



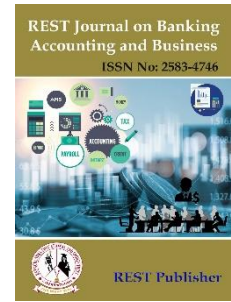
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Perception Of Auditors from Greater Mumbai Towards Fears and Threats in Reporting Financial Statements in Post GST Regime

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Abstract: GST has brought numerous changes in the structure of indirect tax system in India by consolidating many Indirect taxes. Due to modern system in tax compliance's role of auditors have become more responsible and scope for their profession. The present study aimed to study and analyse Auditors Perception towards fears and threats for reporting of financial statements in post GST era. The study was conducted by referring various optional information and primary data about perception of professional auditors was collected through well-structured questionnaire. The data was retrieved 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 perception of Auditors from Mumbai is that due to reporting pattern in post GST regime there is fear and threat in the minds of auditor regarding reporting of financial statements which would compel them for more effective reporting.

Key words: GST, Auditors, Perception, Benefits, Fears, Threats and financial reporting.

1. INTRODUCTION

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

GST Audit Background: In pre-GST era Chartered Accountants conduct the Audit under state value added tax and under the central sales tax of certain states. 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 thrust on independent assessment process, the intricacies involved in the new statute is the leakage of government revenue. The level of tax responsiveness prevailing and the multifaceted 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:

1. Compulsory GST Audit under Section 35(5) of CGST Act 2017 done by professional auditors.
2. Departmental GST Audit under Section 65 of CGST Act 2017, conducted by Tax Authorities.
3. Special Audit under Section 66 of CGST Act 2017 performed by Tax Authorities.

2. PROBLEM OF THE STUDY

With respect to various review of literature referred, it has been detected that GST regime mayor 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.

3. OBJECTIVES OF THE STUDY

1. To study the profile of auditors in Greater Mumbai
2. To Study the perception of auditors towards fears and threats in reporting financial statements in post GST Era.

4. 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.

5. REVIEW OF LITERATURE

Mishra (2018) explained “Impact of GST on Indian Economy” with the aim to highlight how Indian economy is affected in GST era. Optional information was collected for completing study. Researcher stated that it will simplify overall taxation system. Scientist concluded that GST will encourage FDI Investment so that foreign exchange will improve. Researcher further concluded that GST regime will promote startups due to friendly tax structure and create employment opportunities for more and more people.

Aneja (2018) described “Impact of GST On Indian Economy” with the object to highlight significant changes in Indian economy due to GST Law. Secondary method is used for data analysis. Based on the author's findings, GST has both positives and negatives. Researcher further concluded that government should work on positive direction towards GST regulations so that it will smoothen the entire system by reducing tax compliances which were followed for excise duty, vat, and CST and service tax in pre-GST era. By integrating 17 indirect taxes it has minimized the tax complications but still further improvement is required.

Sankaran and Sreelatha (2018) explained “Effect of GST on Indian economy (agricultural and insurance)” with the aim to highlight the effect of GST on agriculture and insurance. Secondary data was used for drawing inferences. Authors concluded that GST has worst effect on Indian economy due to stringent tax compliances and increase in administration cost.

Tekwani and Raghuvanshi (2019) studied “Developing a Skilled Workforce for GST Practices” with the aim to focus on the need of skilled work force and impact of GST training programs. The paper discusses these national level training programs run by the Government of India for learning GST practices. Secondary data was widely used for conducting research study. It is concluded that the training program will solve GST related problems of traders, manufactures, retailers, dealers, exporter and will also create the employment opportunities for the youth and they will become GST practitioners. Authors recommended that Government should start more and more training centers and also promotional programs to generate awareness about GST.

Ahmad (2021) studied “Impact of Demonetization and Goods and Services Tax (GST) on India’s Economic Growth: A Critical Review” with the aim to describe the cost and benefits face by the economy due to the master strokes of Demonetization and implementation of the GST. Secondary data was used from available sources for conducting research study. The study concludes that due to demonetization and GST the Indian economy moved towards reverse direction which is detrimental for growth. Author concluded that GST has made India tax compliant and transparent society which enhances the scope of tax consultants

Perween and Hajam (2021) studied “Tourism in India: An overview of Public Expenditure and GST” with the view to highlight the GST effect on behavior of Tourism. This paper attempts to provide an overview of expenditures made and taxation on the tourism sector in India. The data for the study is secondary in nature which is taken from multiple sources. After analyzing the expenditure side of the tourism sector and Tax system of the tourism sector, it is found that the expenditure made by the Government of India on the tourism sector is very low, which is just 0.18 to 0.19 per cent of the total expenditure. Whereas the tax burden that the Indian tourism sector is facing is very high that ranges between 5 to 18 per cent where tourism sector pays 18% GST on services and 5% GST on food and beverages along with income tax and profession tax. Thus, in order to promote the tourism sector and enjoy fruits from its growth, government of India must spend more towards development of tourism industry out of their budget allocation and give some tax concessions to tourism industry.

6. SCOPE OF THE STUDY

The present study covers the profile of employed auditors and professional auditors in Mumbai and to analyse their Perception towards fears and threats in reporting of financial statements and their perceived effect on their profession in post GST regime.

7. 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 of professional ethics and the scope of their profession towards reporting of financial statements so that auditor protects themselves from professional misconduct.

8. 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.

