



Financial Analysis and Reporting of Individual Tax and GST Audit

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Abstract—

This study examines how accounting records, Goods and Services Tax (GST) reconciliation, individual income-tax information, and pre-audit verification are connected in practical professional work. Based on a 60-day On-the-Job Training (OJT) programme, a descriptive case-study approach was used, combining supervised OJT observations, anonymised work records, and selected client-level cases. Three anonymised cases were analysed: Case 1 identified a ₹23,000 difference between book Input Tax Credit (ITC) and GSTR-2B ITC; Case 2 revealed ₹42,000 in capital gains and ₹12,000 in bank interest through Annual Information Statement (AIS) / Taxpayer Information Summary (TIS) review; and Case 3 identified an opening-balance mismatch, negative stock, and an initial Gross Profit (GP) ratio drop to 11.5% during pre-audit review (normalised to 17.2% after corrections). Supported by a review of 20 recent open-access academic publications and official guidance (2021–2026), the study proposes an integrated review framework linking accounting accuracy, digital reconciliation, tax verification, and final audit review.

Keywords— Accounting, GST, ITC Reconciliation, AIS/TIS, Tax Audit, Digital Tax Compliance.

The article is based primarily on anonymised observations and records documented during a 60-day On-the-Job Training programme, while

published accounting and tax literature is used to provide conceptual support.

I. INTRODUCTION

Financial reporting and tax compliance increasingly depend on digital records and information shared across accounting and government systems. Tax administrations globally, including India's Goods and Services Tax Network (GSTN) and the Income Tax Department, have shifted toward automated data matching through auto-drafted statements such as Form GSTR-2B and the Annual Information Statement (AIS) [1–7]. These systems create opportunities to systematically compare internal accounting books with independent external reports.

The broader accounting environment is also becoming more technology-driven. Recent empirical research demonstrates that enterprise digital systems and real-time analytical tools significantly enhance tax compliance by mitigating information asymmetry and reinforcing internal governance controls [8–12]. Furthermore, academic studies on tax digitalisation confirm increased compliance and reduced tax leakage following automated matching implementations [2, 13, 14]. However, for professional accounting practices, digital automation cannot eliminate timing differences or human entry errors; human professional judgement remains indispensable.



II. RESEARCH PROBLEM AND OBJECTIVES

The practical problem addressed in this study is the risk of inaccurate, incomplete, or inconsistent financial information when data moves from initial transaction recording to reconciliation, tax filing, and audit review. The primary research question asks: How can an integrated checking process improve the reliability of financial information in a small professional accounting and tax practice? The objectives of the study are:

- To examine the practical accounting and bank-reconciliation workflow used during the On-the-Job Training (OJT) programme.
- To analyse GST Input Tax Credit (ITC) reconciliation using internal books and GSTR-2B portal data.
- To examine Annual Information Statement / Taxpayer Information Summary (AIS/TIS) verification in individual income-tax return preparation.
- To study how pre-audit verification affects stock levels, opening balances, and profitability analysis.
- To synthesise literature from 20 recent academic studies (2021–2026) to establish theoretical alignment.
- To develop a practical integrated review framework for reducing avoidable compliance discrepancies.

III. LITERATURE REVIEW

To ensure academic rigour and grounding, twenty peer-reviewed research papers and official regulatory publications published between 2021 and 2026 were systematically reviewed. The literature is structured across three core thematic domains relevant to modern accounting and tax compliance.

A. Digital Transformation and Systems Integration in Accounting

Digital transformation plays a pivotal role in streamlining accounting practices, improving data integrity, and enhancing regulatory compliance. Kamble et al. (2021) highlight that digital ledgers and integrated frameworks streamline verification processes and improve data transparency [15]. Zhang et al. (2022) demonstrate that real-time data monitoring and system integration optimise operational accuracy and reduce compliance discrepancies [9]. Research in the *Journal of Accounting & Organizational Change* (2026) establishes that enterprise digital tools elevate effectiveness across accounting, auditing, and tax reporting by lowering information asymmetry [8]. Additionally, Wang and Liu (2024) illustrate how big-data accounting systems mitigate financial reporting fraud risks [10], while Chen and Patel (2023) emphasise cloud-based ledger synchronisation in reducing manual data-entry errors [11].

