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1 Introduction

1.1 Background

Harrisons Malayalam Limited (HML) is part of The RPG Enterprises, one of the largest business conglomerates in India with business interests ranging from tyres, cables, power transmission, telecommunications, pharmaceuticals ,specialty chemicals to retail and consumer marketing, hotel, tourism and entertainment .



An integrated agriculture operation giant HML is India's largest producer of rubber, South India's largest cultivator of Tea and perhaps the largest farmer of Pineapple in the region. It is also a major processor of other agricultural produce from neighboring farmlands.

The company also produces smaller quantities of a variety of other exotic horticultural crops like Areca nut, Banana, Cardamom, Cocoa, Coffee, Coconut, Pepper and Vanilla as well as limited quantities of Organic tea and Spices.

Microsoft Dynamics AX 2012 system would help HML to integrate functionalities of all business lines with Finance to progress to an upgraded system environment with its Head Office in Cochin.

As a part of Implementation Project, PricewaterhouseCoopers (PwC) has been appointed by HML to review their current processes and existing system (AX 4.0) in the following areas and help in streamlining them keeping in line with their current vision and strategy:

- Trade and Logistics
- Inventory
- Production
- Payroll and Budgeting
- Finance

The key focus of the assignment is to understand the existing business processes and finalizing the To-be processes with regard to the AX 2012 system. Main areas to be studied is the direct fitment of the existing customizations into base features of AX2012 and incorporate as much of base features as possible & feasible and the rest to be migrated into the new system. This would be followed by the upgradation of AX 4.0 to AX 2012 to meet the identified requirements

In this document, **Finance** processes are explained in line with the functional requirements.

1.2 Purpose of the Document

The Functional Requirements Document (FRD) lays out the functional requirements of HML, which will be used as a reference in the enhancement of the Microsoft Dynamics AX system. This document refers to the processes of Finance. The purpose of the document is to freeze and finalize the requirements specification based on which the Microsoft Dynamics AX 2012 system will be configured, tested and implemented. The FRD contains the following details:

1. Envisaged functionalities and business processes related to Harrisons Malayalam

2. To-Be process flows with respect to Microsoft Dynamics AX 2012
3. Gap fitment for these processes in Microsoft Dynamics AX 2012

1.3 Sources of Inputs

The processes in this document have been envisaged based on the following inputs:

- Interviews conducted with the key users of HML
- As-Is documentation
- Issues and Expectation list Consideration

1.4 Scope of the Document

It will be assumed that the entire Fitment is applicable on MS Dynamics AX 2012. Anything which might be available in AX 2012 is considered as a standard fitment. Also related customizations already done in AX 4.0 would be studied and will be migrated if required accordingly keeping AX 2012 architecture and new requirement in mind.

Any customization will be applicable only on AX 2012.

1.5 List of Abbreviations:

- Harrisons Malayalam Ltd. - HML

1.6 Fitment Types Notation

- C : Customization
- SF: Standard Feature
- E: External
- W: Workaround

1.7 Flowchart Notations & Shapes

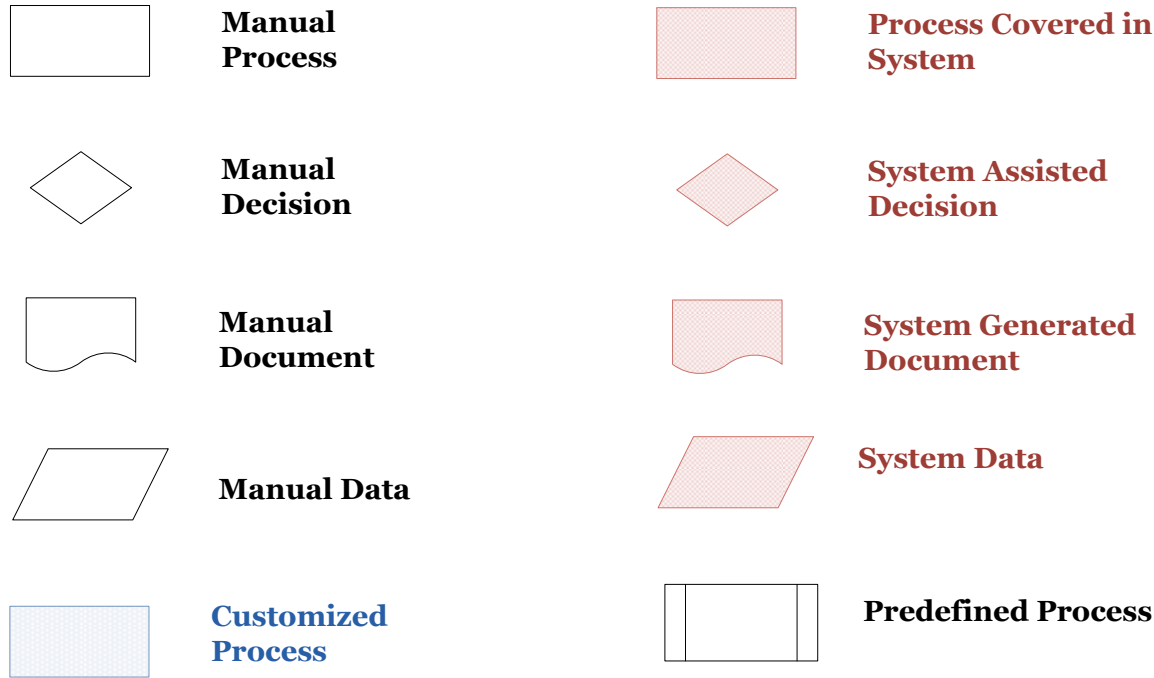


FIGURE 1 – Flow chart Conventions

1.8 Data Migration

No historical data would be migrated from AX.40 to AX2012 environment. The new ERP version would adopt masters & setups only to the extent supported by the new table structures. Opening balances would be posted into the system for going live. Cut off date for migrating opening balance would be decided jointly for this purpose. The opening balances would not carry any transaction specific details.

Open invoices for customers and vendors will be carried forward with respective dates. Any journal entry outstanding will also be carried forward in the next period.

Reference to history data would be available from the archived database of the AX4.0.

2 Company Setup & Configuration: An Overview

A company with the name of Harrisons Malayalam Limited will be created in Microsoft Dynamics AX 2012 and all the set up will be done in the same company for facilitating transactions in the system. All company related information has to be entered in the created company database. Once all the set up are done then the masters need to be created or uploaded and then transactions can begin in the system.

PwC will configure a single company along with all the necessary detailed configurations as planned. However they will also create three more companies with minimum configuration options at this moment so that all masters are configured to be available for rest of the companies as well. No separate configuration will be required for these additional future companies. They will be put to use in near future depending on the decision of HML to commence such operations. It should be noted that additional steps such as balance transfer etc will be required to be taken up before full operations will be possible. Those steps will be taken up by HML.

The following Configuration needs to be done in the system:

i. Company Related Information:

In the Organization and Administration module, a new company needs to be created and all company related information needs to be entered for the new company created. The Information that needs to be entered is Company name, address, telephone number, email id. The company logo can be attached in the set up.

ii. Tax Registration Numbers:

The tax registration numbers for the various kinds of taxes that is applicable on the company and for which the company has registered itself needs to be entered in the system. In the Enterprise Tax Registration Numbers set up, all kinds of tax registration number needs to be created for the company and then it needs to be attached in the company tax information table.

iii. Number Sequence:

Number Sequence for various kinds of transaction and journal entries as well as for purchase order and sales order, etc. needs to be created in the system. The system provides the facility to automatically create the number sequences or different number sequences can be created in the system manually depending upon the requirements of the company.

Number sequence will be made estate-wise/document-wise [cash (payment and receipt), bank (payment and receipt) and journal. The format of the number sequence to be used needs to be discussed with HML who will provide the format of the number sequence created.

Naming conventions for financial vouchers, is as follows: Estate abbreviation/Voucher type/Voucher number/Year suffix

e.g.: for Achoor

Cash => ACH/Cash/0001/13-14
Bank => ACH/Bank/0001/13-14
Journal=> ACH/JV/0001/13-14

The number sequence in respect of various voucher type to be reset in the beginning of every financial year. This has to be done manually and the scope parameter, “fiscal period wise”, cannot be used to create number sequence each year as it is only for formatting purpose.

Workaround:

For posting post audit entries in the previous year, using the same number sequence of previous year, we suggest to create Journal Names year wise, each having separate number sequence, again number wise. So, when a specific user while posting post audit entries will select the previous year journal names, such that the previous year number sequence will flow with that journal number and hence will resolve the issue of posting with previous year number sequence.

iv. **Journal Names:**

For passing various kinds of Journal entries, different journal names have to be created in the system in the General Ledger module, set up. Journal Names have to be created for General Journal Entries, Vendor Invoicing, Vendor Disbursements, Customer Receipts, etc. Unless these names are created in the system, no entries can be passed in the system.

Customization:

HML requires that the Journal Name should have the option to be blocked if not required or restricted to be used. PwC will customize the journal names and will provide the option to block the journal names from being used.

v. **Dimensions:**

Financial Dimensions are required to be set up for facilitating the identification of transactions according to the dimensions to which they pertain. Any number of financial dimensions can be created and then they are needed to be attached to the Main Accounts (Chart of Accounts) in the Configure Account Structure Form. Once the dimensions are activated, dimensions have to be mentioned during the transactions or the system won't allow any transactions to get posted.

Additional dimensions (branch) for factories have to be created.

For e.g: dimension code for Achoor factory will be 201 which signify Achoor (01) factory that is in SBU B. In case of composite factories where CTC and Orthodox processing is done, data will be captured by using one more field dimension with values CTC and ORTHX.

vi. **Fiscal Year:**

New Fiscal year needs to be created for each financial year. The fiscal year can be divided into months or days as the requirement may be. The system creates multiple periods according to the selection. If months are selected and divided into period lengths of 1 month then 12 periods are created. Similarly, if periods are created day wise and the period length of 365 then the fiscal year is divided into 365 periods. Once the fiscal year is created that needs to be attached in the Ledger set up in the General Ledger module.

Post audit entries can be posted in the closing period created for passing any adjustment entries.

Customization: HML requires that back dated entries should not be allowed to be posted in the system. For this we, will customize the modules whereby the system will restrict back dated entries and only certain users will be given exclusive rights to post any back dated entries rather than maintaining day wise periods and running batch jobs to open and close the period everyday. As that would create a lot of issues and load in the system. Moreover, huge amount of customization will go into it and which if the users require to be removed will not be easy to do.

vii. **Currency Set up:**

The Currency in which the company will do the transactions or report the transactions needs to be set up in the system. In the Ledger set up in the General Ledger Module Set up, the transaction currency and the reporting currency needs to be set up. The currency can be selected from the drop down list which shows all the world currency in the currency master.

viii. **Main Accounts:**

Before any ledger accounts are created or uploaded in the Main Accounts (Chart of Accounts) first a name has be given to the Main Accounts for differentiating it from other available main accounts created. Once the Main Accounts are created it needs to be attached in the Ledger set up in the General Ledger Module.

3 Business Processes

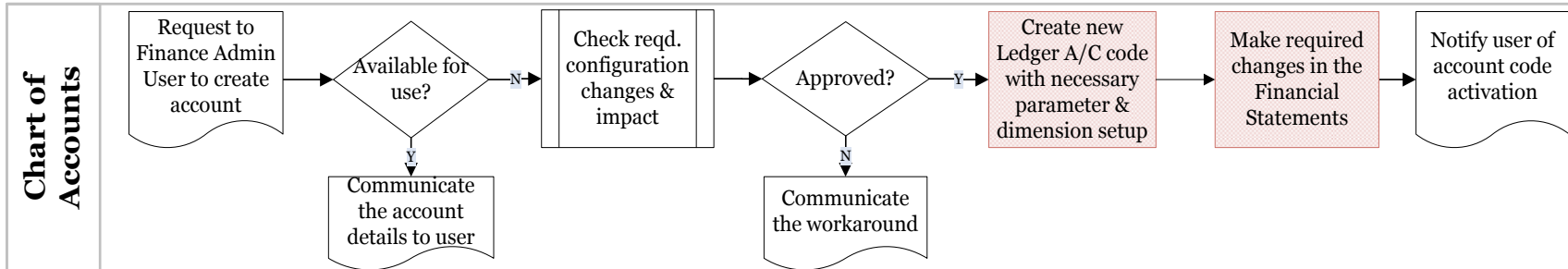
3.1 Chart of Accounts (Ledger Accounts) Setup and Maintenance

The Main Accounts (Chart of Accounts) would spell out the ledger master of the entire organization and would be the core area for all the postings initiated from other modules. The Main Accounts contains all the accounts maintained by the company against which transactions are done. Hence, this process would not be a regular activity.

However, from time to time there could be modifications of some of the parameters of Main Accounts. There could be addition of new General Ledger accounts. The accounts in Main Accounts can be differentiated into Reporting, Total, Balance and Profit & Loss type, etc.

Since, HML is using similar application; they would continue to have the existing Main Accounts (Chart of Accounts) in the new system.

3.1.1 Business Process Flow -Business Process Map



3.1.2 Business Process Description - Gap Fitment

Sl. No	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/CoA/1.1	Request for new account code	The user would request for the new account code citing reasons and use of the same.	Y		E
2	HML/CoA/1.2	Approval for Account creation	Finance Manager will approve the creation of that account if it is required.	Y		E
3	HML/CoA/1.3	Creation of new GL account	Finance Department may decide to open a new Ledger Account after the request is received for new account and is approved. <ul style="list-style-type: none"> The user needs to enter the account code manually. 	N		SF

			<ul style="list-style-type: none"> • Provide a ledger account name. • Specify the type of account (Reporting, Total, Balance, Profit& Loss, etc.) 			
4	HML/CoA/1.4	No direct posting in account associate with sub ledgers	Indicate if a direct posting into a ledger should not be allowed by checking the “do not allow manual entry” checkbox. This would prevent the users from posting direct entries at the GL level.	N		SF
5	HML/CoA/1.5	Debit/ Credit Account Proposal	Specify whether the concerned account will handle debit or credit transactions, if required. This would place the cursor on the debit or credit field saving time and also reducing chances of error.	N		SF
6.	HML/CoA/1.6	Active From/ To Date	In the new system, there is a provision while creating a new ledger account whereby a start date and an end date can be given for a particular ledger account	N		SF
7.	HML/CoA/1.7	Account Suspension	The system provides the facility for preventing transactions to be posted into certain ledger accounts. This can be done by marking the “suspended” checkbox in the ledger account creation form.	N		SF
8	HML/CoA/1.8	View Restriction of Ledger Entries	HML wants to restrict their users by user role definition	N	HML requires that the ledger accounts should have access rights attached to it so that the accounts that a user can use will depend on the function he performs and he should not be able to access any other	

					accounts. For example, a garden user should not have access rights to accounts such as share capital, reserves, etc. This can be done by assigning user roles or security role configuration to differentiate what accounts and ledger entries are visible to which particular user group.	
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3.2 Dimensions

Dimensions will be used to identify the transactions with a particular Estate, Department, Cost Center etc as required according to the nature of transaction in the system. Dimension is an important tool to record transactions of similar nature, related to different areas, in the same ledger accounts thereby reducing the number of accounts required for transactions of similar nature and facilitating multi-dimensional analysis of the General Ledger.

The dimensions can be configured to be populated by default on the transactions, or made mandatory such that without the pre-defined value, the transaction cannot be posted.

These dimensions once configured will not be changed but the dimension values pertaining to these dimensions can be added, modified or deleted (in case no transactions exist for the dimension value). The dimension values can be blocked/closed, if the same is not to be used going forward although the transactions exists.

Note: based on the study and understanding of the HML business process, following dimensions have been finalized:

- SBUs
- Estates/Factory/HO: Factory will be the dimension and rubber and tea factories will be the dimension values.
- Division/Department

The above dimensions can be mapped with the organizational model. However, HML needs to confirm the same.

Following would be the floating dimensions.

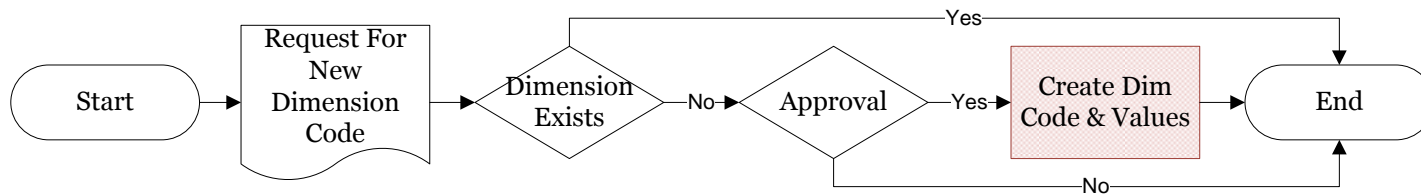
- Cluster/Export Sales, Auction Sales, Bulk Sales
- Field
- Cost Centre
- Sub ledger
- Purpose
- Inter Unit Dimension- for carrying out inter unit transactions.

Account Structure:

The dimension after having been created has to be configured and added to the Main Accounts so that they have an impact on the financial transactions. In the General Ledger module, dimensions have to be added in the Configure Account Structure form. The dimensions have to be attached to the main account which is the primary financial dimension, and other dimensions have to be added to the main accounts. Once, the dimensions have been added it needs to be activated for making dimensions mandatory while doing financial entries.

