Accounting Treatment

Invoices received from suppliers - Inputs

As incoming invoices are processed through accounts payable, GST input credits and expenses are costed to the General Ledger.

The expense account is debited with the GST exclusive amount in the profit and loss account.

The GST inputs account is debited with the amount of the GST input credit available in the Balance Sheet. The Creditors account is credited with the GST inclusive amount.

Example #1

Dr Stationery 10  
Dr GST Inputs 1  
Cr Accounts Payable 11

Invoices charged out to customers - Outputs

As outgoing invoices are processed through Accounts Receivable GST outputs and income accounts are credited in the General Ledger.

The income account is credited with the GST exclusive amount in the profit and loss account.

The GST outputs account is credited with the amount of the GST applicable in the balance sheet. The Debtors account is debited with the GST inclusive amount.

Example #2

Dr Accounts Receivable 33  
Cr GST Outputs 3  
Cr Consulting income 30

The resulting difference between the GST inputs and GST outputs accounts are remitted to, or refunded from, the ATO on a monthly basis. This function is performed centrally by Financial Services.