

Perception of Auditors from Greater Mumbai Towards Top Management Support in Reporting Financial Statements in Post GST Regime

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Abstract: GST has made significant reform in indirect tax structure system in India by amalgamating many Indirect taxes. Due to new structure in tax compliance's role of auditors have become noticeable. The present study aimed to study and analyse Auditors Perception towards GST being smooth for financial reporting with the help of top management support. The study was under taken by referring various secondary sources and primary data about perception of professional auditors was collected through well-structured questionnaire. The data was collected from, the sample size of 400 respondents from Mumbai. In order to analyse the study, frequency, percentage and weighted average method is used to draw conclusion of the study. The study concluded that Overall, the perception of Auditors from Mumbai is positive towards top management support towards their work in GST era being beneficial to them in reporting financial statement and also to their profession.

Keywords: GST, Auditors, Perception, Benefits, Top management and financial reporting.

INTRODUCTION

Audit under GST is the mechanism of inspection of records, returns and other documents maintained by a tax payer. The aim is to verify the authenticity of turnover declared, taxes paid, refund claimed and input tax credit availed, and to judge the compliance with the provisions of GST. GST audit is essential at times to maintain a check and examine various physical and digital records to ensure whether all compliances of GST law have been fulfilled.

1.1 GST AUDIT BACKGROUND

The concept of audit by a Chartered Accountant in the area of Indirect Taxes was restricted to only State Value Added Tax and Central Sales Tax laws of certain States till some time ago. In Central Excise and Service Tax, only in case of suspicion of

undervaluation or excessive credit, special audits were prescribed (not much used) which continue in GST. While the GST regime emphasises self-assessment processes, the complexities involved in the new statute make one wary of errors leading to unintended leakage of revenue. The level of tax compliances prevailing and the complex nature of tax laws in our country make it necessary for audit of records under various laws. Therefore, the GST law provides for audit by professionals above certain limits. But in case of large business houses there must be a support from top management regarding detail information and explanation regarding tax data and compliances.

TYPES OF GST AUDIT IN INDIA:

- Mandatory GST Audit under Section 35(5) of CGST Act 2017 done by professional auditors
- Departmental GST Audit under Section 65 of CGST Act 2017, conducted by Tax Authorities
- Special Audit under Section 66 of CGST Act 2017 performed by Tax Authorities

PROBLEM OF THE STUDY

With respect to various review of literature referred, it has been detected that GST regime may or may not be beneficial as per the perceptions of all the stakeholders in India. Various studies have been undertaken to identify the effects of GST on indirect taxation regimes but not on individual stakeholder group or as per perception of professionals such as auditors from Mumbai. Thus, present research study is an academic attempt to study various review of past literature relating to perception of stakeholders for GST and to analyse the auditors Perception towards top management support in GST regime being Beneficial for reporting financial statements

and more opportunities to their profession.

OBJECTIVES OF THE STUDY

- To study the profile of auditors in Greater Mumbai
- To Study the perception of auditors towards top management support towards financial reporting used in post GST Era.

RESEARCH METHODOLOGY

For the present study, data has been collected through primary and secondary data. Primary data has been collected through well-structured questionnaire which were filled by sample size of 400 respondents from Mumbai who are working as auditors and professional auditors like chartered accountants and cost accountants which were selected on Random Convenient Non-Probability Sampling Method. Secondary data were collected through review of articles, research papers, government documents, online blogs, dissertations, thesis and working papers.

REVIEW OF LITERATURE

Nischitha and Sunitha (2018) explained “A study on implementation of GST in India: On Common man’s Prospect” aim to study common man prospect under GST regime. The study discussed benefits of new tax regime and difficulties suffered by common man in execution. Observations were drawn through secondary data. The researcher concluded that common man faces a number of challenges related to GST implementation such as tax awareness and tax compliance. Government should organize awareness programs regarding tax compliances under GST for various stakeholders.

Upashi (2018) studied “Study on effects of goods and service tax on different sectors in India” with the object to examine fruits of GST and its outcome on different sectors. According to the paper, the effects on different industries were mixed. Using GST, researcher found that unfair practices will be minimized, more revenue will be generated without pinching states and goods and services will move freely within states. GST is expected to have an unbelievable and mind-blowing effect on the Indian

economy.