Once the account structure is activated, the dimensions will become mandatory, and the user will have to enter the dimension values before any transaction or else the system won't allow passing of transactions and will give an error message unless the dimension value are entered in the transaction lines or headers.

3.2.1 Business Process Flow -Business Process Map



Configure Account Structure



3.2.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/DM/1.1	Request for New Dimension Code	The users would request for the new dimension code citing reasons. In case dimension is related to masters like Business Unit, Department, Cost Centers, etc. same needs to communicated to concerned department as creating the master would lead to automatic flow of information to the dimension master	Y		E
2	HML/DM/1.2	Approval for Dimension Creation	Finance Manager will approve the creation of that dimension if it is required, this would be in case dimension is not related to systems master. For dimension related to master, confirmation	Y		E

			needs to be taken from concerned department. In case the same is not approved, then the user is communicated the process of handling the transaction.			
3	HML/DM/1.3	Create Dimension Code	Finance Department may decide to create a new dimension value after the request is received for approval and is approved: <ul style="list-style-type: none"> The user needs to enter a new Dimension Code manually as per the coding logic, if any. Provide a Dimension description 	N		SF
4	HML/DM/1.4	Block/Close a Dimension	In case, a dimension is not required to be used going forward, the dimension value can be marked as "Suspended" such that no transaction can be posted using the dimension value prospectively.	N		SF
5	HML/DM/1.5	Access Rights	Only the Finance Admin should have the rights to modify/create a dimension and others should have a view access only. We can have access right restriction for dimension also.	N		SF
6	HML/DM/1.6	Configure Account Structure	From the General Ledger set up select Configure Account Structure.	N		SF
7	HML/DM/1.7	Create a New Account Structure	Create a new account structure and give a specific name for it	N		SF
8	HML/DM/1.8	Add Main Account	Select the Main Account as the primary dimension	N		SF
9	HML/DM/1.9	Add Financial Dimension	Attach the dimension created earlier to the Main Account	N		SF

10	HML/DM/1.10	Activate Account Structure	The Account Structure once created needs to be activated.	N		SF
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3.3 Journal Setup and Maintenance:

Certain Journal related set up needs to be done. The set ups are mandatory and without these set ups no journal entries can be posted. These set up includes creating number sequence, journal names and dimension. There are different kinds of journals in the system and for all of them separate Journal Names and Number Sequence has to be created. The different kinds of journals are as follows:

i. **General Journal:**

General Journal is used for day to day transactions and for passing any adjustment entries or rectification entries or contra entries as required. The Journal Name needs to be created for passing General Journal. For this purpose, in the General Ledger module set up journal name has to be given and the Posting Type should be selected as Daily. In the Number Sequence tab, select the Number Sequence to be attached from the existing number sequences from the drop down list or create a unique number sequence for that purpose.

ii. **Invoice Journal:**

Invoice Journal is used for raising a liability in favor of the vendor for various kinds of expenses or for creating any other sort of liabilities for which a payment is required to be made to the vendor. In the Journal Names Set up in the General Ledger module, a new journal name needs to be created for vendor invoice journal. The Posting Type should be selected as Vendor Invoice Recording. A number sequence needs to be attached to the journal name which can be the system generated number sequence or it can be created in the format HML wants to use it.

iii. **Vendor Payment Journal:**

Payment Journal is used for making payment to the vendor against whom a liability has been raised or an invoice has been recorded. For making payments to the vendors has to be done through Payment Journal only. In the Journal Names Set up in the General Ledger module, a new journal name needs to be created for vendor payment. The Posting Type should be selected as Vendor Disbursement. Number sequence needs to be attached to the journal name created.

iv. **Customer Payment Journal:**

Payment Journal is used for receiving payments from customers against whom receivable has been recorded or to whom goods has been supplied. For receiving payment from customers, it has to be done through Payment Journal only. In the Journal Name

Set up in the General Ledger module, a new journal name needs to be created for customer receipts. The Posting Type should be selected as Customer Payment Receipt. Number Sequence needs to be attached to the journal name created.

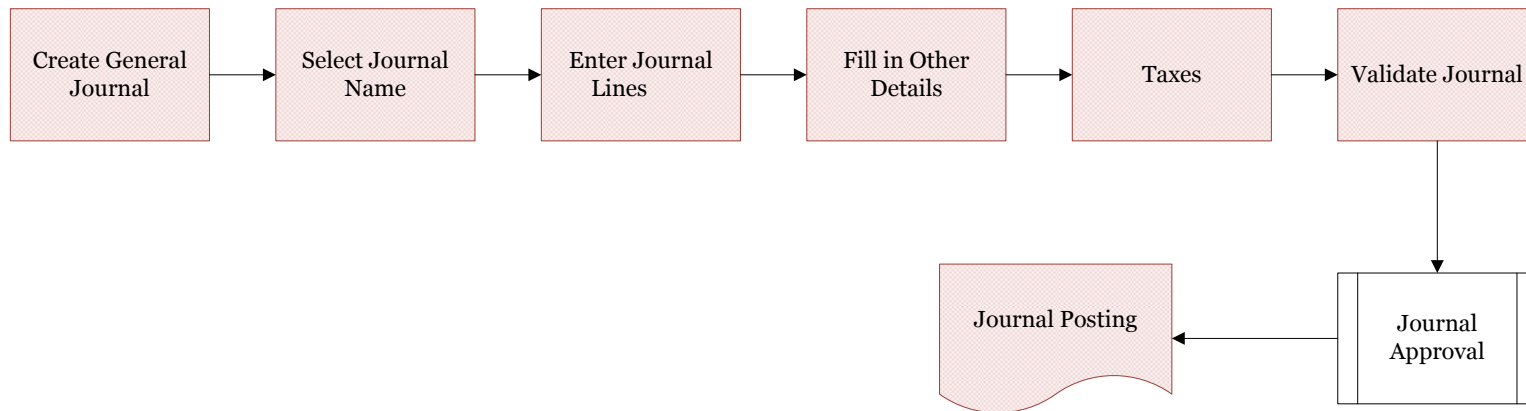
v. **Fixed Assets Journal:**

Fixed Assets Journal can be used for purchase, sell and depreciation of fixed assets. Fixed asset journal are available in the Fixed Assets module and can be used only for fixed asset purposes. In the Journal Names set up in the General Ledger module, a new journal name needs to be created for fixed asset transactions. The Posting type should be selected as Posting Fixed Assets. Number Sequence needs to be attached to the journal name created.

3.4 Journal Transactions

Journal Vouchers are used for passing day to day entries as well as rectification entries, contra entries and adjustment entries. Journal Vouchers can be used for passing year end adjustment entries in the system. Journal Vouchers can also be used to pass day to day miscellaneous entries. Journal Vouchers provide the facility to reverse entries at a particular date automatically. So, this feature can be used in case of provisions created earlier.

3.4.1 Business Process Flow -Business Process Map



3.4.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/JV/1.1	Create General Journal	A general journal is created to enter the required accounting transactions.	N		SF

2	HML/JV/1.2	Select Journal Name	<p>The Journal name for Journal should be selected. On selection:</p> <ul style="list-style-type: none"> The Journal Number (system generated). HML needs different journal voucher number sequence for every estate which is the primary dimension. The default journal description for the journal would be provided. 	Y	HML is currently using different set of common journal names for every estate. PwC recommends continuing with the existing use since AX 2012 does not support the feature of having different number sequences.	W
3	HML/JV/1.3	Enter Journal Lines	<p>Select the account type whether ledger, bank or vendor/customer as required.</p> <p>Enter the individual debit or credit lines by selecting the appropriate accounts and entering the debit amount and credit amount.</p> <p>For cash deposit, cash withdrawal, bank to bank transfer select the respective bank accounts and ledger accounts.</p>	Y	<p>HML requires that the system should not allow back dated entries to be posted into the system.</p> <p>PwC recommends certain customization which will prevent the user from posting back dated entries in the system.</p>	C
4	HML/JV/1.4	Fill in Other Details	Fill in other details such as transaction text (narration), currency, etc.	N		SF
5.	HML/JV/1.5	Saving the Journal	If a particular journal is used often then the system provides an option to save the journal after entering the lines so that the same journal can be used afterwards and need not be manually entered all the time.	N		SF

6.	HML/JV/1.6	Retrieve the Journal	The journal that has been saved can be recalled from the saved journal template and can be used for posting transaction. If required the amount can also be changed.	N		SF
7.	HML/JV/1.7	Taxes	Taxes if applicable have to be attached to the transaction.	N		SF
8.	HML/JV/1.8	Validate Journal	Validate the correctness of the Journal entry	N		SF
9	HML/JV/1.9	Journal Approval	The finance journal once created can be sent for approval. User groups will be assigned to the Journal names so that posting is disabled for anyone outside of that user group.	N	This feature can be used as asked by HML for controlling journal posting without approvals.	SF
10.	HML/JV/1.10	Posting	Once the Journal is approved, the same can be posted and the transaction will get posted in respective accounts.	N	1. HML requires that the voucher number should change during posting the transaction and a unique voucher number should be generated which is irrespective of the voucher numbers in the lines as it would facilitate in filing of vouchers.	SF
11.	HML/JV/1.11	Reversal of Entries	While creating a Journal if in the header level reversal checkbox is marked and a date is entered as to when the entry will get reversed. The system will automatically pass a reversal entry on that date entered.	N		SF

Note:

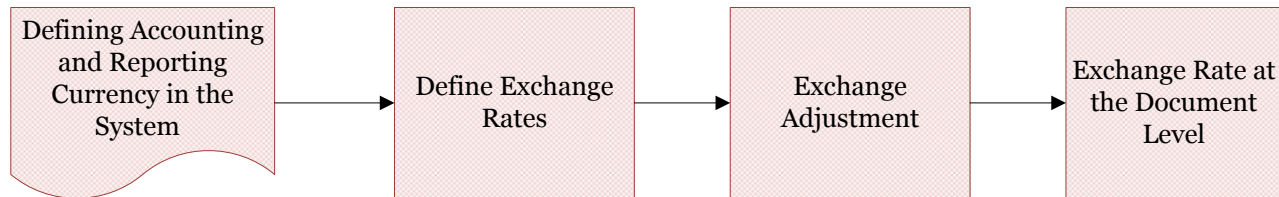
1. HML will be requiring multiple Journal names maintained Estate wise, so there might be chances that the journal names for other estates can be selected by mistake.
2. Since, HML wants to assign Role Level Security which is based on the roles performed by different user groups who would be having specific access to only certain ledger accounts which are required by them. These can lead to issues in inter estate transactions where the user of one estate would require to enter the dimension of another estate.

3.5 Currency Management

System allows for multiple exchange rates to be used for transactions, we need to do setups related to them in currency exchange rates in stem. We can define two different currencies for accounting and reporting purpose, transaction would also be captured in these currencies along with transaction currency. As per the requirement user can define exchange rates daily, periodically etc.

HML is going to have a single base currency as INR. HML would not have any secondary reporting currency as they will be reporting in the base currency that is INR.

3.5.1 Business Process Flow -Business Process Map



3.5.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W/E/SF
1	HML/CM/1.1	Defining accounting and reporting currency in system	User can define reporting and accounting currency in the system. We can also define default exchange rate and customs exchange rate in system	N		SF

2	HML/CM/1.2	Define Exchange rate	We can define exchange rate for different currency that HML would use for transactions in terms of base currency. This particular section will be discussed in detail in Export Sales section.	N	HML wants to have multiple exchange rates for a single day for recording forward contracts with banks. Fitment: sales contract lines should have exchange rate mentioned instead of capturing in Ex Rate table	W
3	HML/CM/1.3	Exchange Adjustment	You have to run exchange adjustment periodically to post adjustment entry. We can define different voucher number series for adjustment entries related to payable and receivable to track adjustment related import and export. It is understood from the study that Ex Adjustment would only applicable in Receivable.	N		SF

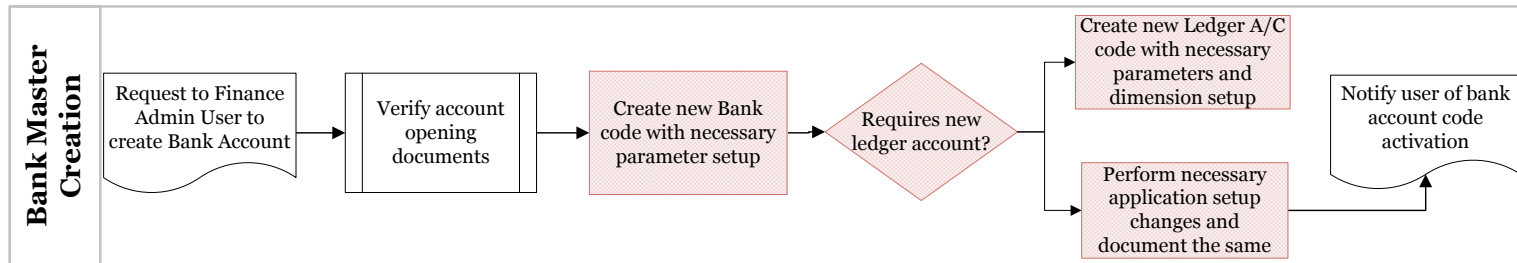
3.6 Bank Management

3.6.1 Bank Masters Setup

The Bank Account will be maintained by Finance department and transactions related to payables and receivables will create Bank transactions in the company's book.HML will create bank accounts for all the banks in the bank master. The individual bank account will not be maintained in Main Account. HML will classify the bank accounts according to the nature of bank account (such as current account, EEFC account, etc.) and will maintain only those accounts in the Main Account.

Certain additional features have been added in the new system, which provides greater flexibility to the users. The users can now give a start date for a bank account in the system and from that date onwards only the bank account will be available for transactions. Similarly, there is an option to enter an end date, and from that date the bank account cannot be used for any transactions. There is one more option called Suspension, whereby if the account is marked for suspension then the bank will become temporarily unavailable for transactions. However, if the user wants to reopen the bank account for transactions he needs to unmark the Suspended checkbox.

3.6.1.1 Business Process Flow -Business Process Map



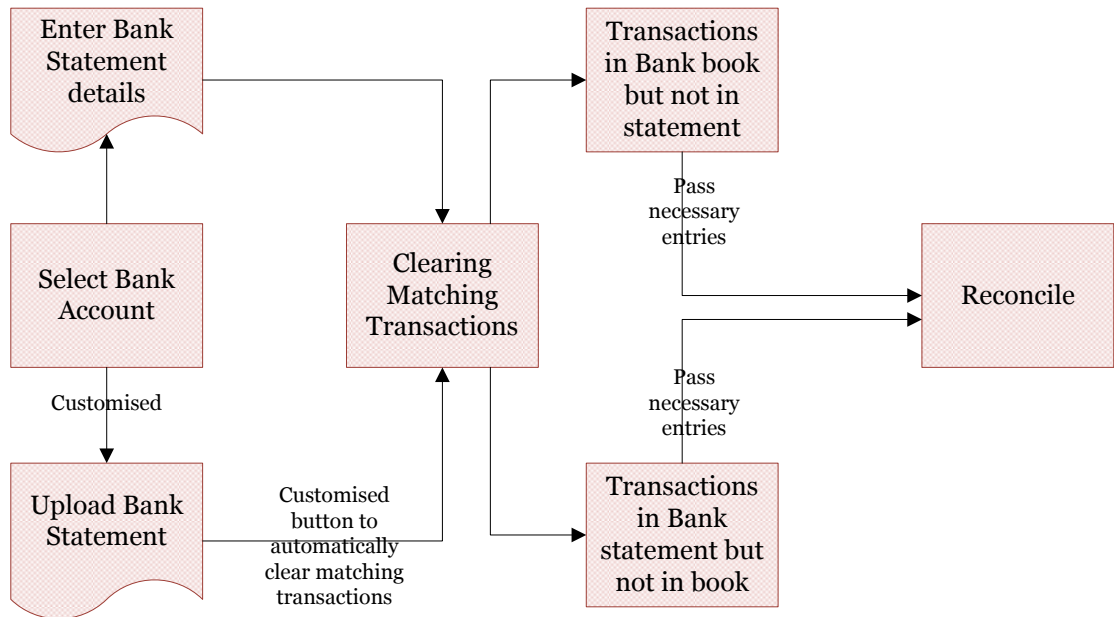
3.6.1.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/BM/1.1	Create New Bank Account	<p>The finance admin will open a new bank account after a request is received.</p> <ul style="list-style-type: none"> • The document for the bank is verified. • The user would have to enter a new bank code. • Provide other bank details like, the address, bank account number, etc. • Create a new G/L Account if required and map it to the bank account, else the existing ledger accounts can be used to map it to the Bank account 	N		SF
2	HML/BM/1.2	Allow Multiple Currency	By default the system allows to post transactions in the currency of the bank account. But if multiple currencies have to be allowed for the bank account, the 'more currency' checkbox has to be enabled in the bank master	N		SF

3.6.2 Bank Reconciliation

Bank Reconciliation is a process through which the gap between the bank book and bank account is identified and corrective action is initiated to ensure accurate balance being reflected both in the bank book as well as the bank account. There could be a time gap between when the transactions were entered in the company’s books of account and the time when it hit the bank account. Due to this time lag, reconciliation is required with the bank statement.

