ERP 9?

Tally.ERP 9 is one of the most widely used financial software that has extended capabilities and great potential to transform a business. Many areas of Tally, when implemented, actually translate to increased efficiency, reduced costs, and organised business operations.

This Knowledge Map has been created to help readers gain an immediate understanding of the key areas of expertise; such an understanding can bring about positive impact on your business.

This Knowledge Map on Tally.ERP 9 aims to

1. Get you closer to understanding the key areas in a short time.
2. Illustrate how these key areas can benefit a business.
3. Encourage the efficient use of the most appropriate solutions.
4. Have the most beneficial information handy, enhancing usability of Tally.ERP 9.
5. Helps users find critical information quickly.
6. Enhance decision-making and problem-solving by providing access to applicable information.

Benefits of using the Knowledge Map for Tally.ERP 9

- Grasp the necessary know-how quickly without having to refer to any secondary material.
- Arrive at information faster! This is a non-continuous, easily understandable guide on how to obtain a positive impact with Tally.ERP 9.
- Information on any page is complete and relevant to the functionality of the key area; you don't have to refer to another page to understand it.
- Immediate awareness of where you are in the Knowledge Map. All pages have been marked for easy navigation.

Structure of the Knowledge Map for Tally.ERP 9

The Knowledge Map is layered as shown below, with each layer zooming in on each key area.
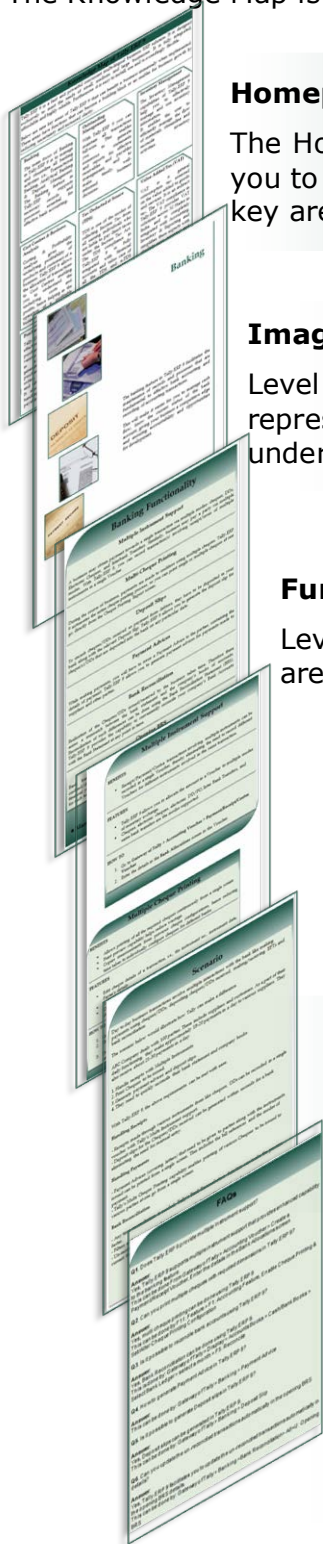
Homepage (Level 1)

The Homepage consists of the key areas. Clicking on any of these topics will take you to the page containing pictorial representation of the key functionalities of that key area.

Image Trigger (Level 2)

Level 2 provides a pictorial overview of the key areas. The purpose of pictorial representation is to act as triggers, to help you remember the basics of the topic under discussion. The images will lead you to Level 3 when clicked.

Functionality (Level 3)

Level 3 contains a brief explanation of the Tax Audit functionality of the key area of interest.

A brief introduction on Tax Audit functionalities in Tally.ERP 9 will be given here. Zoom in to Level 4 for more details by clicking the name of the functionality.

Functional Details (Level 4)

Navigating to Level 4, will lead you to further information on the functionality of the key area i.e., the benefits and features of the functionality, and how to use it.

Scenario and FAQs

A typical business situation that can be simplified with Tally.ERP 9 is presented as a Scenario.

The FAQs section, as the name suggests, contains a set of Frequently Asked Questions pertaining to each of the key areas discussed.