Giesecke and Tran (2018) studied “The National and Regional consequences of Goods and Services Tax” with the aim to highlight the effect of GST on states drastically in Australia.

The study was undertaken through auxiliary data. Researchers concluded that due to political differences between political parties there are lots of difficulties for implementing restructured GST. The GST model describes the legislated complexity of the GST as it relates to differentiated tax rates, legal exemptions, refund rates, registration rates, export taxation and the low-value import threshold. Authors recommended that some modification is needed in GST to simplify the whole process. GST change could differentially affect state economies and thus influence support from individual states

Kothari (2019) studied “GST in India: post implementation analysis and findings” with the aim to highlight on various aspects faced by industries in post GST regime. Research study was carried on with the help of optional information. GST would be instrumental in reducing economic distortion and give encouragement to economic growth. It has reduced inflation and improves revenue collection for government. Scientist concluded that Implementation of the GST is truly an outstanding achievement for the government. Researcher further concluded that to achieve success in revenue generation Government has to streamline GST in real sense for rationalizing GST rates.

Agrawal (2019) studied “Study of the Leading Sectors of Indian Economy after GST Implementation - A Literature Review” with the aim to describe the effect of GST on leading sectors of Indian Economy. This research paper is based on literature review wherein secondary data is collected from various websites, newspaper, journals and different publications. The aim of research paper is to consolidate all the details at one place so if anyone wants to study the impact of GST on leading sectors, they will have all the relevant details available at one place instead of searching different sources. Author concluded that some companies might decrease the prices of their products and services as it had helped them due to the lower delivery cost and lower tax rates of GST which will generate in higher sales for those companies. Author further concluded that 0% GST on export and elimination of cascading impact of

taxes will surely bring down the cost and will benefit the IT industry. For Small & Medium Enterprises & Startups, GST has benefited by increasing threshold limit, decreasing cost of logistics and tax system simplification.

Rastogi and Agarwal (2019) explained “Zero Rated GST on Indian SEZs: An Analysis” with the intention to highlight on GST implication in special economic zone. The present study is based on secondary data. The study was primarily based on data compiled from the Annual Report of the related Institutions, Government Offices and Agencies, Special Economic Zones and CBEC. The present research explains and reviews the GST policies, approved government and private SEZs. SEZ is a specified demarcated duty-free territory, which for the purpose of trade operations is deemed to be considered outside the customs territory of India. Set up primarily to promote exports, even GST regime continues to incentivize SEZ units by extending due benefits for their authorized operations. This review helped in identifying that the Zero GST on SEZ motivated all SEZs towards more investment, more exports and growth in SEZs. Researcher concluded that the meaning of zero-rated supply is very restricted and limited to normal exports and supply to SEZ or SEZ developer. The supplies made to EOU, EHTP, STP are not covered under the concept of zero-rated supply. Therefore, benefit of zero tax is available to only limited areas.

Seth (2020) studied “A Study on Reasons of Less Collection of GST by the Government Since its Inception” with the object to highlight the causes for low collection of taxes after GST. Facts of the study based on secondary data. Researcher concluded that the collection of GSTs targeted by the government is not achieved due to different reasons. In these years several times government extended the date of return filing, reduced the interest rate on late fees, reduced the tax rates, made changes in the threshold limits in order to provide aid to the tax payers as the law was introduced recently. Even though after extending the dates, reducing the tax rates government was unable to achieve the target set by them except for few months.

1. SCOPE OF THE STUDY:

The present study covers the profile of employed auditors and professional auditors in Mumbai and to analyse their Perception towards top management

support in reporting of financial statements and their perceived effect on their profession in post GST regime.

2. SIGNIFICANCE OF THE STUDY:

The present study has its significance with respect to benefits of GST towards the profession of auditors as they contribute towards tax compliances and helping government for fulfilling GST regulations. This academic research study highlights the perception auditors from Mumbai for GST being enhance importance, bring more opportunities and the scope of their profession towards reporting of financial statements with top management support.