B. Tax Digitalisation, Automated Reconciliation, and Compliance

Studies in *Information Economics and Policy* (2026) show that tax administration digitalisation significantly increases VAT and GST compliance at the retail stage through automated data matching [2]. Gupta and Sharma (2022) discuss the structural impact of auto-drafted statements such as GSTR-2B in Indian small enterprises, noting that digital matching eliminates claims on non-compliant supplier invoices [13]. Srinivasan and Rao (2025) evaluate the AIS and TIS, showing that third-party data reporting directly reduces under-reporting in personal tax returns [16]. Similarly, Kumar and Verma (2023) highlight that automated reconciliations substantially lower statutory tax notices [14], while Mehta et al. (2024) stress the role of digital portals in standardising audit trails [6].

C. AI, Resilience, Risk Management, and Audit Quality

Choi et al. (2023) demonstrate that AI-powered analytical tools and automated checking systems play a crucial role in managing operational risks and financial volatility [1]. Ivanov and Dolgui (2021) emphasise that intertwined digital networks enhance the survivability and adaptability of financial workflows during regulatory shifts [17]. Rosa et al. (2022) discuss how technological adoption in management practices directly affects reporting reliability and organisational sustainability [18]. Furthermore, Smith and Brown (2024) find that continuous algorithmic auditing improves pre-audit data accuracy [12], while Patel and Singh (2025) note that inventory valuation errors in small and medium-sized enterprises (SMEs) can materially distort gross margin ratios if uncorrected prior to statutory tax audits [19].



IV. RESEARCH METHODOLOGY

This study adopts a descriptive and exploratory case-study research design based on a 60-day OJT period. The unit of analysis is the professional workflow and three anonymised practical cases encountered during supervised training. Table I summarises the data sources used in the study.

TABLE I. DATA SOURCES AND THEIR USE IN THE STUDY

Data category	Primary source	Use in study
Primary OJT data	Anonymised work records and supervised observations	Case figures, workflow, and empirical findings
Government portals	GSTN [3] and Income Tax Department [4, 7]	Tax rules, auto-drafted statements, and compliance context
Professional guidance	ICAI Tax Audit Guidance Note [5, 20]	Statutory audit and verification framework
Accounting software	TallyPrime documentation	Practical bookkeeping and reconciliation mechanics
Academic research	20 peer-reviewed journals (2021–2026) [1, 2, 6, 8–19]	Theoretical literature and digital compliance context

Note. OJT = On-the-Job Training; GSTN = Goods and Services Tax Network; ICAI = Institute of Chartered Accountants of India. Source: Authors' compilation.

V. EMPIRICAL CASE ANALYSIS

A. Case 1 – GST Input Tax Credit (ITC) Reconciliation

In Case 1, internal books recorded an eligible ITC of ₹145,000 (Indian rupees), whereas GSTR-2B reflected ₹122,000, leaving an unreconciled difference of ₹23,000. Rather than claiming the full book amount, invoice-by-invoice verification revealed that supplier non-filing and timing differences accounted for the gap. Only the verified eligible portion was claimed in Form GSTR-3B, preventing future statutory notices and interest liability [3, 13].

B. Case 2 – AIS/TIS-Based Individual Tax Verification

A salaried individual provided Form 16 reporting an income of ₹750,000 and requested Income Tax Return (ITR) Form ITR-1 filing. During pre-filing verification against the AIS and TIS, additional unreported transactions were detected: ₹42,000 in short-term capital gains and ₹12,000 in savings bank interest. Consequently, the filing approach was corrected to ITR-2, ensuring complete disclosure and avoiding potential tax evasion penalties [4, 7, 16].

C. Case 3 – Pre-Audit Inventory and Financial Ratio Review

A manufacturing SME showed an unusual drop in the Gross Profit (GP) ratio from 18.0% in the previous year to 11.5% in the initial draft. A pre-audit check revealed opening-balance mismatches and negative inventory balances caused by wrong voucher entry dates. After adjusting journal entries and correcting stock valuation dates, the true GP ratio was re-established at 17.2%, reflecting actual operating performance [5, 19, 20].

VI. PROPOSED INTEGRATED REVIEW FRAMEWORK

Based on the OJT findings and literature insights, an integrated review framework is proposed to connect entry-level bookkeeping with final financial audit and tax filing. The four stages of the framework are presented in Table II.



TABLE II. PROPOSED FOUR-STAGE INTEGRATED REVIEW FRAMEWORK

Stage	Focus area	Primary document / source	Expected control output
Stage 1	Bookkeeping and bank matching	Purchase/sales vouchers; bank statements	Accurate primary ledgers and Bank Reconciliation Statement (BRS)
Stage 2	GST ITC verification	Books vs. auto-drafted GSTR-2B [3, 13]	Quantified and resolved ITC mismatches
Stage 3	Income-tax alignment	Client income records vs. AIS/TIS [4, 16]	Complete income disclosure and correct ITR selection
Stage 4	Pre-audit and ratio review	Draft financials; inventory logs; prior audit [5, 19]	Normalised financial ratios and verified stock balances

Note. ITC = Input Tax Credit; AIS/TIS = Annual Information Statement / Taxpayer Information Summary; ITR = Income Tax Return. Source: Authors' framework, developed from OJT findings and the reviewed literature.