3.6.2.1 Business Process Flow -Business Process Map



3.6.2.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/BR/1.1	Select the bank account	Select the bank account for which reconciliation needs to be done. Enter the bank statement date, closing balance as per statement and open transactions in the bank account are available.	N		SF
2	HML/BR/1.2	Clearing the matching transaction	The user will have to clear all those transaction s for which the cheque number, the deposit slip number or the payment reference number matches in the bank book. Further it will show the balance uncleared transactions which needs to be cleared.	Y	HML wants that bank reconciliation should happen automatically and they should have the option to upload the bank statement directly into the system. The system has a default feature of uploading the same but is restricted to the statement format which can be uploaded. For statements in India, the system does not accept the format for uploading hence that needs to be customized. A new template will be created for this purpose and the user will have to enter the details in the template manually which will then be uploaded in the system. The uploaded template and	C

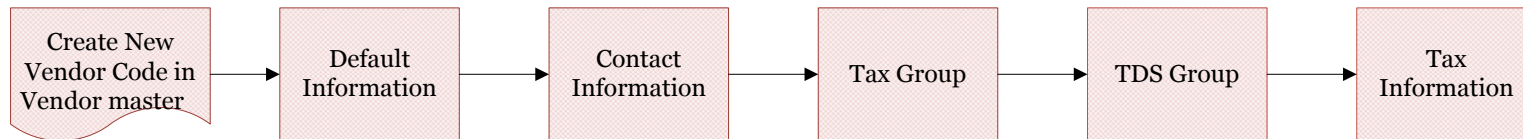
					the bank book will be automatically reconciled for the matching transactions on clicking a button. For transactions not matching in will remain reconciled and adjustment entries needs to be passed for those transactions in the system.	
3	HML/BR/1.3	Transactions in Bank book but not in statement	The transactions which appear in bank book but does not figure in bank statement needs to be deleted from open transactions list.	N		SF
4	HML/BRF/1.4	Transactions in Bank statement but not in book	These transactions should be appropriately identified and recorded in the books of accounts.	N		SF
5.	HML/BR/1.5	Reconcile	Once all the entries have been identified and cleared off, the reconcile button will be activated. This needs to be clicked to confirm the reconciliation and the BRS statement can be printed from the system.	N		SF

3.7 Accounts Payable

3.7.1 Vendor Master Creation

Vendor Master is an integral part of Finance function which has to be set up appropriately in order to raise purchase orders, receive services, process invoices and make the payments, etc. Vendor master contains the details of the entire vendor that HML is buying raw materials or incurring any other kind of liability for expenses. Person having access to the Vendor Master can go to individual vendor account and see the outstanding vendor invoices and balance due to the vendor thus helping in keeping a track of the Accounts Payable and thus keeping a check on the working capital.

3.7.1.1 Business Process Flow -Business Process Map



3.7.1.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/VM/1.1	Create new vendor code in vendor master	<ul style="list-style-type: none"> A unique vendor code for each vendor is allotted by the system as per the defined format. Vendor name is entered in the master. A vendor group is attached to the vendor to which the ledger will be 	N		SF

			<p>mapped in the Main Accounts.</p> <ul style="list-style-type: none"> • Other details including the tax information as provided and applicable are entered in the vendor master. • HML can group the vendors according to the transaction in which they are involved like rubber vendors, green leaf vendors, bought leaf vendors, etc. This would help to classify all the vendors under different groups thus help to keep a track and also easy to differentiate and identify vendors. 			
2	HML/VM/1.2	Default Information	Set up default information like method of payment, terms of payment, etc. this flows to the transaction. However, the same can be changed during any transaction for those particular vendors in the lines.	N		SF
3	HML/VM/1.3	Contact Information	Enter Contact information such as Address, Telephone No., Email ID, etc.	N		SF
4.	HML/VM/1.4	Tax Groups	Default tax groups relating to indirect tax can be attached so that they flow on the purchase order lines or journals.	Y	HML wants that tax group that flows to the purchase order line should get automatically selected as CST or VAT depending on the basis of the location of the Vendor and the place where he is supplying the goods.	C
5.	HML/VM/1.5`	TDS groups	Default TDS group can also be attached so that the same automatically flows to the	N		SF

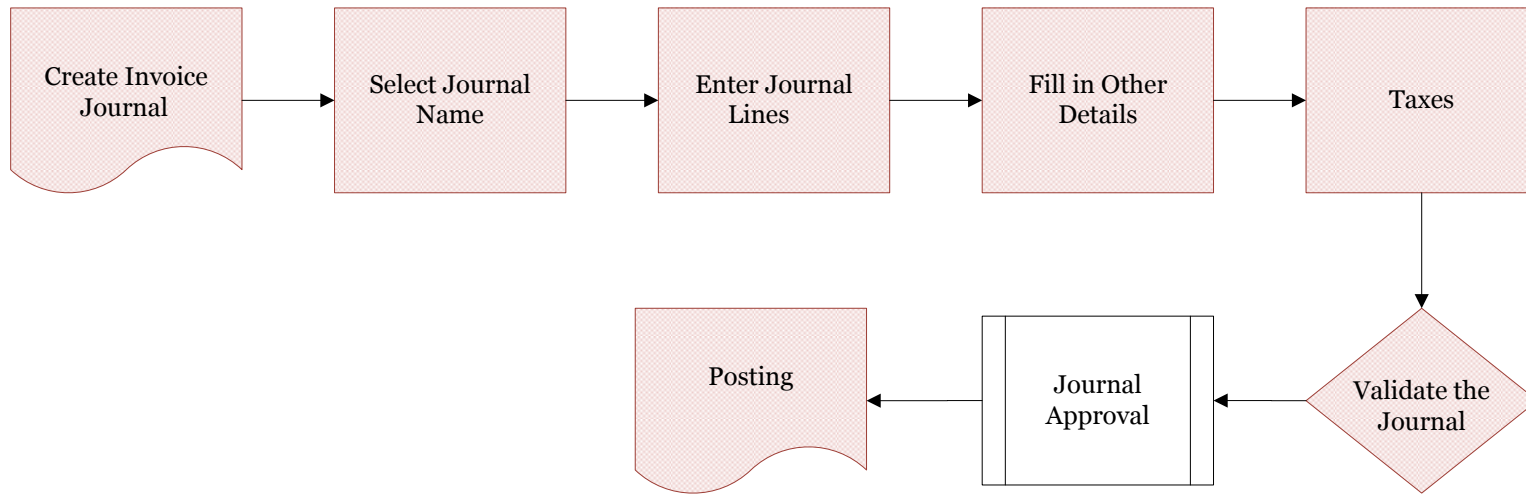
			transaction.			
6.	HML/VM/1.6	Tax Information	Attach and enter tax registration numbers for TIN, TAN, PAN, CST, etc.	N		SF

3.7.2 Vendor Invoicing

There may be instances where the organization has incurred some liability on account of expense or purchase of some sort and needs to create an invoice and pass an entry recording a liability in favor of the vendor. In such scenarios, invoicing has to be done using the Invoice Journal, which records the liability in the system.

If purchase is carried out through a Purchase Order then vendor invoicing can be done through Purchase Order itself. The vendor invoice is created from the Purchase Order forms and no separate invoice is required to be created in Vendor Invoice Journal.

3.7.2.1 Business Process Flow -Business Process Map



3.7.2.2 Business Process Description - Gap Fitment

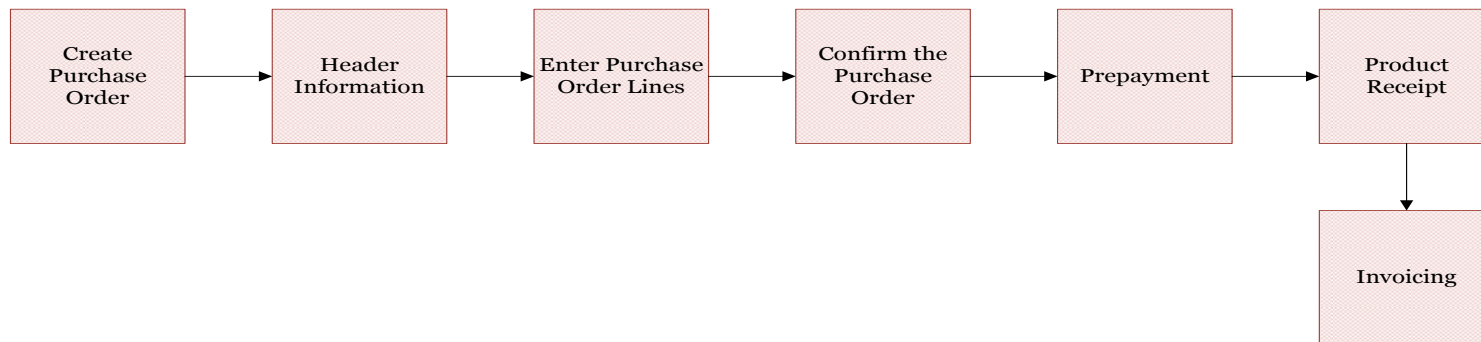
Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/IJ/1.1	Create Invoice Journal	An invoice journal is created to enter the required accounting transactions	N		SF
2	HML/IJ/1.2	Selecting Journal Name	The Journal name for Invoice Journal should be selected. On selection: <ul style="list-style-type: none"> The Journal Number (system generated). HML needs different journal voucher number sequence for every 	Y	HML is currently using different set of common journal names for every estate. PwC recommends continuing with the existing use since AX 2012 does not support the feature of	W

			<p>estate which is the primary dimension.</p> <ul style="list-style-type: none"> The default journal description for the journal would be provided. 		having different number sequences.	
3	HML/IJ/1.3	Enter Journal Lines	<p>Select the Vendor from the Vendor master for whom transaction has to be posted. Fill in the Invoice Number. In the Offset Account type select the type of account against which liability is to be created. In the Offset account field, select the ledger account. In the credit field enter the amount.</p>	N		SF
4.	HML/IJ/1.4	Fill in other details	<p>Fill in other details such as transaction text (narration), currency, etc.</p>	N		SF
5	HML/IJ/1.5	Taxes	<p>Taxes if applicable have to be attached to the transaction</p>	Y	User wants automatic selection of tax group depending on the location to which the goods are being sent.	C
6	HML/IJ/1.6	Validate the Journal	<p>Validate the correctness of the entry</p>	N		SF
7.	HML/IJ/1.7	Journal Approval	<p>The finance journal once created can be sent for approval. User groups will be assigned to the Journal name s so that posting is disabled for anyone outside of that user group.</p>	N		SF
8.	HML/IJ/1.8	Posting	<p>Once the journal is approved, the same can be posted in the system.</p>	N		SF

3.7.3 Vendor Invoicing through Purchase Orders

In case of HML, the organization engages in purchase of various kinds from different vendors. HML is engaged in the purchase of Green Leaf, Bought Leaf, Rubber, etc. The purchases of various kinds of items are carried out using Purchase Orders in the Accounts Payable module. Each item follows a distinct purchase process that has been thoroughly covered in the T&L FRD. The general process that will be followed and vendor invoicing will be done in the following manner:

3.7.3.1 Business Process Flow -Business Process Map



3.7.3.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/PO/1.1	Create Purchase Order	A purchase order is required to be raised if an item is to be acquired.	N		SF
2	HML/PO/1.2	Header Level Information	In the Purchase Order Header, certain information are mandatory to be filled like, name of the vendor to whom the purchase order is to be raised, the site and warehouse, and the Purchase type should be selected as Purchase Order. Dimensions if applicable are required to be entered at the Header level.	N		SF
3	HML/PO/1.3	Enter Purchase Order Lines	In the Purchase Order Line enter the name of the item, the quantity and the per unit price that has been agreed with the vendor or a standard price.	N	HML has to incur Cess on purchase of rubber from vendors. The amount of Cess calculated and required to be paid will be treated as miscellaneous charges while making Purchase Order.	W
4.	HML/PO/1.4	Confirm the Purchase Order	Once the line details have been filled, the Purchase Order needs to be confirmed for raising a purchase order.	N		SF
5.	HML/PO/1.5	Prepayment	The system provides the facility to make prepayments to the vendor against a particular PO. If required the users can make prepayments from the system. The same has been discussed separately below.	N		SF
6.	HML/PO/1.6	Product	Once the goods are received from the	N		SF

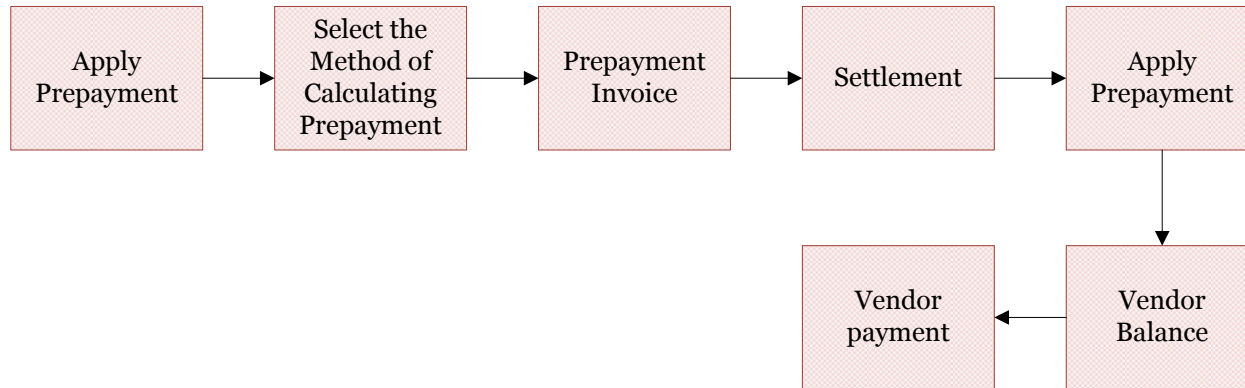
		Receipt	<p>vendors, a product receipt needs to be generated from the system against that particular PO. The quantity received needs to be entered and the Product Receipt needs to be posted.</p> <p>The following financial entries are posted into interim accounts:</p> <p><i>Purchase Expenditure, un-invoiced A/c Dr.</i> <i>To Purchase Accrual A/c</i></p> <p><i>Product Receipt A/c Dr.</i> <i>To Purchase Expenditure, un-invoiced A/c</i></p>			
7.	HML/PO/1.7	Invoicing	<p>Once the goods are received, then Invoicing has to be done for recording vendor liability against the goods received.</p> <p>On invoicing the Purchase Order the system reverses the entries that have been posted during Product Receipt and creates additional Entries for posting into the inventory and crediting the vendor.</p> <p>Following are the entries:</p> <p><i>Purchase Accrual A/c Dr.</i> <i>To Purchase Expenditure, un-invoiced A/c</i></p> <p><i>Purchase Expenditure for Product A/c Dr.</i> <i>To Vendor A/c</i></p>	N		SF

			<i>Purchase Expenditure, un-invoiced A/c Dr. To Product Receipt A/c</i>			
			<i>Purchase Product Receipt A/c Dr. To Purchase Expenditure for Product A/c</i>			

3.7.4 Prepayment

While creating Purchase Order in the system, there is a default option of making prepayment to the vendor through the system. The users can use this option for making prepayment to the vendors anytime after confirming the Purchase Order. The user can make payment to the vendor against the prepayment raised using the system through a payment journal. The system also provides the facility to apply the prepayments made against a particular Purchase Order while invoicing such that the net amount payable to the vendor against this invoice will be net of prepayment.