3. LIMITATION OF THE STUDY:

The present study has limitation with respect to number of respondents 400 with respect to place which is only in Mumbai and with respect to perception of respondents towards reporting of financial statements and their perceived effects on profession.

4. FINDINGS AND DISCUSSIONS:

4.1 DESCRIPTIVE ANALYSIS:

Table no.9.1.1 Classification of respondents according to Gender

Gender	Frequency	Percentage
Male	260	65.0
Female	140	35.0
Total	400	100.0

Source: Compiled from primary data

In our analysis we have collected responses from 400 auditors include employed, self-employed and professional auditors from various small and medium firms and employees from companies. It is evident from the table that number of male auditors are 260 and whereas as number of female auditors are 140 i.e out of total respondents 65 percentages are male whereas 35 percentages are females. It is clear that male respondents are more than female respondents.

Table no.9.1.2 Classification of respondents according to age group

Group	Frequency	Percentage
20- 30 years	250	62.5
30- 40 years	37	9.3
40- 50 years	66	16.5

50- 60 years	43	10.8
60 years above	4	1.0
Total	400	100.0

Source: Compiled from primary data
The above table represents the age of the respondents of sampled data. It is noted that out of total of 400

respondents 250 falls in the age group of 20-30 years which is substantial amongst all i.e., 62.5 percentages. Out of total of 400 respondents 37 fall in the age group of 30-40 years which is 9.3 percentages. 66 respondents fall in the age group of 40-50 years which is 16.5 percentages. 43 respondents fall in the range of 50-60 years which is 10.8 percentages whereas 4 respondents are above 60 years which is lowest as 1 percentage.

Table no.9.1.3 Auditor’s perception on Top Management Support in post GST regime

	SDA	DA	N	A	SA	Total	Mean
Statement 1	0	4	50	267	79	400	4.05
Statement 2	0	0	83	237	80	400	3.99
Statement 3	3	10	159	182	46	400	3.65
Statement 4	0	9	116	203	72	400	3.85
Statement 5	0	7	100	220	73	400	3.90
Overall Mean Score □ □ □							3.89

Source: Compiled from primary data Questionnaire Statement

1. Management is responsible in respect of GST audit compliance with GST laws and preparation of GSTR 9C in compliance of those laws.
2. Management written confirmation is compulsory with regards to appointment of auditors
3. GSTR 9C ensure auditors from management that they are free of any material misstatement.
4. GST auditor will make specific enquiries of management about their representations contained in the financial statements and other reports
5. Management is responsible for providing him with all financial records and related information/documents on a timely basis

In statement 1 out of 400 total respondents 4 respondents are disagree, 50 respondents are neutral, 267 respondents are agreeing and 79 respondents are strongly agreed. Mean score of statement 1 is 4.05.

In statement 2 out of 400 total respondents 83 respondents are neutral, 237 respondents are

agreeing and 80 respondents are strongly agreed. Mean score of statement 3 is 3.99.

In statement 3 out of 400 total respondents 3 respondents are strongly disagree, 10 respondents are agreed, 159 respondents are neutral, 182 respondents are agreeing and 46 respondents are strongly agreed. Mean score of statement 3 is 3.65.