Table of Contents

Tax Audit

Tax Audit refers to the audit that is compulsory under Sec 44AB of the Income Tax Act, 1960. Under this section, audit of certain persons is compulsory if their sales/turnover/gross receipts from business exceed Rs.60 lakhs per annum **or** any persons carrying on professions earn receipts exceeding Rs.15 lakhs in the previous year:

- have to get their books of accounts of the previous year audited by an Accountant before the specified date
- furnish a report of such audit in the prescribed form duly signed and verified by the Accountant and providing such particulars as prescribed

Tax Audit Functionality

Bonus, PF, ESI Recoveries- Clause 16

This clause requires that the assessee report details of:
- Sums paid as bonus or commissions paid to an employee for services rendered, otherwise payable as profits or dividend-Sec 36(1)(ii) of the IT Act
- Employee contributions towards Funds like Provident Fund, Professional Tax or a Superannuation Fund whether paid late or in time (due date and actual date of payment) to the concerned authorities under Sec 36(1)(va)of the IT Act

If the provisions of the above sections have been violated, then the amounts paid will be added back to the taxable income and taxed accordingly.
To generate the information for this clause, the payroll module has to be enabled and the transactions have to be accounted accordingly.
The information is displayed when the clause is selected and drilled down for audit.

Amounts debited to Profit & Loss A/c -Clause 17

This clause talks of disclosure of certain inadmissible expenses which have been claimed as deductions while computing the taxable income. Examples are capital expenditure debited in the P&L A/c, personal expenses of the assessee debited to the books of accounts, any expenses prohibited by law, etc.
Amounts inadmissible under Sec 40A (3)
Any amount that exceeds and aggregates to Rs.20000/- on any day paid by cash by the assessee. Such payments will be disallowed as deductions while computing the taxable income and taxed accordingly.
Details of such payments are displayed when the feature is selected and drilled down for audit.

Payments to Specified Persons -Clause 18

Sec 40A (2) (b) of the IT Act mentions about expenses or payments that cannot be claimed as deductions under certain circumstances (expenses being excessive and unreasonable in nature). One such situation is the payments to specified persons. The persons covered are:
- relatives of the assessee
- Directors of the company (Company is the assessee)
- Partners of a firm (Firm is the assessee)
- Persons having substantial interest in a Company/Firm of the assessee
- Company, Firm, AOP having substantial interest in the business/profession of the assessee
- Family members of any director/partner of the assessee business or profession

The feature allows the configuration of Specified persons and the transactions of relating to such persons are displayed for audit.

Tax Audit Functionality

Payments under Sec 43B -Clause 21

This section stipulates that deductions are available for certain payments only if they are actually paid. This covers payment of statutory dues like taxes, duty or cess payable under any law in force. For e.g. TDS, Service Tax, VAT.
The employer's contribution to PF, superannuation fund or gratuity fund, any employee's welfare fund, etc., will be allowed as deductions only if they are actually paid.

This clause requires that the assessee enables the statutory and payroll modules and accounts the transactions accordingly.
The feature provides details of such employer and statutory related payments and the payment status for audit, whether on time or late.

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

This section prohibits any person to accept loans and deposits from any other person by cash for amounts aggregating and exceeding Rs.20000. Such loans and deposits have to be accepted by crossed DD or Cheque only.
This section applies to the any unpaid outstanding of loans/deposits and also the fresh loans/deposits accepted.
However in respect of loans/deposits accepted from Govt, Bank, Post Office Savings Bank, Govt Corporation or Company, the receipt is allowed by cash.

The feature allows the configuration of the ledgers to be considered for accepting loans and deposits and the transactions of relating to such accounts are displayed for audit.

Loans / Deposits Repaid -Clause 24(b) – Sec 269T

This section prohibits any person to pay loans and deposits to any other person by cash for amounts aggregating and exceeding Rs.20000. The loans and deposits have to be repaid by crossed DD or Cheque only.
This section applies to the loan or deposit together with interest if payable. It may be loans or deposits due by a branch of banking company or co-operative bank, firm/co-operative society/person (loan held personally or jointly with others).

However in respect of loans/deposits repaid to Govt, Bank, Post Office Savings Bank, Govt Corporation or Company, the repayment is allowed by cash.