3.7.4.1 Business Process Flow -Business Process Map



3.7.4.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/PP/1.1	Applying Prepayment	If any prepayment is required to be made to the vendor after confirming the PO, then click on the Prepayment Button under the Purchase tab.	N		SF
2	HML/PP/1.2	Select the Method of Calculating Prepayment	The method of calculating prepayment must be specified, whether it is a fixed amount or a certain percentage of the purchase order amount. On selecting percentage, the system calculates automatically the amount of	N		SF

			prepayment. Click on Ok to apply the Prepayment.			
3	HML/PP/1.3	Prepayment Invoice	Once the prepayment has been applied, the same needs to be invoiced. From the Invoice Tab select Prepayment Invoice for creating a liability in the name of the vendor for making payment. Once the invoicing is done the following journal entry gets created. <i>Prepayment A/c Dr. To Vendor A/c</i>	N		SF
4	HML/PP/1.4	Disbursement of Prepayment	From the Payment Journal, the prepayment needs to get settled and payment needs to be made to the vendor for the advance booked. On payment the following entry gets generated: <i>Vendor A/c Dr. To Bank A/c</i>	N		SF
5	HML/PP/1.5	Apply Prepayment	Once the goods are received and the invoice is being generated to book liability against the vendor for the goods received, the prepayment that has already been made needs to be applied to the invoice. In the Invoice tab there is button Apply Prepayment. On clicking this button it will show all the prepayments that	Y	HML requires that the system should give a warning while invoicing that certain prepayment exists and that needs to be applied before invoicing the Purchase Order. There does not exist a default warning system for applying prepayment, it needs to be	C

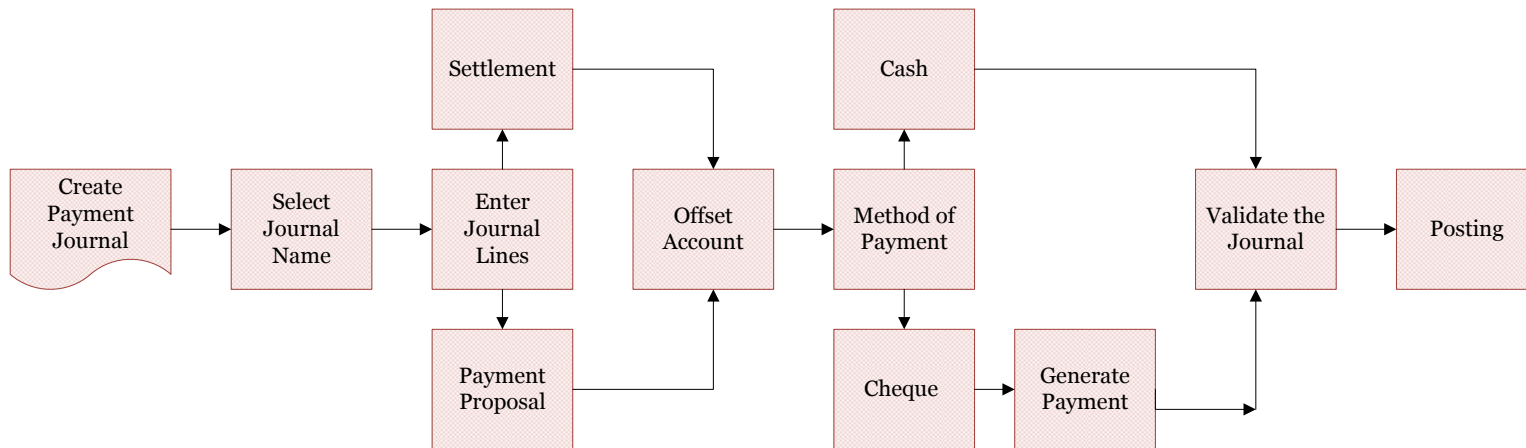
			<p>have been made against that particular purchase order. Select the particular prepayment that needs to be applied. Then post the invoice.</p> <p>On Invoicing the following entry gets posted:</p> <p><i>Inventory A/c Dr.</i> <i>To Vendor A/c Cr.</i></p> <p>The amount with which the vendor is credited does not include the prepayment deducted.</p>		customized.	
6.	HML/PP/1.6	Vendor Balance	<p>If the Vendor Balance is checked and the due amount to that vendor is checked it shows the balance after deducting the prepayment invoice but if the invoice amount is seen then the system shows the balance without deducting the prepayment.</p> <p>System passes an automatic entry in the Vendor Account:</p> <p><i>Vendor A/c Dr.</i> <i>To Prepayment A/c</i></p>	N		SF
7.	HML/PP/1.7	Vendor payment	<p>The Vendor will be paid the balance after deducting the prepayment amount which is also suggested by the system.</p>	N		SF

3.7.5 Vendor Payment

The invoices posted against vendors needs to be settled from time to time. Vendors are required to be paid for their dues. This activity results in reduction of cash or bank balance of the organization as well as reduction in the liability of the organization.

Thus Settlement of the vendor balance is one of the important functions. There is a basic assumption that there won't be any inter-state vendor payments.

3.7.5.1 Business Process Flow -Business Process Map



3.7.5.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
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1	HML/PJ/1.1	Create Payment Journal	A payment journal is created to enter the required accounting transactions	N		SF
2	HML/PJ/1.2	Select Journal Name	The Journal name for Payment Journal should be selected. On selection: <ul style="list-style-type: none"> The Journal Number (system generated). HML needs different journal voucher number sequence for every estate which is the primary dimension. The default journal description for the journal would be provided. 	Y	HML is currently using different set of common journal names for every estate. PwC recommends continuing with the existing use since AX 2012 does not support the feature of having different number sequences.	W
3	HML/PJ/1.3	Enter Journal Lines	Select the vendor from the vendor master to whom the payment is to be made.	N		SF
4	HML/PJ/1.4	Payment Proposal	There is an option in the system where the user can run a payment proposal by date or by amount and can get a list of all payments outstanding based on the selection made.	N	HML requires that the payment proposal should suggest invoices that need to be paid as per the due date when the payment proposal is run. This is possible in the system, and for this purpose all the vendors needs to be attached with the terms of payments.	SF
5	HML/PJ/1.5	Settlement	There exists a function button where there is a button named settlement. On clicking that button, a window opens showing all the open invoices against which settlement has to be done for a particular vendor. Select	N	The system provides the partial settlement of invoices wherein if part of the invoice is settled then the balance amount will remain open.	SF

			the invoices which are required to be settled and close the window.			
6	HML/PJ/1.6	Offset Account	In the Offset Account type select ledger if payment is required to be made through cash or select bank if payment is required to be made through bank. In the offset account select the cash account or bank account respectively.	N		SF
7.	HML/PJ/1.7	Method of Payment	Below the Lines where the transaction has been entered select Cheque in the Method of Payment field if the offset account type has been selected as bank in the lines.	N		SF
8.	HML/PJ/1.8	Generate Payment	If the payment has to be made through bank and a cheque needs to be generated, then click on the Functions button and select Generate Payment. A new window will open where the bank account needs to be entered and the method of payment needs to be entered. Click on OK button. The system will use a cheque that has been created for that particular bank in the system and the cheque number used for this purpose gets populated in the field below the lines.	Y	HML requires to use the systems feature of cheque creation and use it for printing cheques through the system the format for cheque needs to be set up in the system so that the details appears correctly in the bank issued cheque leaves.	C
9.	HML/PJ/1.9	Validate the Journal	Once the line details have been filled, validate the journal for ensuring correctness of the entry	N		SF
10	HML/PJ/1.10	Posting	Once the correctness of the entry has been established the entry can be posted.	N		SF

3.8 Accounts Receivables

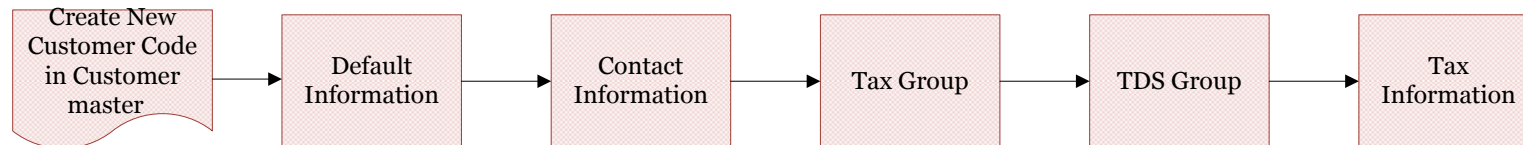
3.8.1 Customer Master

Customer Master is created to keep a record of the customers that the organization is dealing with. It helps to keep a track of the balance outstanding of the customer and thus the organization can take timely action for recovery of the same.

HML has various customers who can be grouped into different customer groups for example, Rubber customer, Tea customer, Export Customer, etc. Various customer groups can be created for the purpose and customers can be attached to those groups depending on their nature of purchase.

HML requires that the Customer Master should have different fields to capture different information for different kinds of Customer. Broadly, they require differentiation as Rubber Customer and Other Customers. As such the system has only one customer master and the fields are general, it does not differentiate between various groups of customer. The gap fitment has been covered below.

3.8.1.1 Business Process Flow -Business Process Map



3.8.1.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
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1	HML/CM/1.1	Create new customer code in customer master	<ul style="list-style-type: none"> A unique customer code for each customer is allotted by the system as per the defined format. Customer name is entered in the master. A Customer group is attached to the vendor to which the ledger will be mapped in CoA. Other details including the tax information as provided and applicable are entered in the customer master. 	Y	HML requires that there should be separate customer master for rubber and non-rubber customers. PwC will give a field where the users can chose from the available option of rubber and non-rubber and accordingly the field details to be entered will change. Moreover, HML requires Rubber Board Number to be captured in the Customer Master. (PwC will provide a field in the customer master to capture the Rubber Board Number)	C
2	HML/CM/1.2	Default Information	Set up default information like method of payment, terms of payment, etc. this flows to the transaction.	N		SF
3	HML/CM/1.3	Contact Information	Enter Contact information such as Address, Telephone No., Email ID, etc.	N	HML wants to capture multiple addresses. The system has the flexibility to allow more than one address.	SF
4.	HML/CM/1.4	Tax Groups	Default tax groups relating to indirect tax can be attached so that they flow on the purchase order lines or journals.	N		SF
5.	HML/CM/1.5`	TDS groups	Default TDS group can also be attached so that the same automatically flows to the transaction.	N		SF
6.	HML/CM/1.6	Tax Information	Attach and enter tax registration numbers for TIN, TAN, PAN, CST, etc.	N		SF

3.8.1 Customer Invoicing

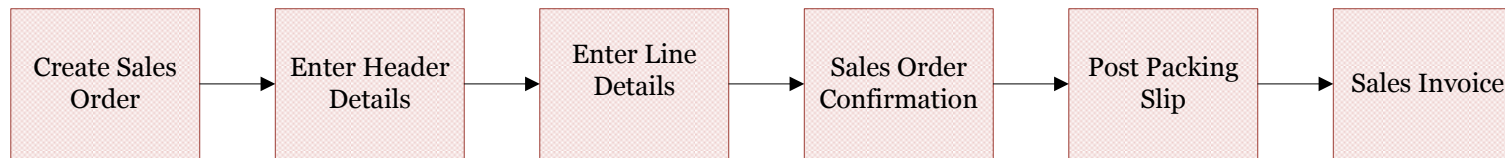
Sales of goods to customer are an important source of revenue for any organization. Goods manufactured or procured needs to be sold so as to recover the cost of producing the goods as well as generate some profit for the organization so that the business can continue to run.

HML is engaged in the business of manufacturing tea and rubber which it sales to the brokers or agents as well as to direct customers. HML needs to record the receipt of sales proceed from the sale of goods to customer for reporting purpose as well as determining the profitability of the organization. Sales also result in the inflow of cash in the books of accounts as well as it results in the reduction of inventory. So, it also has an impact on the Balance Sheet.

HML is engaged in the sale of tea and rubber to brokers who sell it to the customers as well as it exports products outside India. HML will be using the standard Sales Order Process present in AX2012 for recording all kinds of Sales. Following has been discussed in detail in the T&L FRD.

The Financial Impact of Sales at various level of Sales Order Process is discussed below:

3.8.1.1 Business Process Flow -Business Process Map



3.8.1.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
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1	HML/SO/1.1	Create Sales Order	Create a new Sales Order in the system for making sales to customers.	N		SF
2	HML/SO/1.2	Enter Header Details	<ul style="list-style-type: none"> Enter the header details in the header view area in the Sales Order form like the customer details, site and warehouse details, etc. 	N		SF
3	HML/SO/1.3	Enter Lines Details	Enter the details of the item to be sold like the item name, item number, quantity, unit price, etc.	N		SF
4	HML/SO/1.4	Sales Order Confirmation	Once all the details are entered then the Sales Order needs to be confirmed for further processing	N		SF
5	HML/SO/1.5	Packing Slip	<p>After the Order has been confirmed, a packing slip needs to be generated and posted in the system in the Sales Order Form.</p> <p>The system passes the following interim entries:</p> <p><i>Trade Receivable Interim A/c Dr.</i> <i>To Inventory Interim A/c</i></p>	N		SF
6.	HML/SO/1.6	Sales Order Invoice	<p>After the packing slip is posted then the Sales Invoice has to be generated for recording the receivables from the customer against whom the Sales Order was generated.</p> <p>On invoicing the system reverses the entry posted during packing slip and passes the following entries:</p> <p>i. <i>Inventory Interim A/c Dr.</i> <i>To Trade Receivables Interim A/c</i></p>	N		SF

			ii. <i>Sundry Debtors A/c Dr. done</i> iii. <i>COGS A/c Dr. To Inventory A/c To Sales Tax A/c</i>			
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3.8.2 Customer Payment Receipt

Receipt from customer needs to be recorded in the system as it is the major source of income. It is an integral part of the Finance function as it affects the customer balance and accounts receivable balance at the end of the year. Moreover, the organization is aware of the amount outstanding with each customer and proper steps can be taken for their recovery if necessary.

Sales are made through Sales Order in the Accounts Receivable module, whereby the users issue sales order in the name of the customer or broker as the case may be and then goods are sent to the customers and then the invoice is sent to record the receivable from the customer.

The various kind of Sales Process that will be followed by HML has been covered in detail in the T&L FRD.

Auction Sales through Broker:

HML sells Tea in Auction Sales, where the broker acts as middlemen and sells tea to the customers in the auction on behalf of HML. The broker sends the sale note and the delivery order to the bank. The end customer makes the payment to the bank and the bank sends the remittance details to HML through a csv file. The csv file is the net amount after deduction of Commission, Sales Charges, Lot Money, Service Tax, etc.

In case of the auction sales, the various charges deducted have to be recorded in the system.

Workaround:



The default feature in the Sales Order to allocate charges can be used for this purpose, whereby, the charges will be allocated as a credit as such instead of adding value to the customer value, it will deduct the charges from the customer value and post those charges into the respective account.

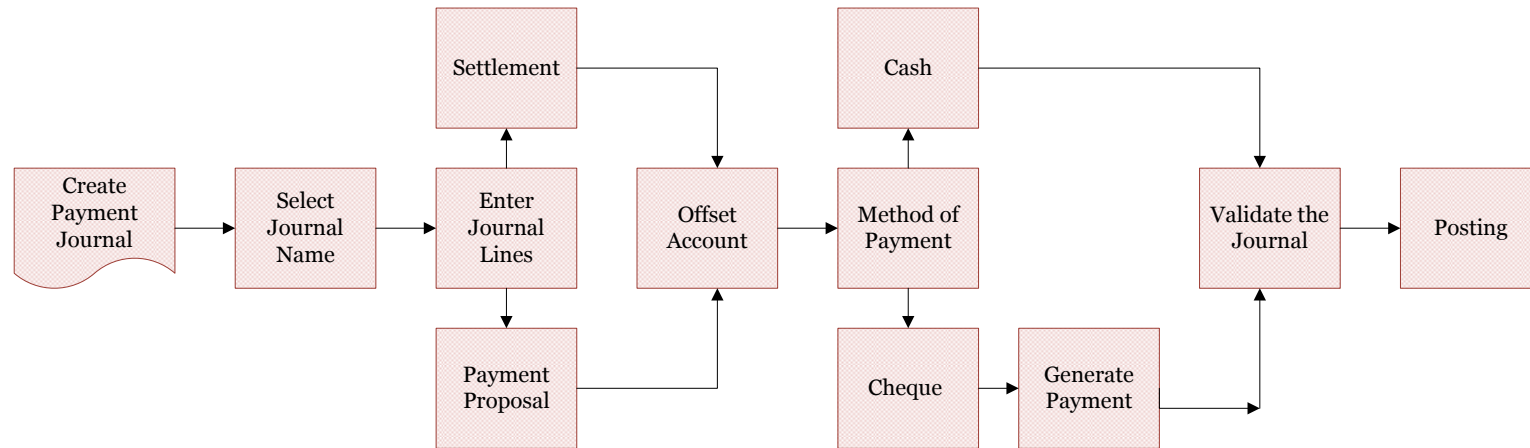
The entries that will be created during Sales Order Invoice creation will be as follows:

Customer A/c Dr. (With the net amount of sales after deducting charges)
 Miscellaneous Charges A/c Dr. (broker charges)
 To Sales A/c (Gross amount of sales)

During Payment Receipt from the customer the following entries will be created in the system: based on the csv file received from the bank- Details of the csv file from the bank to be stored in a separate table for generating reports later. The receipt journal to be created automatically while posting this csv file data. A mapping table is required to link the broker in the CSV file and customer id of the broker in AX2012.

Bank A/c Dr
 To Customer A/c – (Broker A/C)

3.8.2.1 Business Process Flow -Business Process Map



3.8.2.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/RJ/1.1	Create Payment Journal	A payment journal is created to enter the required accounting transactions	Y	The payment journal to be created by the application based on the csv file sent by the bank. <u>The data of the csv file will be stored in a customized table and amount summarised on the broker and sale number should be posted as journal lines .-</u>	C
2	HML/RJ/1.2	Select Journal Name	The Journal name for Payment Journal should be selected. On selection: <ul style="list-style-type: none"> The Journal Number (system generated). HML needs different journal voucher number sequence for every estate which is the primary dimension. The default journal description for the journal would be provided. 	Y	HML is currently using different set of common journal names for every estate. PwC recommends continuing with the existing use since AX 2012 does not support the feature of having different number sequences for the same journal name.	W
3	HML/RJ/1.3	Enter Journal Lines	Select the customer from the customer master from whom the payment is to be received.	Y	The payment journal to be created by the application based on the csv file sent by the bank. The user should be able to verify the data from	C

					custom interface and with a click of a button should be able to create and post the journal lines in one go. Settlement would be done subsequently after posting.	
4	HML/RJ/1.4	Settlement	Settlement of posted invoice and posted payment would be done. This would be done manually by the user.	Y	HML makes sales through broker who then sales it to other customers. The broker remits the amount received to HML after deducting certain expenses or charges like brokerage, lot money, sales charges, service tax, etc. (To continue with existing customization that deals with TDS outside the system-TDS entries not to be created by the system. Brokers will not be set up as vendors and brokerage etc. will be managed through Misc. Charges option in the Sale Order itself)	W
5	HML/RJ/1.5	Offset Account	In the Offset Account type select ledger if payment is required to be received through cash or select bank if payment is required to be received through bank. In the offset account select the cash account or bank account respectively.	Y	The payment journal to be created by the application based on the csv file sent by the bank..	C
6.	HML/RJ/1.6	Validate the Journal	Once the line details have been filled, validate the journal for ensuring correctness of the entry	N		SF

7.	HML/RJ/1.7	Posting	Once the correctness of the entry has been established the entry can be posted.	N		SF
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3.8.3 Accounts Receivable Revaluation

Accounts Receivable contains the customer balances which the organization is yet to receive from the customers for the goods or services sold to them. Customers can be both Indian as well as Foreign. Therefore, it becomes necessary to revalue the foreign customers as their balances at the year end has to be revalued and correctly shown in the books of accounts depending on the exchange rates between the currencies of the two countries.