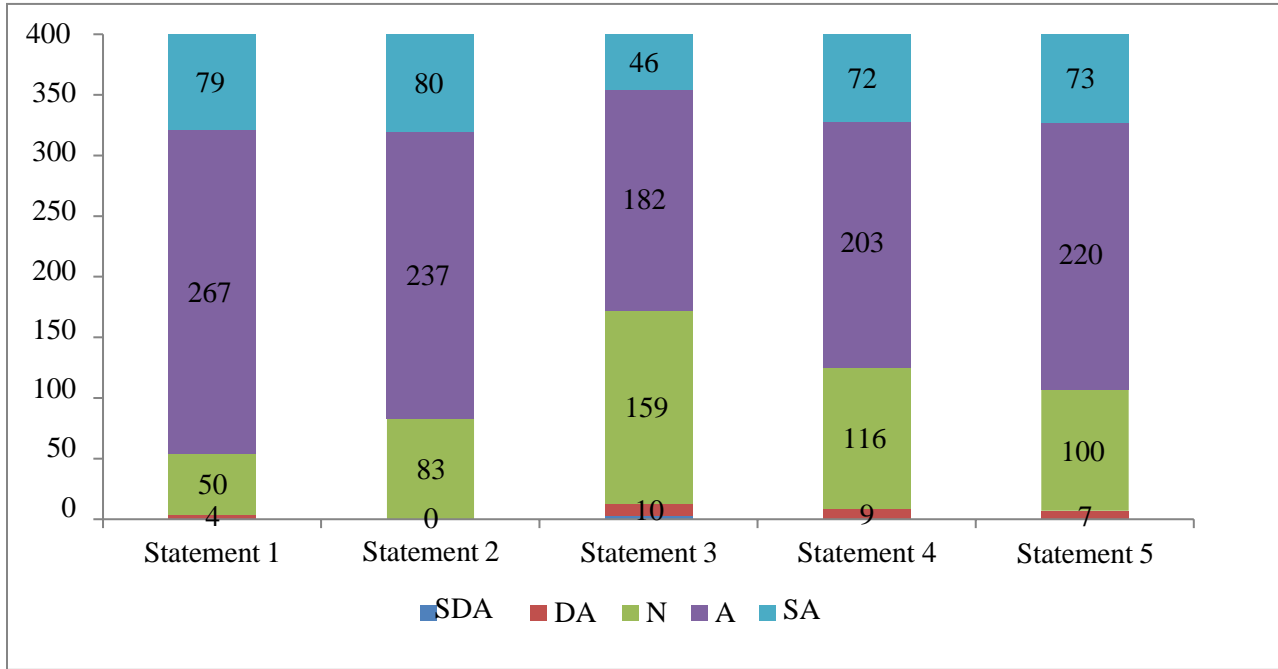
In statement 4 out of 400 total respondents 9 respondents are disagree, 116 respondents are neutral, 203 respondents are agreeing and 72 respondents are strongly agreed. Mean score of statement 4 is 3.85.

In statement 5 out of 400 total respondents 7 respondents are disagree, 100 respondents are neutral, 220 respondents are agree and 73 respondents are strongly agree. Mean score of statement 3 is 3.90. The overall mean score of all statement is above 3 which means respondents are agree that top management support is needed for auditing and reporting financial statement in post GST regime.

Chart no.9.1.1

Auditor’s perception on Top Management Support in post GST regime

Source: Compiled from primary data



4.2 INFERENTIAL ANALYSIS:

H0: GST does not create better opportunities and scope to auditors with top management support in their profession as per the perception of Auditors in Mumbai towards reporting of financial statements. (Weightage average score is not less than 3)

H1: GST does create better opportunities and scope to auditors with top management support in their profession as per the perception of Auditors in Mumbai towards reporting of financial statements. (Weightage average score is more than 3)

In order to test the above hypothesis, as per one sample and one variable under study i.e. perception, weighted average method is used. With respect to Table No. 9.1.1 weightage average score has been calculated to draw inferential conclusion towards the perception of respondents (auditors from Mumbai) towards GST being create more professional opportunities to auditors with top management support towards reporting of financial statements. Overall weightage average score for all the parameters under study was 3.89 which supports alternative hypothesis and failed to accept null hypothesis. Thus, GST creates better opportunities and scope to auditors with top management support in their profession as per the perception of Auditors in Mumbai towards reporting of financial statements.

CONCLUSION OF THE STUDY:

As per the respondent's perception towards GST being beneficial to auditors with top management support, it has been concluded and generalized for the population of auditors in Mumbai as follows:

- GST has brought new changes in taxation system which is favourable for effective reporting of financial statements.
- GST can generate more and better professional opportunities to auditors and increase their earnings by using innovative methods.

The overall, perception of Auditors in Mumbai towards GST being beneficial to them for Reporting Financial Statements and also to their profession by applying innovative methods in GST era.

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