9. FINDINGS AND DISCUSSIONS

Descriptive Analysis: 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 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

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 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 3. Auditor’s perception on Fears and Threats in post GST regime

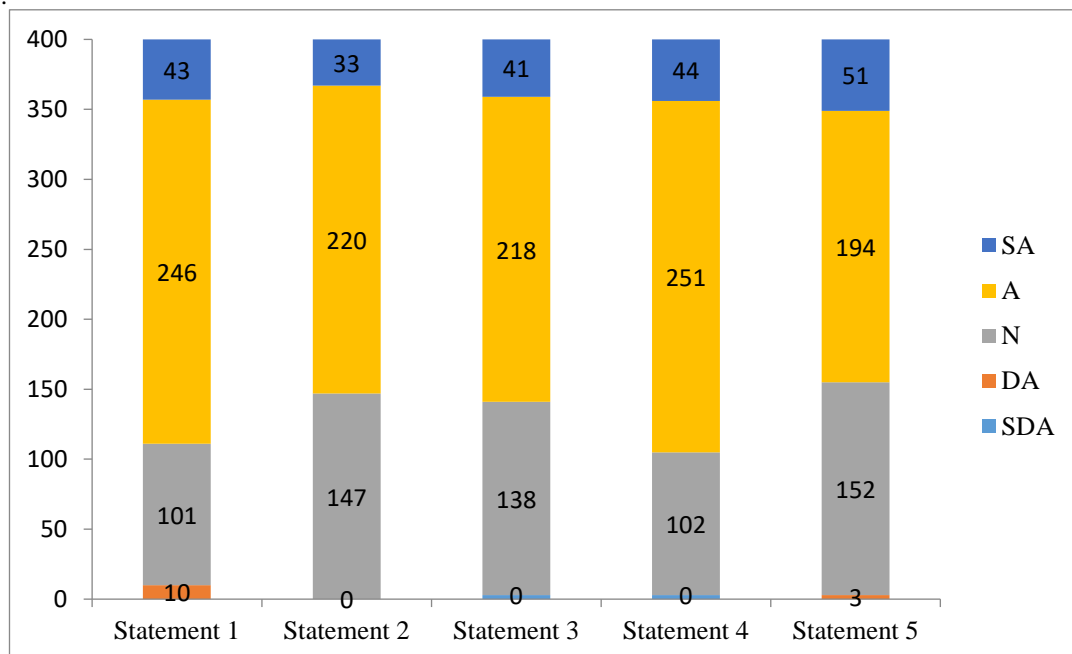
	SDA	DA	N	A	SA	Total	Mean
Statement 1	0	10	101	246	43	400	3.81
Statement 2	0	0	147	220	33	400	3.72
Statement 3	3	0	138	218	41	400	3.74
Statement 4	3	0	102	251	44	400	3.84
Statement 5	0	3	152	194	51	400	3.73
Overall Mean Score → → →							3.77

Source: Compiled from primary data

TABLE 4. Questionnaire Statement

1	GST audit is optional for professional auditor therefore their scope of audit assignment has been reduced.
2	GSTR-9C may be self -certified by tax payers which do not indicate reliability of financial statements and GST records.
3	If, auditor fails to submit audit report in time it is liable for penalty.
4	In case of GST audit negligence disciplinary action can be taken against auditor
5	If auditor abets the commission of an offence, then he shall be punishable with imprisonment

In statement 1 out of 400 total respondents 10 respondents are disagree, 101 respondents are neutral, 246 respondents are agreeing and 43 respondents are strongly agreed. Mean score of statement 2 is 3.81. In statement 3 out of 400 total respondents 147 respondents are neutral, 220 respondents are agreeing and 33 respondents are strongly agreed. Mean score of statement 2 is 3.72. In statement 3 out of 400 total respondents 3 respondents are strongly disagree, 138 respondents are neutral, 218 respondents are agreeing and 41 respondents are strongly agreed. Mean score of statement 3 is 3.74. In statement 4 out of 400 total respondents 3 respondents are strongly disagree, 102 respondents are neutral, 251 respondents are agreeing and 44 respondents are strongly agreed. Mean score of statement 4 is 3.84. In statement 5 out of 400 total respondents 3 respondents are disagree, 152 respondents are neutral, 194 respondents are agreeing and 51 respondents are strongly agreed. Mean score of statement 5 is 3.73. The overall mean score of all statement is above 3 which means respondents are agree that auditor has fear and threat for auditing and reporting financial statement in post GST regime due to professional negligence and conditions of GST law.



Source: Compiled from primary data

FIGURE 1. Auditors’ perception on Fears and Threats in post GST regime

Inferential Analysis: H0: GST does not create Fears and threats and scope to auditors 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 Fears and threats and scope to auditors in their profession 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 fears and threats to auditors towards reporting of financial statements. Overall weightage average score for all the parameters under study was 3.77 which supports alternative hypothesis and failed to accept null hypothesis. Thus, GST creates fears and threats and scope to auditors in their profession in their profession as per the perception of Auditors in Mumbai towards reporting of financial statements.

10. CONCLUSION OF THE STUDY

As per the respondent's perception towards GST being beneficial to auditors if professional ethics and code of conduct is followed then question of fear and threat does not arise in the minds of professional auditor, it has been concluded and generalized for the population of auditors in Mumbai as follows:

1. GST has put forward many positive changes in taxation system which is favorable for effective reporting of financial statements.
2. GST can generate more and better professional opportunities to auditors and increase their earnings by using innovative methods and without bothering fears and threats.

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 by utmost care so that auditors can act fearlessly in discharging their professional work.

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