HML exports goods to customers outside India and has therefore foreign currency receivable. The customer balances at the period end should show the correct outstanding balances as per the exchange rate prevalent on the closing date. For this purpose HML needs to carry out Foreign Exchange Adjustments which calculates the fluctuation in the customer balances and records the foreign currency exchange gain or loss in the profit and loss account.

HML wants foreign exchange revaluation for Accounts Receivable module only.

3.8.3.1 Business Process Flow -Business Process Map



3.8.3.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/ER/1.1	Foreign Currency Revaluation	In the Accounts Receivable Module select Foreign Currency Revaluation under Periodic Activities.	N		SF
2	HML/ER/1.2	Select the Method and Date of Revaluation	<p>Select the method of revaluation from the available options:</p> <ul style="list-style-type: none"> • Standard – Foreign currency revaluation jobs are posted regardless of whether the result is a profit or a loss. • Minimum – Foreign currency revaluation jobs are posted only if the result is a loss. • Invoice date – Foreign currency revaluation jobs use the original exchange rate of the transactions, which are revalued to their original value in the accounting currency. The effect of any prior foreign currency revaluation is cancelled. <p>Enter the date of Revaluation, i.e., the date on which the Revaluation is</p>	N		SF

			being carried out.			
3	HML/ER/1.3	Date Of Rate	Enter the Date of Rate that is the date on which an exchange rate has been set up and that rate would be used for revaluation	N		SF
4	HML/ER/1.4	Select the Posting Profile	Select the Posting profile created in the Accounts Receivable module.	N		SF
5	HML/ER/1.5	Click Ok and finish the revaluation	Click the OK button to finish the revaluation and see the effect of revaluation on the customer balances as well as the profit and loss account.	N		SF

3.8.1 Other Incomes

HML has certain other sources of income apart from selling manufactured goods to brokers or customers. These incomes though miscellaneous have a financial impact on the organization’s profit and loss as they form part of the income. It is of utmost important that these incomes should be accounted for correctly and in a timely manner in the system. Following are the miscellaneous incomes:

i. Loans to Workers/Advances:



HML grants loans to workers when they require it. On these loans, it charges certain amount of interest, which they receive periodically from these workers. These will be covered in Payroll module.

ii. **Deposits with Bank:**

HML has to maintain certain deposits with banks for various purposes. They are also required to keep a certain sum of money with bank so that they can get the letter of credit from bank. The money they deposit are treated as fixed deposit by the bank who give interest on these deposits, hence they are required to be recorded as income in the books of the company. These can be done through Journal Vouchers or it can be also done through Accounts Receivable Payment Journal. If it is done through Payment Journal then bank is required to be created as a customer.

iii. **Lease Rentals:**

HML has given its land to certain authorities in its estates for setting up various structures. HML receives lease rents from these authorities from time to time. This Rental Income is to be recognized in the books of accounts, as such it is better to create the lease as customer in the customer master and then record the receipt of lease rents through Payment Journal in Accounts Receivable module.

iv. **Subsidy:**

HML receives various kinds of subsidies from Government for carrying out various activities like for planting trees, for building fixed assets. HML record these subsidies received from the authorities as its income. Thus for recording the receipt from the authorities HML can create them as customers in the system and then when they receive the payment they can record it through Payment Journal in the Accounts Receivable module.

v. **Hospital Incomes:**

HML maintains hospitals in its estates for its workers as required by law. For the treatment of workers they don't charge any money from them. However, there might be circumstances where the worker brings any of his relatives, and then he may be charged some fees for consultation and medicine costs. Moreover, local residents who do not work in the estates use the facility as there are no hospitals around and they are also charged for the services offered. This creates hospital income in favor of HML. HML can create the hospitals in the estates as their customers and can record their income through Accounts Receivable module.

3.9 Fixed Assets Management

Fixed Assets (FA) are acquired in an organization to carry on its business activities smoothly. The costs of these assets are capitalized during the purchase and are depreciated over a period at a rate allowed as per the category of asset under the Companies Act & Income Tax Act. The system maintains the details of the transactions of each Fixed Asset in a separate Fixed Asset Master.

Fixed Asset master would contain information about the Fixed Asset group, the specifications of the Fixed Asset, the depreciation method and percentage (if applicable). Fixed Asset depreciation profile will determine the method and the period for charging depreciation. The purpose of the method is to allocate the depreciable value of the asset into accounting periods. The depreciation profile followed will be attached to a Value Model which will be created for the Fixed Asset group. The value model created will be attached to a Fixed Asset Group. Different Fixed Asset Groups can be created and the Fixed Assets will be attached to a Fixed Asset Group. So Fixed Asset Group, Value Model and Depreciation Profile are all interlinked.

If certain Assets have to be completely written off within its useful life under WDV, then that asset has to be written off before it has completed useful life. For this purpose a manual depreciation entry needs to be passed in the fixed assets journal for completely writing off the asset. If the asset is sold or disposed of then similarly an entry for sale of fixed asset will be required to be passed.

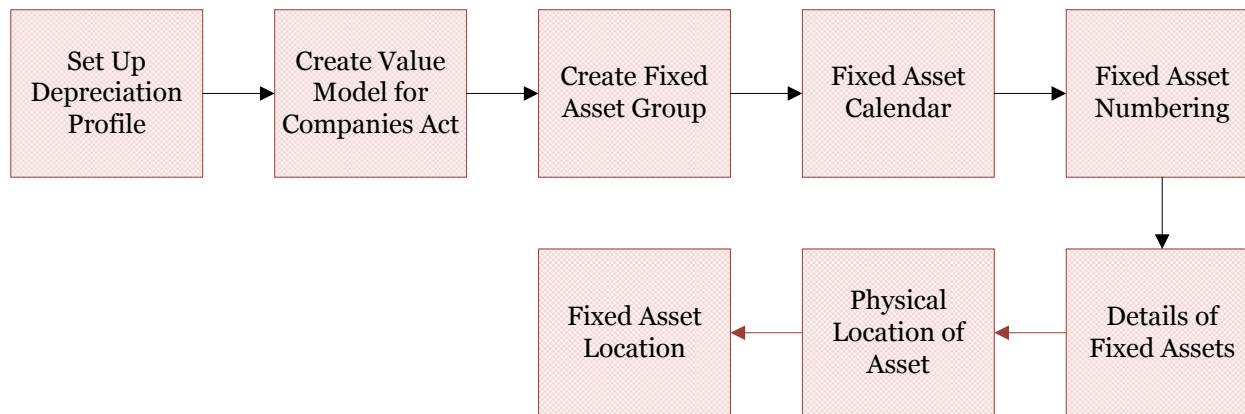
Fixed Assets are acquired through Purchase Order (PO) or through Journals (like FA Journal). In case FA's are acquired through PO, relevant tax groups have to be attached at the transaction level. Based on the tax group, applicable taxes will be calculated and posted to ledger accounts defined at the set up level. Fixed assets can be acquired in the following manner:

1. Purchase Orders
2. Invoice Journals/FA journals

3.9.1 Fixed Assets Setup and Creation

Fixed Assets setup and creation consists of activities like setup of depreciation profiles, values models for Companies Act and also for Income Tax Act, fixed asset groups and so on. These are the initial setup activities to be completed before creating fixed assets master.

3.9.1.1 Business Process Flow -Business Process Map



3.9.1.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/FA/1.1	Set Up Depreciation Profile	Create depreciation profiles as per the Companies Act and Income Tax Act for each group of fixed asset. Select the method of depreciation and the frequency.	N	<p>HML wants to capture depreciation shift wise. (Shift wise depreciation is possible in the system). HML requires to capture Estate wise depreciation on the basis of shifts along with dimension capture. Depreciation should be calculated and the dimension should be able to be recognized.</p> <p>Separate depreciation profiles can be created for assets in different estates to capture different shift rates in different estates. Provision should be given to capture factory wise number of shifts- Double, triple and total and additional shift depreciation should be worked based on this data.</p>	SF
2	HML/FA/1.2	Create Value Model for Companies Act	Setup value models for each group of fixed assets as per the Companies Act	N		SF

3	HML/FA/1.3	Create Fixed Asset Group	Setup fixed asset groups like Computers, Furniture & fixtures, Leasehold Improvements, etc	N		SF
4	HML/FA/1.4	Fixed Asset Calendar	Fixed Asset calendar is used for depreciating fixed assets. Fixed asset calendar can be selected at value model level	N		SF
5	HML/FA/1.5	Fixed Asset Numbering	Based on the number sequence attached to the fixed asset group, system can generate Fixed asset no. which can be different for different fixed asset groups.	N		SF
6.	HML/FA/1.6	Details of Fixed Assets	<p>The details like location of the asset, Quantity within that Asset with price of each, Make, Model, year, Serial no., Guarantee Date, Technical information, Asset Condition is maintained.</p> <p>This would eliminate the need to maintain a parallel excel sheet for the details of the asset with the BU.</p> <p>One can also define parent and child relation between fixed assets. Child asset can be from different fixed asset groups and have different depreciation profiles but can be children to one parent asset.</p>	N		SF
7.	HML/FA/1.7	Physical Location of Asset	The location master in fixed asset can be used to capture the physical location of the fixed asset	N		SF
8.	HML/FA/1.8	Fixed Asset Location	The information relating to location and employee entrusted with the asset, lease hold details, physical inventory date can be entered in the	N		SF

			fixed asset master			
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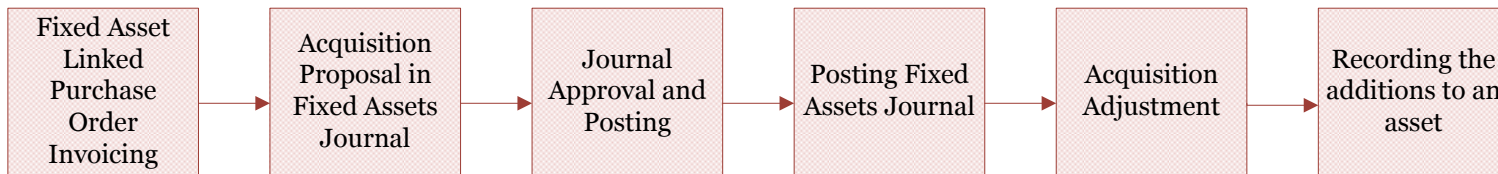
3.9.2 Fixed Assets Acquisition

HML would acquire Fixed Assets (FA) such as Building, Plant & machinery, vehicles, furniture & fixture, computers, office and other assets. This can be done either using a Fixed Asset Journal or a Purchase Order. In this section, the acquisition through Fixed Asset Journal, Purchase Order has been explained in detail. Fixed Assets may be directly purchased or may be built by the organization. Building of an asset requires certain amount of time and till the asset is not completed it cannot be recorded as an asset in the system. It has to be recorded as capital work in progress. Once the asset is completed, then the asset that has been created needs to be debited and the capital work in progress needs to be credited for transferring any value left in the capital work in progress account to the fixed asset account.

3.9.2.1 Business Process Flow -Business Process Map



PO based acquisition of Fixed Assets



3.9.2.2 Business Process Description - Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/FAA/1.1	Fixed Asset Master Creation	The fixed asset master is created by selecting the fixed asset group for which the acquisition is to be done	N		SF
2	HML/FAA/1.2	Post the Asset Acquisition Value	Create a Fixed asset journal to post the acquisition entry by selecting the Fixed Asset and Transaction type as “Acquisition”. Attach appropriate dimensions before posting the journal. U have	N		SF

3.	HML/FAA/1.3	Offset Account	In the Offset Account field the user can enter the bank account. <i>If a capital work in progress needs to be capitalized, select the fixed asset in the debit side and in the offset give the capital work in progress amount. This will neutralize the value in capital work in progress account and debit the balance in the asset account.</i>	N		
4	HML/FAA/1.4	Journal Approval and Posting	The user creating the journal should not be able to post it (Maker/Checker) or a workflow would be activated to ensure that the journals are verified before it is posted in the books of accounts.	N		SF
<i>PO based acquisition of Fixed Assets</i>						
4	HML/FAA/1.4	Fixed Asset Linked Purchase Order Invoicing	Fixed Asset gets created in the Master when the GRN is posted with (Packing slip) GRN/Invoice. The following entry will be generated: <i>Fixed Asset Clearing A/c Dr. To Vendor A/c</i>	N		SF
5	HML/FAA/1.5	Acquisition Proposal in Fixed Assets Journal	Acquisition proposal will be run for getting pending acquisitions in Fixed Assets Journal where the assets have been received by procurement and invoiced by Finance in PO.	N		SF
6	HML/FAA/1.6	Journal Approval and Posting	The user creating the journal should not be able to post it (Maker/Checker) or a workflow	N		SF

			would be activated to ensure that the journals are verified before it is posted in the books of accounts.			
7	HML/FAA/1.7	Posting Fixed Assets Journal	Post the Journal. The following entries would be generated: <i>Fixed Asset A/c Dr.</i> <i>To Fixed Asset Clearing A/c</i>	N		SF
8.	HML/FAA/1.8	Acquisition Adjustment	Any additions to the existing fixed asset has to be handled through fixed asset journal with the transaction type 'Acquisition adjustment'	N		SF
9.	HML/FAA/1.9	Recording the additions to an asset	The additions can be recorded against the same asset card in the form of 'acquisition adjustment' entries and nature of additions can be stated in the additions form.	N		SF

3.9.3 Fixed Assets Depreciation

For booking FA depreciation, journal of the type depreciation will be used in the system. System provides for depreciation proposals that suggest the depreciation values for each asset for the period. This will be followed by normal journal validation and posting. One can also compute IT depreciation in the system.

3.9.3.1 Business Process Flow -Business Process Map



3.9.3.2 Business Process Description - Gap Fitment

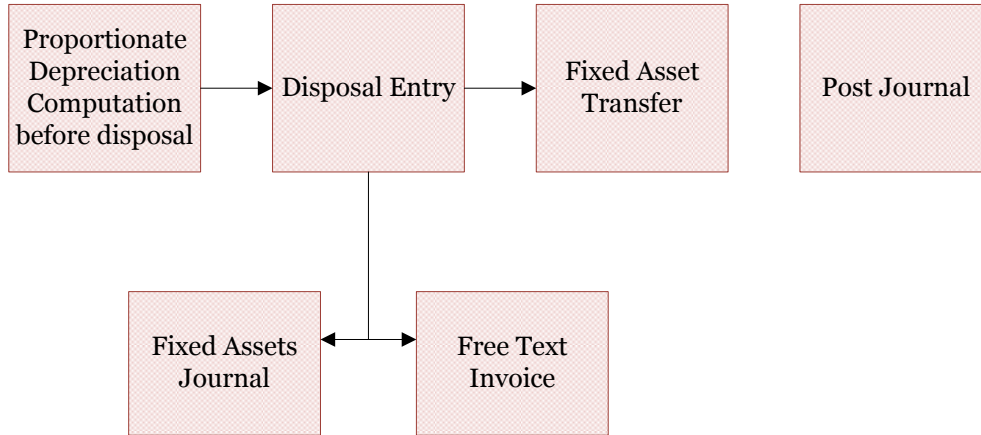
Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/FAD/1.1	Compute Depreciation	A depreciation journal (Fixed Asset Journal of the type Depreciation) will be created and the depreciation proposal will be executed which will suggest the depreciation values for each asset as per the period entered. The proposal can be executed for each individual asset or for a group of asset or on totality basis and can be reported individually for each asset.	Y	Actual No. of Days should be captured for calculating shift depreciation. The system automatically calculates the depreciation for a specified period when depreciation proposal is run in the system after entering date. There is no provision in the system for entering the actual no. of days and the same needs to be customized.	C
2	HML/FAD/1.2	Journal Approval and Posting	The journal so created is first validated by the user and then submitted for approval (either maker/checker or workflow). Once the journal is approved, the journal is posted.	N		SF

3	HML/FAD/1.3	Computation of Income Tax Depreciation	Income tax act depreciation is computed for the block of assets on a quarterly basis and posted in the system after verification of the values computed. These entries do not have impact on the books of account.	N		SF
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3.9.4 Fixed Assets Disposal/Sale

An asset is sold or disposed off either when it has served its life or become obsolete or has been damaged or for any other reason. An asset may even be scrapped for some or other reason.