The feature allows the configuration of the ledgers to be considered for repayment of loans and deposits and the transactions of relating to such accounts are displayed for audit.

Tax Audit Functionality

Tax Deducted at Source -Clause 27

This clause mentions that the assessee has to report compliance with Chapter XVII-B (deductions at source) regarding the deduction of tax at source and payment to the Central Government. If it has not complied, then provide details of:

- Tax deductible but not deducted at all
- Shortfall of lesser deduction
- Tax deducted late
- Tax deducted and not paid to Central Govt

The main requirement is that the assessee has to enable the TDS module in Tally.ERP 9 and account the transactions of TDS accordingly.
The Auditor can drill down to the TDS Bills level for audit.

Verification of Vouchers

This feature can be explained in two ways:
1. The customer has enabled the statutory and payroll modules for accounting the transactions.
   - In such circumstances the dashboard displays the default seven clauses with their number of vouchers separately
   - To audit the unmapped vouchers, the auditor selects this feature (**Verification of Vouchers**) and clicks **Enter** to drill down to the **Master Audit** screen
   - The Auditor further selects a group to drill down to the **Group Vouchers** screen
   - The Auditor selects a voucher for audit and can map it to the balance of the clauses available for selection

2. The customer does not enable the statutory and payroll modules but accounts transactions in the normal manner.
   - In this instance, the dashboard displays the default seven clauses. However, the number of vouchers is not displayed against them
   - The auditor selects this feature (**Verification of Vouchers**) for audit
   - When the Auditor selects a voucher for audit, all the relevant clauses are available for selection

The auditor now can select a transaction, assign a clause and audit it.

A well designed audit dashboard

BENEFITS
- Perform audit of such transactions, record observations for discussions with client and preparation of audit report

FEATURES
- The Tax Audit Dashboard displays features relating to seven clauses which display information based on enablement of statutory and payroll modules. In addition there is another feature, Verification of Vouchers with the number of vouchers
- Contains voucher details of:
  - Audited
  - Internal Observations
  - External Observations
  - Altered
  - Audit Complete?

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit**

Clause 16 – Bonus, PF, ESI Recoveries

BENEFITS
- Details of payment status of statutory payments –paid on time or delayed
- Details of profits and dividends accounted as bonus/commission-ascertain if the provisions of the Sec 36(1)(ii) is complied

FEATURES
- The feature provides details of payment status of employee contribution to Statutory Funds, like PF, PT, etc.
- Sums paid as bonus or commissions paid to an employee for services rendered, otherwise payable as profits or dividend-Sec 36(1)(ii) of the IT Act

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Bonus, PF, ESI Recoveries**

Clause 17-Amounts debited to Profit & Loss A/c

BENEFITS
Detects:
- inadmissible expenses of capital, personal in nature debited to P&L A/c
- cash payments aggregating and exceeding Rs.20000 on any day

Such payments will be disallowed as deductions while computing the taxable income and taxed accordingly.

FEATURES
- **Amounts inadmissible under Sec 40A** (**3**)
  Any amount that exceeds and aggregates to Rs.20000/- on any day paid by cash by the assessee.
- **Amounts debited to Profit & Loss A**/c
  This clause talks of disclosure of certain inadmissible expenses which have been claimed as deductions while computing the taxable income.

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Amounts debited to P&L a/c**

Clause 18-Payments to Specified Persons

BENEFITS
- Details of payments to specified persons which are of excessive and unreasonable in nature are detected.

FEATURES
- The feature allows the configuration of Specified Persons
- Displays the transactions of relating to such persons for audit

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Payments to Specified Persons**

Clause 21-Payments under Sec 43B

BENEFITS
- Provides details of statutory payments like TDS, Service Tax, VAT, etc. and their payment status

FEATURES
- This section stipulates that deductions are available for certain payments only if they are actually paid. This covers payment of statutory dues like taxes, duty or cess payable under any law in force. For e.g. TDS, Service Tax, VAT. The details are displayed if the assessee enables the statutory and payroll modules and accounts the transactions accordingly.
- The feature provides details of such employer's contributions to approved funds like PF, ESI, etc. and their payment status for audit, whether on time or late.