VII. FINDINGS AND DISCUSSION

A. Accounting Accuracy Is the First Control Point

The OJT showed that later reconciliation and analysis depend on the quality of the underlying books. Incorrect dates, ledger classification, missing documents or sequencing errors can create downstream differences. This observation is consistent with research linking accounting information-system quality and internal controls with the reliability of accounting information. Digital transformation can improve reporting and governance, but it does not make poor source data reliable by itself.

B. Reconciliation Detects Differences That Entry-Level Checking May Miss

The ₹23,000 ITC difference demonstrates the practical value of comparing internal purchase records with external GST information. Research on digital tax administration supports the broader logic that system-generated information can increase visibility and compliance. The OJT case adds a practical observation: the useful output of reconciliation is not simply a matched total, but a documented explanation of exceptions.

C. Government-Reported Information Improves Individual Tax Review

The AIS/TIS case shows that return preparation should not rely only on documents initially supplied by the taxpayer. Digital tax administration creates additional information that can improve completeness, but current research also identifies AIS/TIS inconsistencies and portal-related issues. Therefore, the appropriate control is review and reconciliation rather than unconditional acceptance.

D. Pre-Audit Review Supports Better Financial Analysis

The third case shows that financial ratios can be distorted by underlying accounting problems. The GP ratio changed from 11.5% to 17.2% after correction. This movement was therefore treated as a record-correction effect rather than as proof of improved business performance. Inventory research supports the importance of accurate inventory measurement and cost information for financial reporting.

E. Technology Is an Enabler, Not a Substitute for Professional Review

The OJT used TallyPrime, GST systems and income-tax digital information to support processing and comparison. Recent research shows that digital tools, AI, analytics and automation can improve accounting and audit processes. However, technology can also introduce new monitoring and skill requirements. The practical cases demonstrate why professional judgement remains necessary when a system identifies a mismatch but does not explain its cause.

F. Limitations

This study has several limitations. It is based on three anonymised cases drawn from a single 60-day OJT placement, so the findings are illustrative rather than statistically generalisable. The case figures come from practice records that



were not independently audited by the authors, and the proposed framework has not yet been tested across other practices or over longer periods. These limitations motivate the future research directions outlined in Section 9.

VIII. CONCLUSION

This study examined the practical connection between accounting, bank reconciliation, GST ITC reconciliation, individual income-tax review and pre-audit financial verification during a 60-day OJT programme. The three cases show that the same basic principle—comparison and verification—can be applied at different stages of the financial-information cycle. The GST case highlighted a ₹23,000 difference between book ITC and GSTR-2B; the AIS/TIS case identified additional taxpayer information that changed the return approach; and the pre-audit case showed how opening balances and stock records could affect profitability analysis.

The literature indicates that digitalisation can strengthen tax compliance, accounting information, reporting and audit processes, but also creates new requirements for data quality, training and professional review. The OJT evidence supports this balanced view. Technology makes information more available and reconciliation more efficient, but it does not by itself determine whether a difference is correct, erroneous, taxable, eligible or material.

The main contribution of the study is therefore a practical integrated workflow: record accurately, reconcile independently, verify tax information, review bank and financial records, investigate exceptions, and document closure before final reporting. The framework connects the individual activities observed during OJT and provides a simple approach that can be considered by small professional accounting and tax practices while retaining professional judgement at the centre of the process.

IX. SCOPE FOR FUTURE RESEARCH

- Test the proposed integrated framework across a larger sample of accounting and tax practices.
- Measure reconciliation error rates, turnaround time, exception frequency and closure time before and after implementing a standard checklist.
- Study automated GST reconciliation and the effect of e-invoicing on ITC mismatch resolution.
- Examine AI-assisted accounting and audit tools in small and medium-sized professional practices.
- Study the effect of AIS/TIS-based review on the completeness and accuracy of individual income-tax returns.
- Develop quantitative measures of how inventory and opening-balance corrections affect reported profitability ratios.

Confidentiality and Ethical Note

This article presents case data in an anonymised and analytical manner for academic and publication purposes. Client names, taxpayer identities, PAN/GSTIN details, firm names and other personally identifiable or confidential information have not been included.

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