3.9.4.1 Business Process Flow -Business Process Map



3.9.4.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/FAS/1.1	Proportionate Depreciation Computation before disposal	<p>The asset may be sold at any time of the year. The depreciation can be calculated for that asset using the Depreciation proposal for the part period of the month. After calculation the depreciation needs to be posted.</p> <p><i>Fixed asset periods has to be created on the basis 'daily'(number of days would be calculated</i></p>	N		SF

			<i>automatically for calculation of depreciation of fixed asset to be disposed) in order to calculate the proportionate depreciation</i>			
2	HML/FAS/1.2	Disposal Entry	<p>In the lines, the transaction type selected is “disposal” and the asset number is selected. Other details like dimensions, amount & offset account should be entered.</p> <p>On opening balance we need to punch in depreciation at sub-ledger level to be able to find out accumulated depreciation at time of disposal.</p>	Y	<p>HML requires that tax implications should be captured for sale of fixed asset. Moreover there may be circumstances where they are required to sell a specific quantity of assets. HML requires that sales invoice should be generated by the system for sale of assets.</p> <p>The assets can be sold using Free Text Invoice in the Accounts Receivable module where the tax implications can be captured by the system and a sales invoice can also be generated.</p> <p>For sale of part quantity of an asset, the asset that is required to be sold needs to be split into multiple assets and then that can be sold as an individual asset.</p>	W

3	HML/FAS/1.3	Fixed Asset Transfer	The system has the flexibility to allow transfer of assets from one dimension to another. From the Fixed Asset Master click on the Fixed Asset Transfer button in the Action Pane. Select the Value Model and enter the dimension value to which the asset is to be transferred.	N		SF
4.	HML/FAS/1.4	Post Journal	<p>The entry will update the Fixed Asset and the balance will show as Nil.</p> <p>The amount of profit or loss on the transaction will debit or credit the Profit or Loss on sale of assets account, as the case may be.</p> <p>If assets are sold on loss, the following entry will be generated: <i>Customer A/c Dr</i> <i>Accumulated depreciation A/c Dr</i> <i>Loss on sale of fixed asset A/c Dr</i> <i>To Fixed asset</i></p> <p>If assets are sold on profit, the following entry will be generated: <i>Customer A/c Dr</i> <i>Accumulated depreciation A/c Dr</i> <i>To Fixed asset A/c</i> <i>To Profit on sale of assets A/c</i></p>	N		SF

3.10 Inter Unit Accounting

Inter unit accounting is a major aspect for any organization who has various sub units under it and those sub units are engaged in transactions among themselves. These transactions are required to be identified and correctly recorded for correct accounting and reporting. Moreover, the amount due to or due from the units to the head office or between themselves has to be identified. All inter unit transactions should be recorded so that if the unit wise performance is required to be identified or analyzed the same is available correctly.

HML has 27 estates who are engaged in transaction among themselves as well as between the Head Office. To record this transactions HML now has done some customization in the present system, whereby the transactions get posted in an inter unit account from where the same is reversed by passing an entry by the receiving department.

Customization:

We will carry the existing customization that had been done in AX 2004 into AX 2012 and the same process will be followed for posting inter unit transactions.- It will be desirable for an alert to be triggered to recipient unit.

3.11 Indirect Taxes

3.11.1 Manage Service Tax Transactions and Settlements

In accordance with Finance Act of India, service tax is a federal tax that is imposed on all taxable services that are specified in the Taxable Services chapter. Service tax must be paid on all services that are provided in India to an Indian client or a foreign client. At present 92 services are included under the service tax including the services provided by the Goods Transport Agency (GTA).

Service tax registration number (STC number):

Any individual or organization that provides taxable service is liable to pay the service tax and is required to acquire the service tax registration number from the service tax authority. A person who is liable to pay service tax must register with the concerned authorities. Section 68 of the Finance Act, 1994, stipulates that service tax shall be paid by a person who provides taxable service. Therefore, only those rendering taxable services are required to register. The following are required to register with the service tax authorities:

- Input Service Distributor Output
- Service providers who avail value based turnover exemption

Reverse Charge Mechanism:

Recent amendments in Service Tax has been introduced whereby for certain kinds of services both the service receiver as well as the service giver needs to share the burden of the service tax at a pre-defined rate of service tax. The services covered under this scheme known as, "Service Tax Reverse Charge Mechanism", has been specified by the government and the rates have been specified.

Calculation of service tax:

Service tax is calculated on the value of the taxable service.

Components of service tax:

The calculation of service tax components is sequential. The sequence that the components of service tax should be calculated, are listed below.

1. Service tax
2. Primary Education cess on service tax (PE-cess on service tax)
3. Secondary and Higher Education cess on service tax (SHE-cess on service tax)

There are few set up activities which need to be completed by the finance department before Service Tax calculation starts –

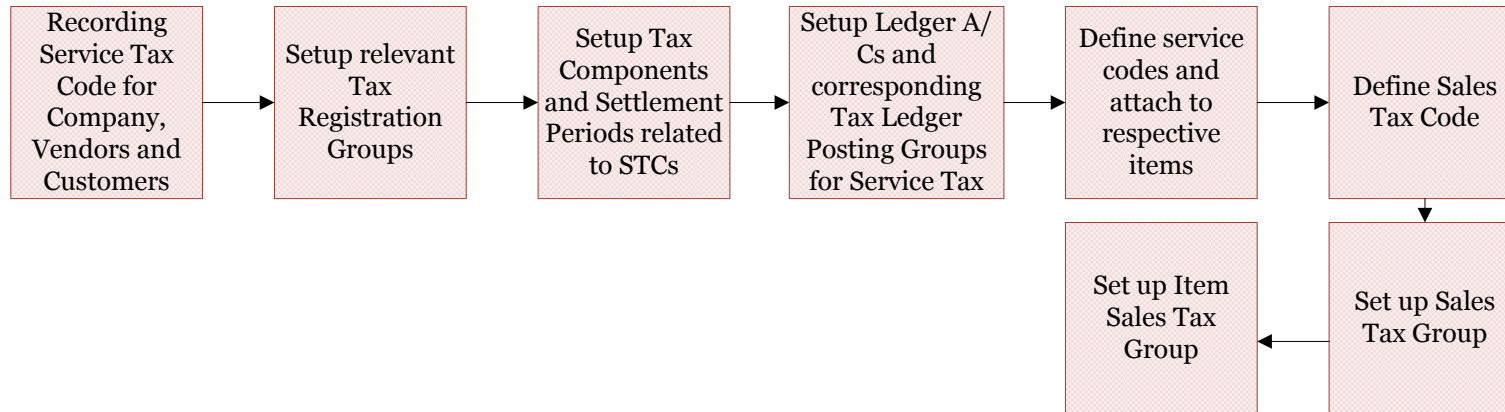
- Setting up service tax parameters and creating the ledger accounts
- Setting up the service tax authority, settlement period and service tax components
- Setting up the registration numbers for company, customer and vendor
- Defining tax accounts through tax ledger posting group
- Defining service codes and linking with the items
- Defining sales tax group and item sales tax group
- Defining the rate of tax applicable for the groups

Separate Service Tax codes needs to be created for applying Reverse charge in calculation of Service Tax. While defining the tax codes the rate at which the tax should be deducted and the rate of reverse charge needs to be defined.

After the basic setup, service tax is applied and calculated on transactions involving service rendered or received. Accordingly, the Service Tax accounts, recoverable, payable and expense are updated with respective components of service tax.

Service Tax is also calculated on transactions carried out using journals like general journal, invoice journal, purchase journal, payment journal, etc.

3.11.1.1 Business Process Flow -Business Process Map



3.11.1.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/ST/1.1	Recording Service Tax Code for Company, Vendors and Customers	Define the STC number for the company, vendors, and customers. Also attach the respective STCs to the specific company address, or vendor or customer.	N		SF
2	HML/ST/1.2	Setup relevant Tax Registration Groups	The tax registration number and the tax type are attached to the tax registration group which is used at the time of settlement of taxes.	N		SF
3	HML/ST/1.3	Setup Tax Components and	Define the service tax components and the tax setoff rules. The following three tax components are	N		SF

		Settlement Periods related to STCs	<p>created:</p> <ul style="list-style-type: none"> • Service tax • E-cess or PE-cess • SHE cess <p>Tax Setoff rules for service tax can also be defined where in the amounts of the various components of the service tax in the service tax payable account can be set off with the amounts of the same components in the service tax recoverable account. The amounts of the various components of the service tax in the service tax payable account can be set off with that of excise and other taxes.</p> <p>Also create the settlement periods for service tax that the company uses to pay service tax to the authority. Attach the authority created for the service tax to the service tax-settlement periods.</p> <p>It is the periodic interval at which the payment has to be made to the tax authorities and should be set accordingly as per month or quarter as the case maybe.</p>			
4.	HML/ST/1.4	Setup Ledger A/Cs and corresponding Tax Ledger Posting Groups for	<p>Create the following ledger accounts for each service tax component, to record the service tax transactions:</p> <ul style="list-style-type: none"> • Payable account 	N		SF

		Service Tax	<ul style="list-style-type: none"> Recoverable account Interim payable account Interim recoverable account Expense account <p>all with the posting type as Service Tax.</p> <p>Create the ledger-posting group for service tax. The ledger accounts must be attached to various components of the service tax for a specified STC number or for all the STC numbers.</p>			
5.	HML/ST/1.5	Define service codes and attach to respective items	Define the service codes for service-items. Attach the service code to the items of type service to calculate the service tax.	N		SF
6.	HML/ST/1.6	Define Sales Tax Code	Create service tax codes for the service tax that the company should calculate and pay to the service tax authorities. Attach each code to a service tax component and specify the percentage for the calculation of service tax as its value.	N	<p>HML is engaged in certain activities in which Service Tax is applicable on Reverse Charge Mechanism whereby certain amount of tax is borne by the other party.</p> <p>The new system has this default the feature in whereby while creating the Service Tax code the reverse charge rate can be specified, so that while calculating service tax on any transaction only the</p>	SF

					portion applicable will be calculated	
7.	HML/ST/1.7	Set up Sales Tax Group	Create the sales tax groups that determine the calculation of service tax. The sales tax groups for service tax are attached to service tax codes.	N		SF
8.	HML/ST/1.8	Set up Item Sales Tax Group	Use Item Sales Tax Groups to indicate how the service tax must be calculated for each item. Attach the sales tax codes for service tax to the item sales tax groups. Define the load on inventory percentage for the sales tax codes. Define the formula to calculate service tax for the item sales tax group. The formula for the service tax codes can be defined using service tax codes.	N		SF
Applying Service Tax to Purchase Order Transactions						
9.	HML/ST/2.1	Generation of Purchase Order	Purchase Order is generated either manually or on confirmation of Planned Orders. This will be applicable for both work orders as well as normal orders if HML receives service and for that purpose it creates service orders	N		SF
10.	HML/ST/2.2	Attach Relevant Sales Tax Group to Order and Item Sales	Select the sales tax group for the order to calculate service tax on purchase. Use the Item sales tax group at the order line level to select the group	N		SF

		Tax Group to Order Lines	of service tax codes that is calculated for an item.			
11.	HML/ST/2.3	Define STC, Service Code and GTA Service Category	Select the STC number of the company at order line level. The ledger accounts for posting the service tax amounts are identified based on the STC number. Also select the service code for the item(if service type) and GTA service category for a GTA vendor.	N		SF
Applying Service Tax to Sales Order Transactions						
12.	HML/ST/3.1	Generation of Sales Order	Sales Order is generated manually.	N		SF
13.	HML/ST/3.2	Attach Relevant Sales Tax Group to Order and Item Sales Tax Group to Order Lines	Select the sales tax group for the order to calculate service tax on sale. Use the Item sales tax group at the order line level to select the group of service tax codes that is calculated for an item.	N		SF
14.	HML/ST/3.3	Define STC and service code for the item	Select the STC number of the company at order line level. The ledger accounts for posting the service tax amounts are identified based on the STC number. Also select the service code for the item (if service type). In case of a composite work order wherein material and service cannot be distinguished how do we handle it? In this case WCT will be	N		SF

			charged. WCT will be configured in the system in the same manner as TDS and will function accordingly			
Pre-settlement Adjustments of Taxes and Settlement of Taxes						
15.	HML/ST/4.1	Calculate Service Tax using Journal Transactions	Calculate Service Tax for transactions carried out using journals like general journal, Purchase Journal, Invoice journals, Payment journals, etc.	N		SF
16.	HML/ST/4.2	Update the Abatement Certificate for Service Tax Transactions	The abatement certificate number can be updated for the service tax transaction that is eligible for abatement and is posted for a GTA vendor through the Purchase order or Journal voucher The abatement certificate number can be updated for the transactions that the abatement certificate number is not entered.	N		SF
17.	HML/ST/4.3	Run Periodic Sales Payment Process	Run the periodic sales tax settlement process to settle the service tax amount to the tax authorities. One can select only those service tax-related voucher transactions that will be considered for the settlement process for that period.	N		SF
18.	HML/ST/4.4	Make Tax Adjustments if required	Before settling the taxes to authorities, Calculate the service tax that is due for a given period. The tax amounts can be adjusted according to the setoff rule through tax adjustment feature.	N		SF

			The adjusted tax amount is the amount obtained after setting off the amounts between the various tax-components according to the setoff rule.			
19.	HML/ST/4.5	Review the Tax Payments against the particular settlement period	Review the tax amount settled to the Service tax authority along with the tax payment details such as, the service tax code, tax registration number, tax component for the tax registration number, original amount, and the service tax amount on the service tax payment report.	N		SF

3.11.2 Manage Sales Tax and VAT register and Settlements

In India, sales tax is a tax levied on the sale of a commodity. There are two types of transactions in India inter-state and intra-state transactions. The sales tax for inter-state transactions is a federal tax that is administered by the Central Sales Tax Act and is referred to as Central Sales Tax (CST). The sales tax for intra-state transactions is administered by the state government and is referred to as Value Added Tax (VAT) with effect from April 1, 2005. A product that is purchased in an inter-state transaction (CST) and is sold in another state is exempt from sales tax (VAT), if it is sold without being processed further. The liability to collect the sales tax is on the vendor of the taxable goods, though it is usually recovered from the customer. The local sales tax is administered by the sales tax authority of the state the transaction takes place in.

The rates and the basis of calculation of tax are defined under the Sales Tax Act. These tax components reflect in the registers and reports that are maintained according to the legal requirements.

The rate of sales tax in India depends on the following criteria:

- Type of transaction- the type of buyer, whether registered or unregistered, because different rates are applicable for registered and unregistered buyer.
- Nature of the transaction, that is, inter-state or intra-state or Export sale (Form H).
- Description of the goods

- Form type used- Form will be selected accordingly depending on the basis of selection of the type of buyer.

VAT is a state specific tax, as the state has the power to take independent decision on the tax system however, the Government of India has imposed certain features of VAT on all the states with a view to avoid unhealthy competition. The Value Added Tax is levied on a dealer on the sale of goods within the state, on the use of goods in the execution of a works contract and on amounts received for hire charges. VAT is also payable on the purchase of goods from the unregistered dealer at the rates as specified. The responsibility to collect the tax is on a registered dealer. The dealer is to account for the VAT and remit the tax collected to the state. Under the VAT Act of a state, the goods are classified into different categories or schedules and rates are defined for each category or schedule.

The basic setup for VAT, includes the Parameters setup, Ledger account for VAT setup, Tax Identification Number (TIN) setup, Attaching TIN to the Company, Customers and Vendors, Tax components setup, Posting profile setup for VAT, and Tax codes setup for VAT.

The basic setup for India sales tax(CST), includes the parameters setup, ledger account for sales tax setup, tax registration number setup, tax registration group setup, tax components setup, tax setoff rule setup for the tax components, sales tax authority setup, sales tax settlement period setup, tax ledger posting group setup, India sales tax forms setup, sales tax codes setup, attaching the sales tax codes to sales tax groups and item sales tax groups, maximum retail price for items setup, transfer opening balances setup and split based on delivery information for purchase transactions setup.

After the basic setup, CST or VAT is applied and calculated on transactions involving sale or purchase of services. Accordingly, the VAT or CST accounts, recoverable, payable and expense are updated with respective components of sales tax. VAT deferment is provided for applied VAT on procurement of Capital Goods. Miscellaneous charges can also be allocated to the sales or purchase transaction if any.

CST/VAT is also calculated on transactions carried out using journals like general journal, invoice journal, payment journal, etc. For CST purposes, the transaction details of the goods in transit can be updated before settling taxes for a specific period. The transit document details are updated for posted sales tax transactions. Also for VAT Settlement, pre-settlement process is run to post the VAT deferment amount from VAT deferred account to VAT recoverable account.

At the time of tax settlement, the tax adjustments can be updated and viewed along with the recoverable amount, and the payable amount. The time interval to settle sales taxes (local or central) depends on the tax liability of the previous year. Inquiries can be made on the transactions on which the sales taxes are calculated for a specific period.

HML often purchases raw materials from local vendors who are unregistered with the Tax Authorities. On those purchases HML has to pay certain amount of tax known as Purchase Tax. Now for certain purchases from specified vendors HML does not get any input credit for the Purchase Tax paid and that needs to be added to the cost of inventory. For other types of Purchase Tax paid

HML gets input credit which it can claim as recoverable from the tax authorities. So, to cover these scenarios, two separate Purchase Tax codes will be created in the system and for one of them it will be specified that the tax will be loaded on inventory and so that tax code can be used in transactions where HML does not get any input credit.

Applicability of VAT on Rubber CESS – In Rubber sales invoicing:

As per the rubber ACT - Customer has to pay Rs 2 per kilo of rubber (This may be subject to change as per the rubber act) sold from HML directly to Rubber Board (This amount should not be included in our invoice, however the VAT on this Rs 2 has to be calculated and added to the VAT amount applicable. In the system since for calculating VAT a base amount is required we would have to enter cess amount in the system. Once the system calculates the VAT amount we will provide a discount with the cess amount such that the cess amount becomes zero and only the VAT portion of the cess amount is charged in the invoice.