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Payments Under Sec 43B**

Clause 24(a)-Loans/Deposits Accepted

BENEFITS
- Provides details of loans and deposits over Rs.20000 accepted by cash

FEATURES
- The feature allows the configuration of the ledgers to be considered for accepting loans and deposits and the transactions of relating to such accounts are displayed for audit.

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Loans / Deposits Accepted**

Clause 24(b)-Loans / Deposits Repaid

BENEFITS
- Provides details of loans and deposits over Rs.20000 repaid by cash

FEATURES
- The feature allows the configuration of the ledgers to be considered for repayment of loans and deposits and the transactions of relating to such accounts are displayed for audit.

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Loans / Deposits Repaid**

Clause 27-Tax Deducted at Source

BENEFITS
- This clause displays the status of compliance with Chapter XVII-B (tax deductions at source-TDS) requirements in relation to collection and payment to the Central Government.

FEATURES
The clauses provide details of:
- Tax deductible but not deducted at all
- Shortfall of lesser deduction
- Tax deducted late
- Tax deducted and not paid to Central Govt

The main requirement is the TDS module should be enabled in Tally.ERP 9 and the transactions of TDS are accounted accordingly.
The Auditor can drill down to the TDS Bills level for audit.

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Tax Deducted at Source**

Verification of Vouchers

BENEFITS
- An option is provided to audit the clauses even if no statutory or payroll modules are enabled and accounted accordingly, and mapped to the appropriate clauses.
- An option, **Alt +C: Clause Reference** used to enter details to any particular clause for reference is useful when filling Form 3CD.

FEATURES
- The Auditor can refer a transaction to a clause under **Form 3CD** and enter details (**Alt +C: Clause Reference**). These details are useful when entering details for that clause in **Form 3CD**.

HOW TO
1. **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Verification of Vouchers**

Scenario

XYZ is an assessee who has income from business and earns gross receipts exceeding Rs.60 lakhs during the previous year. The Tax Auditor wants to audit the accounts under these clauses:

1. The Auditor wants to audit the inadmissible amounts under Sec 40A (3) under clause 17h.

Solution:
The Auditor can audit inadmissible amounts by executing these steps:
- Load the current year's data for audit
- **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit**
- **17-Amounts debited to P&L a/c > 17(h)- Amounts inadmissible u/s 40A(3)**
- Select ledger(s) by pressing **Spacebar**
- Click **Enter** to drill down to **Cash Payments** screen
- Select **Payment** voucher for audit by pressing **Spacebar**
- Click **Enter**/**Alt**+ **F9** to perform the audit
- Select and enter details in **Audit Details** window
- Accept the details

2. The Auditor wants to audit if the assessee has paid any excessive/unreasonable payments to relatives under Cl 18 – payments to relative of the assessee – Sec 40A (2)(b)

Solution:
The Auditor has to execute these steps to perform the audit:
- **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Payments to Specified Persons**
- Click **Ctrl** + **F9**: **Master** to configure the ledger accounts as specified persons in consultation with the assessee
- Select any ledger and press **Enter** to drill down to **Ledger Vouchers** screen
- Select **Payment** voucher for audit by pressing **Spacebar**
- Click **Enter**/**Alt**+ **F9** to perform the audit
- Select and enter details in **Audit Details** window
- Accept the details

Note: The Auditor can click the **F4**: **Ledger** button to view the ledger transaction details of the assessee's relatives for the year before taking an audit decision.

Scenario

3. The assessee has accepted loan from another person aggregating and exceeding Rs.20000/. How is the transaction to be audited under **Cl 24**(**a**) – **Loans**/**Deposits Accepted** (**Sec 269SS**)?

Solution:
The steps required to audit the above transaction are mentioned below:
- **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Loans/Deposits Accepted**
- Select any ledger and press **Enter** to drill down to **Ledger Vouchers** screen
- Select **Receipt** voucher for audit by pressing **Spacebar**
- Click **Enter**/**Alt**+ **F9** to perform the audit
- Select and enter details in **Audit Details** window
- Accept the details

4. The main requirement under cl 27 is the compliance with Chapter XVII-B relating to tax deducted at source. How is the audit going to be performed?

Solution:
Chapter XVII-B deals with tax deducted at source on certain payments like rent, professional services, dividends, etc. The cl 27 requires that the assessee comply with the chapter's provisions. If it did not comply, it wants the assessee to provide information specified in sub-clauses from (i) to (iv).
- **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Tax Deducted at Source**
- Select any sub- feature under **Deduction Details**/**Payment Details** and press **Enter** to drill down to **TDS Bills** screen
- Select the required **Nature of Payment** voucher for audit by pressing **Spacebar**
- Click **Enter**/**Alt**+ **F9** to perform the audit
- Select and enter details in **Audit Details** window
- Accept the details

FAQs

1. **What are the benefits in Form 3CD?**

    The feature Form 3CD offers you the following benefits:
    1. You can mark the clauses as either applicable or not applicable for entry of details (**F5**: **Update**). Only the applicable clauses will be opened to enter details.
    2. Copy the format to the previous year or copy to another company for simplifying the entry of details.
    3. Get an access to the 44AB Audit (**Alt** + **X**: **44AB Audit**) feature to view those ledger vouchers related to a clause while entering details.
    4. View the details of clause reference by clicking **Alt** + **C**: **View Clause Ref** button.
    5. If the same details are to be entered for different sub-clauses in a clause, click **Ctrl** + **C**: **Copy to All**.
    6. Use common texts to enter details in a clause by clicking **Alt** + **T**: **Select Text**.
    7. Print, export or email the filled in form for further disposal.

2. **As an auditor I want to know how to generate the list of cash payments aggregating to and exceeding Rs.20000 on any day. Can you explain?**

    Execute the following steps:

    Path: **Gateway of Tally > Audit & Compliance > Tax Audit > 44AB Audit > Amounts debited to P&L a/c > Amounts inadmissible u/s Sec 40A (3)**

    A list of ledgers with details of cash payments and lowest and highest voucher values are displayed. Select any ledger and perform the audit. You can click **Alt** + **F**: **Form 3CD** to enter the details for the sub-clause 17(h).

3. **Can I configure the ledgers that are to be skipped under clause 17?**

    You can configure the ledgers to be skipped by clicking **Ctrl** + **F9**: **Master**. Select the required ledger and configure according in the **Ledger Alteration** screen. The configured ledger will not appear in the display when the Clause 17h is clicked in **44AB Audit** feature.

FAQs

4. **I want to configure specified persons for audit under clause 21. How do I do the configuration?**

   - Select **Payments to Specified Persons** and click **Enter**
   - Click **Ctrl + F9: Master** button
   - Select the appropriate accounting Group
   - Select ledger(s) by pressing **Spacebar**
   - Click **F5**:**Update** to include the ledger(s) under the clause

   Now you can audit the transactions under the selected ledger(s).

5. **I want to audit the tax deducted details under clause 27 as to the compliance with Chapter XVII-B of the Income Tax Act. How do I perform the audit?**

   Please execute the following steps:

   - Select **Tax Deducted at Source** and click **Enter**

   The **TDS Summary** screen is displayed. The details in the screen relate to **Deduction Details** and **Payment Details**.

   - Select any sub-feature under **Deduction Details** and press **Enter**
   - Drill down to the **TDS Bills** screen
   - Select any Journal/Purchase voucher by pressing **Spacebar**
   - Click **Enter** or **Alt + F9**:**Audit** button
   - Perform the audit by selecting and entering details in the **Audit Details** window

   Note: To perform this audit, your client should have activated the TDS module and accounted the transactions.

6. **I want to audit transactions relating to a particular clause under Form 3CD not listed in 44AB Audit screen. How do I perform the audit?**

   - Select **Verification of Vouchers** and click **Enter**
   - Select the appropriate Group and click **Enter**
   - Drilldown to the **Group Vouchers** screen
   - Select any voucher by pressing **Spacebar**
   - Press **Enter** to display the **Select Clause** window
   - Select the appropriate clause and press **Enter**

   The **Audit Details for** window for the selected clause is displayed.
   - Make appropriate selection under **Audit Status** and type the remarks under **Audit Note**
   - Save and accept the details under **Audit Details for** window.

   The Clause details appear in the **Tax Audit** Dashboard with the number of transactions audited.