

INTER-RELATIONSHIP OF ACCOUNTING WITH EXCISE, CUSTOMS AND SERVICE TAX

Question

M/s Royal Industries started its production activities on 15th March, 2011. In the month of March, 2011, 1,000 units of raw material were purchased at ₹ 150 per unit, paying excise duty @ 10%. 800 units of raw material were consumed in manufacturing process and finished output was sold for ₹ 1,40,000 (excluding excise duty @ 10%). For simplification, you may ignore the conversion cost and assume the rates of excise duty to be inclusive of education cess

Pass the Journal entries in the books of the assessee and show the balances in Balance Sheet as on 31.3.2011.
(5 Marks) (May 2010)

Answer

Journal entries in the books of M/s. Royal Industries:-

On the date of purchase	Purchases A/c Dr.	1,50,000	
	CENVAT Credit Receivable A/c Dr.	15,000	
	To Sundry Creditors A/c		1,65,000
	(Purchase of 1,000 units of raw material & CENVAT credit receivable on it)		
At the time of sale	Sundry Debtors A/c Dr.	1,54,000	
	To Sales A/c		1,40,000
	To Excise Duty A/c		14,000
	(Sold goods & excise duty payable on it)		
On payment of duty	Excise Duty A/c Dr.	14,000	
	To CENVAT Credit Receivable A/c		14,000
	(Excise duty paid out of CENVAT credit available)		

Balance sheet as on 31st March, 2011

(Relevant portion of Assets side only)

Current Assets, Loans and Advances		Amount (₹)
(A)	Current Assets	
	Inventory of raw material	30,000
(B)	Loans and Advances	
	CENVAT Credit Receivable	1000

Note: Other balances are not shown here.