The following entries will be generated:

1. While applying Cess:

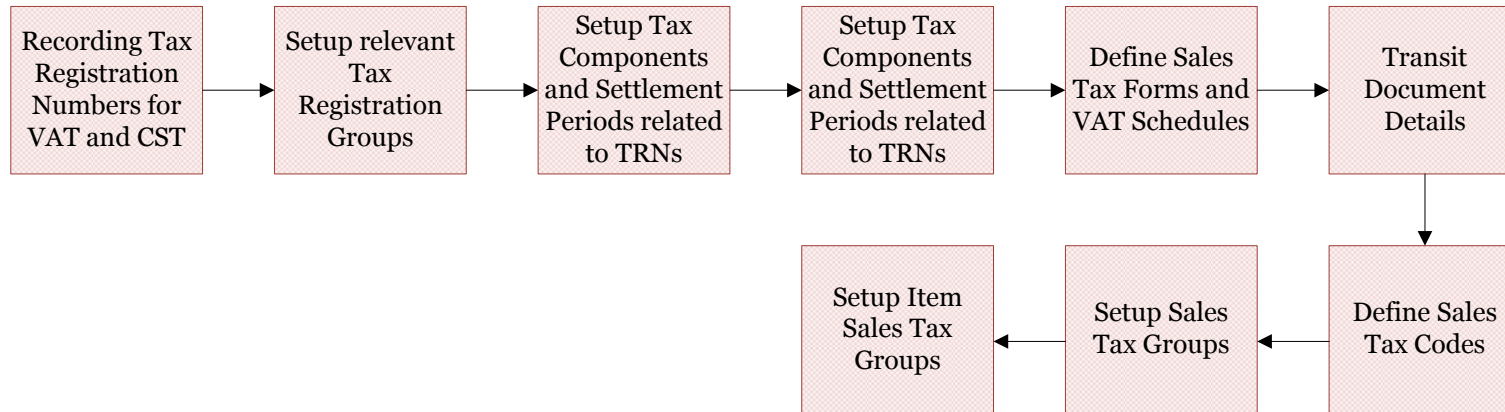
Customer A/c Dr.
 To Cess A/c

2. While discounting:

Cess A/c Dr.
 To Customer A/c

As such there will be no balance left in the Cess Account and as well as the Customer Balance won't have the Cess balance included in it.

3.11.2.1 Business Process Flow -Business Process Map



3.11.2.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/VAT/1.1	Recording Tax Registration Numbers for VAT and CST	Record the Tax Registration Numbers given by the State Government for both CST and VAT against the particular tax type. Also attach the respective TRNs to the company. Against the TRN for VAT, (same VAT for the entire entity, only difference would be for HO). To avoid the problem, due to the same registration number will be	N		SF

			selected during the transaction.			
2	HML/VAT/1.2	Setup relevant Tax Registration Groups	The tax registration number and the tax type (VAT or India Sales tax) is attached to the tax registration group which is used at the time of settlement of taxes.	N		SF
3	HML/VAT/1.3	Setup Tax Components and Settlement Periods related to TRNs	Set up the tax components for India sales tax and VAT. Also, create or update settlement periods for the CST/VAT codes and attach the respective Tax Authority to each of the settlement periods.	N		SF
4.	HML/VAT/1.4	Setup Tax Components and Settlement Periods related to TRNs	Set up VAT-recoverable accounts, VAT-payable accounts, and VAT deferred accounts for VAT for posting VAT Transactions with VAT as the Posting Type. For CST, setup Sales Tax Payable and Sales Tax Expense accounts with Sales Tax as the Posting Type. Use the Tax ledger posting groups to set up ledger accounts to post various tax components of VAT and CST against a specific TIN We would be having different ledger posting groups for CG and other good	N		SF
5.	HML/VAT/1.5	Define Sales Tax Forms and VAT Schedules	Define the Sales Tax forms applicable to the business. The types of sales tax forms are the Local Sales Tax (LST) for intra-state transactions and Central State Tax (CST) for inter-state	N		SF

			<p>transactions. Use VAT schedules to set up the goods according to the various schedules or categories for the state. The goods are classified into different categories or schedules by the state government</p>			
6.	HML/VAT/1.6	Transit Document Details	Transit document details can be used to track receipt/issue of forms to customer/vendor.	N		SF
7.	HML/VAT/1.7	Define Sales Tax Codes	<p>Define the sales tax codes and percentage of tax applicable for both CST and VAT against different settlement periods. Different percentage of tax can be defined for different valid periods. For CST, attach the sales tax code to the type of sales tax form and define the percentage of tax.</p>	Y	<p>HML has a tax requirement for Purchase Tax which is separate from VAT or CST. This Purchase Tax are of two type: for certain kind of purchases where HML pays Purchase Tax they do not get any input tax credit and that needs to get charged to inventory and in case of the certain purchases where they pay Purchase Tax for which they get input credit. For this purpose two separate codes can be created where for one it would be specified that the tax calculated will get loaded into inventory and the other would function in the same manner as other indirect</p>	W

					tax.	
8.	HML/VAT/1.8	Setup Sales Tax Groups	Create sales tax groups that determine the VAT/CST calculation for sales or purchase. Attach sales tax codes to the sales tax groups	N		SF
9.	HML/VAT/1.9	Setup Item Sales Tax Groups	<p>Create the item sales tax groups for India sales tax and VAT and attach the sales tax codes to the item sales tax groups. Define the load on inventory percentage for the sales tax codes.</p> <p>We can define different tax percentage for different forms for VAT, similar to India sales tax. Define the formula to calculate sales tax for the item sales tax group. The formula for the sales tax codes can be defined using sales tax codes and miscellaneous charge codes.</p> <p>In the item sales tax group the % of tax to be loaded on inventory can be defined. The percentage of tax for which input credit cannot be availed will be configured as loaded on inventory.</p>	N		SF
Applying VAT/CST to Purchase Order Transactions						
10.	HML/VAT/2.1	Generation of Purchase Order	Purchase Order is generated either manually or on confirmation of Planned Orders.	N		SF

11.	HML/VAT/2.2	Attach Relevant Sales Tax Group to Order and Item Sales Tax Group to Order Lines	Select the sales tax group for the order to calculate sales tax on purchase. Use the Item sales tax group at the order line level to select the group of sales tax codes that is calculated for an item. Taxes to be calculated on invoice value if charges are loaded on lines.	N		SF
13.	HML/VAT/2.3	Define TRN, Type of Goods and Non-Recoverable pct.	If VAT is applicable to the purchase transaction, then <ul style="list-style-type: none"> • Define the TRN number for the company applicable to the transaction • Select the category of goods for the transactions. The options are input or capital goods. <ul style="list-style-type: none"> ▪ If the goods are input goods, the calculated VAT amount is debited to the VAT recoverable account. • Specify the Non-recoverable percentage, the percentage usage of the purchased goods utilized for the production or manufacturing of non-taxable goods. <p><i>VAT Accounting Treatment at Posting of Purchase Order:</i> The VAT amount is calculated and</p>	N		SF

			posted to VAT recoverable account when the VAT goods type is Input. The percentage of tax amount defined as the Non-recoverable pct. is posted to the ledger account (debit type) or loaded on inventory.			
14.	HML/VAT/2.4	Define CST Registration Number and the form type applicable	If CST is applicable to the purchase transaction, then attach the TRN of the company and the sales tax form type that is relevant to the state code of the vendor.	N		SF
15.	HML/VAT/2.5	Allocate Miscellaneous Charges if any	Attach the miscellaneous charge code and allocate the miscellaneous charges to the transaction.(option to allocate to inventory)	N		SF

Applying VAT/CST to Sales Order Transactions

16.	HML/VAT/3.1	Generation of Sales Order	Sales Order is generated either manually	N		SF
17.	HML/VAT/3.2	Attach Relevant Sales Tax Group to Order and Item Sales Tax Group to Order Lines	Select the sales tax group for the order to calculate sales tax on sale. Use the Item sales tax group at the order line level to select the group of sales tax codes that is calculated for an item.	N		SF
18.	HML/VAT/3.3	Define TRN	If VAT is applicable to the sales transaction, then define the TIN number for the company applicable to the transaction.	N		SF

			<i>VAT Accounting Treatment at posting of Sales Order:</i> The VAT amount is calculated for the transaction, and credited to the VAT payable account.			
19.	HML/VAT/3.4	Define CST Registration Number and the form type applicable	If CST is applicable to the sales transaction, then attach the TIN of the company and the sales tax form type that is relevant to the state code of the vendor.	N		SF
20.	HML/VAT/3.5	Allocate Miscellaneous Charges if any	Attach the miscellaneous charge code and allocate the miscellaneous charges to the transaction.	N		SF
Pre-settlement Adjustments of Taxes and Settlement of Taxes						
21.	HML/VAT/4.1	Calculate Sales Tax/VAT using Journal Transactions	Calculate VAT/CST for transactions carried out using journals like general journal, invoice journals, payment journals, etc.	N		SF
22.	HML/VAT/4.2	Update Transit Documents Details if required	For India Sales Tax transactions, Update the transaction details of the goods in transit before settling taxes for a specific period. The transit document details are updated for posted sales tax transactions.	N		SF
23.	HML/VAT/4.3	Run Periodic Sales Payment Process	Run the periodic sales tax settlement process to settle the sales tax amount to the tax authorities. Run this periodic settlement process monthly or quarterly, based on the	N		SF

			requirement.			
24.	HML/VAT/4.4	Make Tax Adjustments if required	Before settling the taxes to authorities, calculate the amount that is recoverable and payable for the specified period. If required, make the necessary tax adjustments among different tax components in a specified tax registration group.	N		SF
25.	HML/VAT/4.5	Review the Tax Payments against the particular settlement period	Review the tax amount settled to the VAT authority along with the tax payment details such as, the sales tax code, the tax type, tax registration number, tax component for the tax registration number, original amount, and the sales tax amount on the sales tax payment report.	N		SF

3.12 Direct Taxes

3.12.1 Tax Deducted at Source (TDS)

As per Income Tax Act, TDS needs to be deducted on expenses like, Rent, Contracts, Professional Fees, Interest, Commission & brokerage, etc. when the amount crosses a threshold amount. Generally TDS is deducted at the time of invoicing or advance payment whichever is earlier for the defined expenses. The TDS is deducted in both the cases only if the amount crosses the threshold limits.

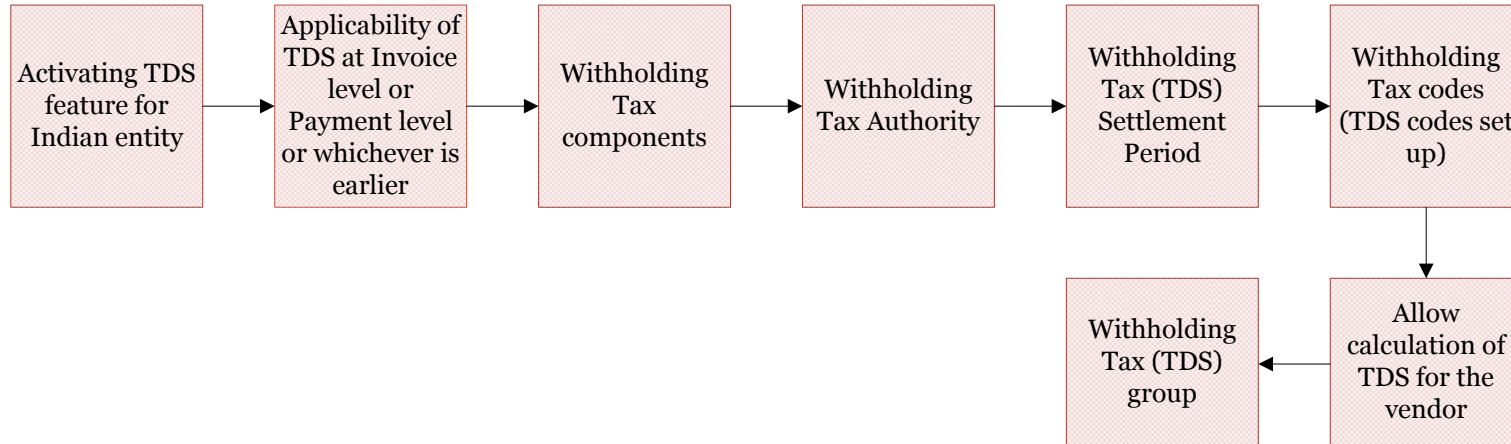
Such transactions would be recorded through Invoice Journal, General Journal, Purchase Order Invoicing Voucher and Vendor Payment Journal. In the Journals, relevant TAN Registration No., Expense Account, Vendor Account and TDS group needs to be selected before posting.

TAN Registration No. for the company has to be set up before creating TDS codes and TDS groups in General Ledger Module. The rate of different TDS codes can be defined with other details like threshold values. For TDS Authority, a Vendor has to be created as TDS Authority Vendor in vendor master.

Works Contract Tax:

In case of HML, the organization offers Works Contract to certain people for completing certain projects or certain other kinds of work on behalf of the company. These Works Contracts are then sent by the contractors to the authority who on the nature of work and amount of the contract sends a notification to HML for deducting Works Contract Tax (WCT) at the rate given in the notice. WCT is similar to Tax Deducted at Source and will be configured accordingly in the system. The WCT will be created as a separate code in TDS, which can be used for deducting WCT in the Works Contracts offered.

3.12.1.1 Business Process Flow -Business Process Map



3.12.1.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/TDS/1.1	Activating TDS feature for Indian entity	Activate TDS under the General Ledger Parameter.	N		SF
2	HML/TDS/1.2	Applicability of TDS at Invoice level or Payment level or	TDS applicability at Invoice or Payment is marked to ensure that TDS gets calculated on the basis of whichever is earlier.	N		SF

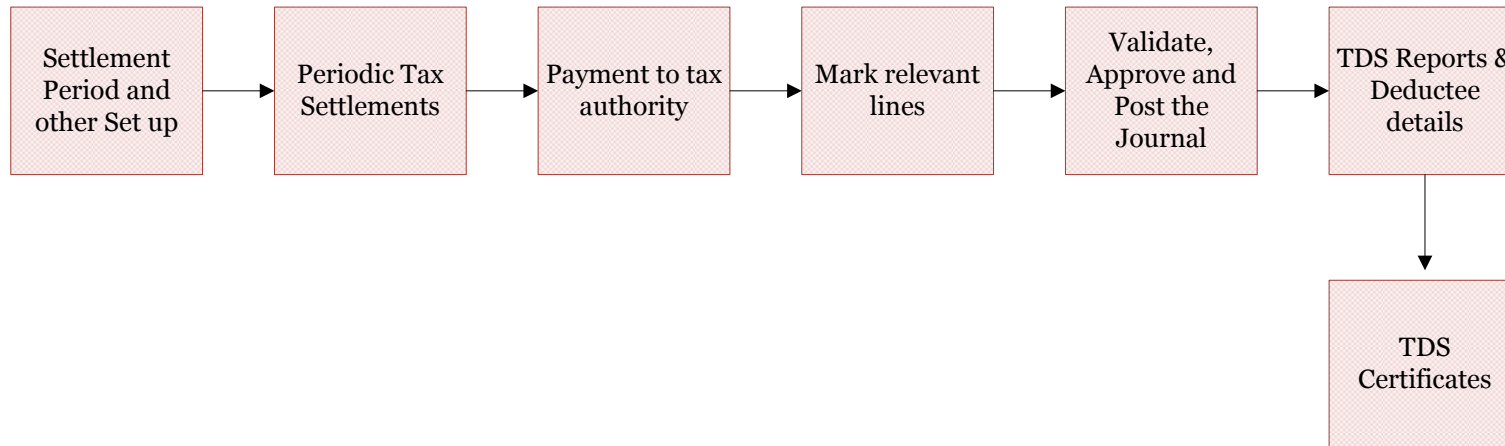
		whichever is earlier				
3	HML/TDS/1.3	Withholding Tax codes (TDS codes set up)	Various Withholding Tax codes for different components applicable to the organization has to be set up like TDS amount, e-cess, SHE-cess, etc.	N	WCT can be treated in the same manner as TDS. Create a separate tax code for WCT.	W
4	HML/TDS/1.4	Withholding Tax (TDS) group	Create Withholding Tax group. Withholding Tax group has to be created based on the nature of TDS.	N		SF
5	HML/TDS/1.5	Allow calculation of TDS for the vendor	“Calculate Withholding Tax” field at the vendor master has to be checked at the vendor master level in order to allow system to calculate TDS for a particular vendor.	N		SF
TDS Applicability on Transaction						
6.	HML/TDS/1.6	Invoice Recording	TDS should be calculated during transaction through the Invoice Journal and Purchase Order while recording the Invoices. TDS group should be defined at the Vendor level which can be changed at the transaction level in case the nature of service procured is different.	N	What if we HML processes vendor invoice without TDS? The user can deduct the same while making payments to the vendors.	SF
TDS Adjustment Required						
7.	HML/TDS/1.7	TDS Adjustment Requirement	User identifies that the TDS calculated for the posted vendor transaction is not proper either due to incorrect nature of deduction or	N		SF

			change in percentage.			
8.	HML/TDS/1.8	Identifying the Transaction	After identification the user can select the set of vendor transaction by mentioning the period range of the transaction.	N		SF
9.	HML/TDS/1.9	Selecting the transaction	Based on the period range mentioned, system populates all the vendor transaction during the period. User has to select the transaction for which adjustment is required.	N		SF
10.	HML/TDS/1.10	Select the adjustment TDS group	Select the correct TDS group in the adjustment TDS group field and validate the TDS computation.	N		SF
11.	HML/TDS/1.11`	Validate, approve and post the transaction	<p>If the TDS amount should have been lesser, the following entry will be generated by the system.</p> <p><i>TDS Payable A/c Dr. To Vendor A/c</i></p> <p>If the TDS amount should have been greater, the following entry will be generated by the system.</p> <p><i>Vendor A/c Dr. To TDS Payable A/c</i></p>	N		SF

3.12.2 TDS Settlement and Payment Process

Settlement needs to be carried out in order to create a single liability to the Tax Authority based on the nature of deduction. This enables the payment of TDS through cheque and also keeps track of the liability towards the authority. Once, the payment is made respective challan number, challan date and Bank details needs to be filled in.

3.12.2.1 Business Process Flow -Business Process Map



3.12.2.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/TDSS/1.1	Settlement Period and other Set up	The settlement period needs to be created specifying intervals at which the company reports and pays the taxes.	N		SF
2	HML/TDSS/1.2	Periodic Tax Settlements	Details like Tax Registration No., Settlement period, etc. needs to be entered and the settlement process has to be carried out. In case of TDS, select Withholding Tax component at the time if running the settlement process.	N		SF

			On Tax settlement, the tax amount gets transferred to tax authority vendor account created for the purpose.			
Payment of TDS deducted						
3	HML/TDSS/1.3	Payment to tax authority	A payment journal should be created in AP by selecting the relevant TDS authority vendor.	N		SF
4	HML/TDSS/1.4	Mark relevant lines	When the settlement process is executed, the Statutory Liabilities are created in favor of the TDS Authority which is configured as a vendor. These open liabilities line can be selected at the time of payment to TDS authority	N		SF
5	HML/TDSS/1.5	Validate, Approve and Post the Journal	Once the payment journal is created, its needs to be validated and sent for approval if required and posted. The following entry will be generated: <i>TDS Authority (Vendor) A/c Dr To Bank A/c</i>	N		SF
TDS Reports and Certificates						
6.	HML/TDSR/1.6	TDS Reports & Deductee details	The TDS Reports can be generated from Reports section. The TDS Deductee details reports can be generated by selecting the required fields from the enquiries.	N		SF

7	HML/TDSR/1.7	TDS Certificates	TDS certificates to vendors can be generated from the system as available in the base application. TDS Certificates Receivable from the customers will be maintained in the system if the same has been captured while receiving payments from the customers.	N	Presently TDS certificates are generated from the IT dept.'s portal (TRACES), deductors are not allowed to generate on their own. We need a facility to generate a TDS file that can be uploaded to TRACES. The system has the functional capability of generating the certificates but the technical feasibility of uploading the same to TRACE has to be explored in the system.	SF
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3.13 Export Benefit Schemes

3.13.1 Duty Drawback Scheme

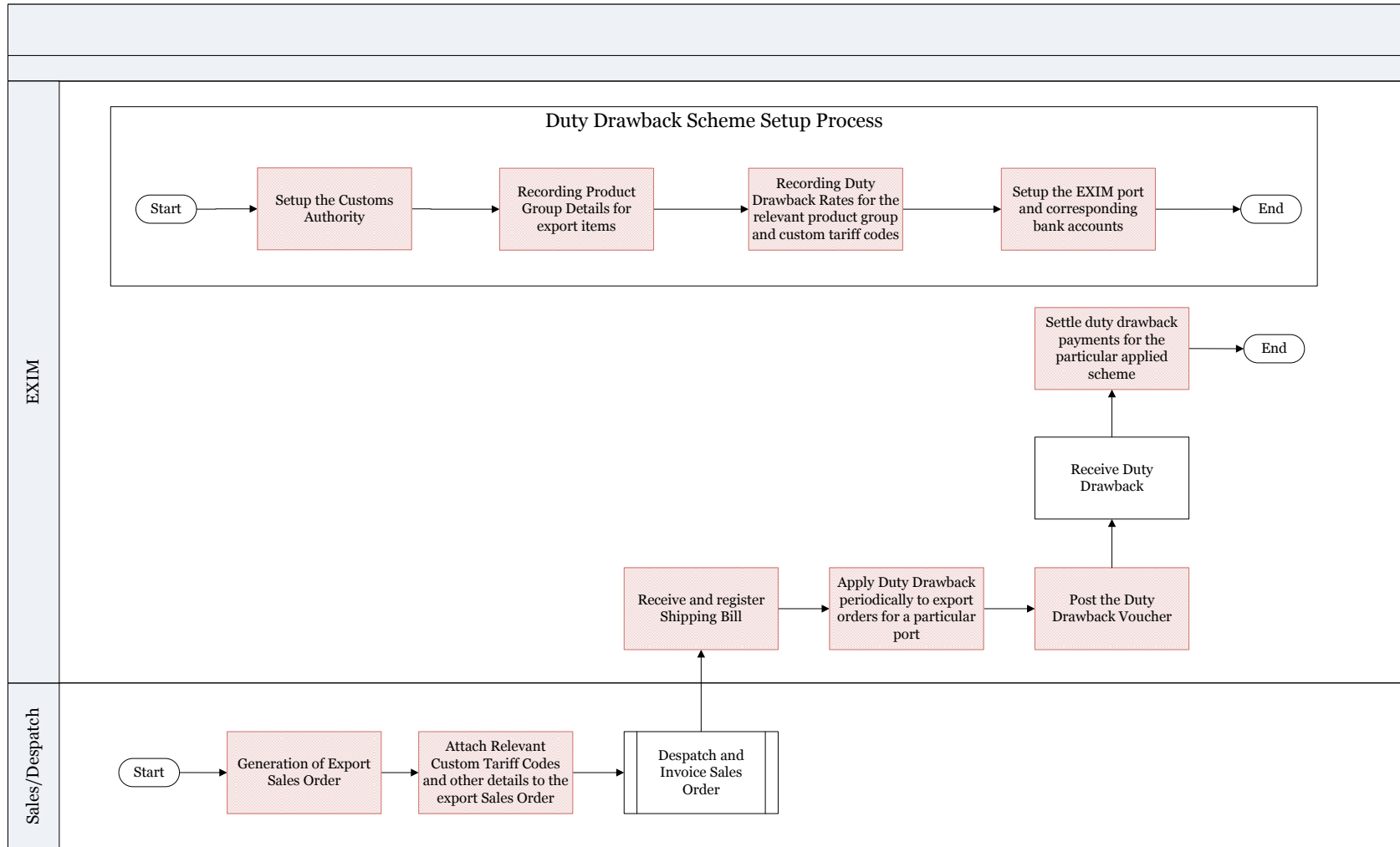
For duty drawback setup, company needs to set up the product groups, related BOM items and corresponding duty drawback rates for the exportable items which is 1 % of FOB value for all exportable items . EXIM ports also need to be set with the corresponding Bank Account details for receiving duty drawback payments from customs authority.

When the items are exported, Sales department generates and posts the Export sales order with which they attach the relevant customs tariff codes, product group, port ID, drawback type and rate and so on. After the Shipping Bill is generated and shared by the CHA; the EXIM department records the Shipping Bill in the system. Once Shipping Bill is recorded, the duty drawback s applied to the bunch of export orders for corresponding port and the duty drawback voucher transactions are posted. Duty Drawback Scheme is created and applied to the particular export orders.

Upon receiving the duty drawback payments from customs, the voucher for the relevant scheme is settled against the payment made and the payments are posted to the bank account for the particular port. The duty drawback scheme is closed once the drawback settlement transactions are made.

In case of any non-receipts from customers, duty drawback amounts would have to be reversed manually.

3.13.1.1 Business Process Flow -Business Process Map



3.13.1.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/EXP/001-1.1	Setup the Customs Authority	Setup the customs authority as a customer, in the Customers form.	N		SF
2	HML/EXP/001-1.2	Recording Product Group Details for export items	Setup the Product group for the items to be exported as BOM.	N		SF
3	HML/EXP/001-1.3	Recording Duty Drawback Rates for the relevant product group and custom tariff codes	Record the following details in the system against a product group in the Duty Drawback rates form: <ul style="list-style-type: none"> • Customs Tariff Code • Date Range • CENVAT Status for the manufacturer • Duty Drawback Rate Type • Rate • Value Cap and so on. 	N		SF
4	HML/EXP/001-1.4	Setup the EXIM port and corresponding bank accounts	Setup or update an existing port and also record the relevant bank account details for the duty drawback transactions related to the particular port.	N		SF
5	HML/EXP/001-1.5	Generation of Export Sales Order	The Sales department generates the Export Sales order.	N		SF
6	HML/EXP/001-1.6	Attach Relevant Custom Tariff Codes and other details to the export Sales Order	The Sales department attaches relevant following details to Export Sales Order for Duty Drawback: <ul style="list-style-type: none"> • Customs Tariff Code • Product Group • CENVAT Status for manufacturer 	N		SF

			<ul style="list-style-type: none"> • Port ID • Drawback rate Type • Rate 			
7	HML/EXP/001-1.7	Receive and register Shipping Bill	After the Export Order is invoiced the EXIM department registers the shipping Bill.	N		SF
8	HML/EXP/001-1.8	Apply Duty Drawback periodically to export orders for a particular port	Once the Shipping Bill is generated, periodical application of duty drawback is made to a bunch of export orders for a particular port and lying in the given date range.	N		SF
9	HML/EXP/001-1.9	Post the Duty Drawback Voucher	<p>After the Total Duty Drawback Amount has been analyzed for the bunch of export orders, the voucher for duty drawback is posted.</p> <p>This results in</p> <ul style="list-style-type: none"> • The duty drawback is posted with a DBK voucher number • The DBK voucher is posted to an offset account, which is the benefit account specified for duty drawback in the system. • The voucher transactions are posted for the Total drawback amount allowed. The Customer account or Receivable account is debited, and the Benefit account is credited. • The duty drawback is posted to the main account, which is the authority customer account specified for the particular EXIM port. • EXIM Duty Drawback scheme is created and applied with the 	N		SF

			particular voucher transactions and details.			
10	HML/EXP/001-1.10	Receive Duty Drawback	Receive payments of duty drawback from customs authority.	Y		E
11	HML/EXP/001-1.11	Settle duty drawback payments for the particular applied scheme	<p>After the payments are received, they are settled against the respective voucher entries for respective duty drawback scheme.</p> <p>The duty drawback settlement transactions are posted resulting in:</p> <ul style="list-style-type: none"> • Closing of the particular Duty Drawback Scheme • The Customer Receivables Account is credited and • The Bank Account corresponding to the port is debited. • The shipping bill no can be captured as voucher number for reconciliation 	N		SF

3.13.2 Vishesh Krishi Gram Upaj Yojana

This scheme is almost equivalent to DEPB scheme but Microsoft has discontinued provision of DEPB in AX 2012 since Department of Commerce discontinued it sometime back. Hence this scheme will be handled outside the system as being currently handled till date.

The system does not provide the provision for configuring VKUY as such it cannot be configured in the system as of now.

3.14 Financial Statements

Financial Statements are one of the most important requirements for any organization. Financial Statements provides the management information about the financial condition of the organization. It provides a detailed view of the profitability of the business as well as it provides a comparison with the performance of the previous years. Financial Statements not only provides information to people inside the organization but it also provides financial information to the various stakeholders of the organization. Stakeholders are person who have an interest in the performance of the organization and is different from shareholders. It is a wider term than shareholders. Stakeholders include shareholders, vendors, debtors, government, etc.

In India organizations are required by the Companies Act to prepare their financial statements in the format prescribed in Schedule VI of the Act. Recently, the Schedule has been revised and all the financial statements are required to be prepared in the new format.

HML is also required to prepare financial statements in the prescribed manner provided in the Companies Act. HML can do so by using the system default feature of preparing Financial Statements as per the prescribed format in the Financial Statement Set up in the General Ledger module.

The financial statements have to be prepared in two parts and then, both the configured parts are to be merged together to generate the financial statements.

3.14.1 Business Process Flow -Business Process Map



3.14.2 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/FS/1.1	Create Financial Statements	To create financial statements in the system, go to set up, financial statements in General Ledger Module	N		SF
2	HML/FS/1.2	Create Row Definition	Create a new Row Definition. Give a name to the row definition and select the financial dimension set.	N		SF
3	HML/FS/1.3	Structure Designer	Add nodes in the designer as per the format prescribed in Schedule VI. Nodes can be specified as a header if required and various kind of formatting options are also available. Ledger Accounts are required to be attached to each node; this will allow values to flow from the ledger accounts into the financial statements. If a total is required to be done then total can be selected and the calculation formula can be specified.	N		SF
4	HML/FS/1.4	Create Financial Statement	In the Financial Statement set up the column description is required to be given. Multiple columns can be added and the values can be set up for each column as per the requirements.	N		SF
5	HML/FS/1.5	Generate Financial Statements	Once the set up is done, then from the Reports in General Ledger module the same can be generated.	N	HML needs preparation of XBRL compliant financial statements	SF

			While generating reports the row definition created and the column definition created needs to be attached and the date needs to be given for generating financial statements.		besides general purpose FS. The system has the functional capability of generating statements but the technical feasibility of generating XBRL format needs to be explored.	
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3.15 Book Closure

Book closure is a process by which the transactions for the month are stopped and financial reports are published to the stakeholders as required. Thereafter, there are no transactions made in those periods unless they are audit related entries at year end or something which has to be accounted for in that period only. There are set of activities which have to be accomplished before the periods are frozen. A detail process with deadline can be charted out for each of the activities and communicated internally within the organization so that all the required information is available on time to adhere to the timelines for book closure.

3.15.1 Periods/Financial Calendar

Period is a break up of fiscal year into required blocks of dates. Periods needs to be defined in the system for fiscal year. This is required to be defined before starting the transactions in any fiscal year.

In AX 2012, there is an additional set up that needs to be done after creating Fiscal Periods. In the Ledger set up in the General Ledger module the fiscal calendar that has been created for a particular period needs to be attached in the Fiscal Calendar tab.

Moreover, the system provides the facility to change the status of a particular period which will have an impact on transaction entered during that period. The available options are:

i. Open:

If a period has a status “open”, then the system allows transactions to be posted in the system for that particular period.

ii. On hold:

If a period has a status “on hold”, then the system would not allow any transaction to be posted in the system. This can be used for the purpose of soft close. The period status can be again changed to Open for allowing transaction to be posted in the system.

iii. Closed:

If a period has a status is “closed”, then the system would not allow any transaction to be posted in the system. Once the period status has been changed to closed, the period cannot be reopened again for passing any transaction for that particular period.

3.15.1.1 Business Process Description - Gap Fitment

Sl. No.	Reference Process ID	Activity Name	Activity Description	Gap (Y/N)	Gap Description	Fitment Type C/ W /E /SF
1	HML/PD/1.1	Creation of Period	For HML the period would start from 1 st April to 31 st March.	N		SF
2	HML/PD/1.2	Divide Period	The period is divided into 12 monthly periods.	N		SF
3	HML/PD/1.3	Period Deletion	The periods once opened can be deleted and recreated as long as the period has not been closed. But periods cannot be created for past at a later stage.	N		SF
4.	HML/PD/1.4	Stop a Period	A period is stopped so that nobody can pass transactions. <i>This would be typically used for soft month close, so that once the figures are reported, no further transactions should be allowed in the books unknowingly. In case, some transactions need to be posted consciously, the period can be opened and transaction can be posted as long as hard closure has not been done for the period. Even if the closed status is once marked in the period set up, it cannot be opened.</i>	N		SF

3.15.2 Month End Activities

Each month, there is a need to close the books of account for the month so to prepare monthly financials and other monthly MIS which can be reported to the stakeholders.

1. Posting/deleting Open Journals or unsettled marked Invoice lines:

There may be many Journals in which details of transactions have been entered and Invoice lines have been marked for settlement but were not posted. These are identified by a standard report on Open Journal lines. These journals have to be either completed or deleted or posted.

2. Monthly Provisional Entries and Reversal Journal Feature:

Any provisional entries required to be created or reversed will be required to be done. In the General Journal there is a feature whereby the users can while creating any provisional entries can specify the date when the transaction needs to be reversed and the system creates a reversal entry for that particular date.

3. Checklist of Activities:

After completion of activities, the checklist of activities is verified to ascertain unattended work. (External)

4. Financial Statements and Trial Balance:

The financial statements and trial balance reports are verified.

3.15.3 Year End Activities

Every year, there is need to close all the ledgers. This gives us the opening balances for the next year and helps to arrive at the statutory reports.

Generally, the following are the yearend activities:

1. Monthly Activities:

The monthly activities are completed.

2. Post Adjustment Entries:

Identify and post all the required adjustment entries.

3. Run Year End Processes:

The closing of the fiscal year is the process by which all the balances of the balance sheet ledgers is transferred to the opening of the next year and the balances of the profit and loss ledgers are net off. The net entry is transferred to the retained earnings to give year end profitability.

4. Generate Trial Balances and Financial Statements:

Generate the financial statements and confirm.

5. Reset Number Series:

The number series should be reset for all types as required for the new fiscal year.

Once the period is closed, the system should allow back dated entry and the voucher number should be automatically selected for the previous year on the basis of the date entered: Not possible in the default system. Once the period is closed new set of number sequence have to be made and attached to respective journals and the same number sequence would continue onwards.

6. Create New Periods:

For the new financial year, new periods have to be created for:

- i. Period
- ii. Fixed Assets Calendar
- iii. All Tax Calendars

4 FRD Sign Off

Client Name

Name:
Designation:
Date:

Client Name

Name:
Designation:
Date:

