International Journal of Creative and Open Research in Engineering and Management
ISSN: 3108-1754 (Online)
Volume 02 Issue 11 November-2026 | Impact Factor: 3.5



From Books to Decisions: Reconciliation and Assumption Discipline in GST/TDS Compliance and Bank-Finance Appraisal at a Small Indian Accounting Practice

Author: **Yash Wasule**
MBA (Finance)
School of Business, Indira University, Tathwade, Pune 411033, Maharashtra, India

Corresponding author: ywasule45@gmail.com
November 2026

How to Cite this Article:

Wasule, Y. (2026). From Books to Decisions: Reconciliation and Assumption Discipline in GST/TDS Compliance and Bank-Finance Appraisal at a Small Indian Accounting Practice. International Journal of Creative and Open Research in Engineering and Management, 02(11), 1-9. https://doi.org/10.55041/ijcope.v2i11.082

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https://doi.org/10.55041/ijcope.v2i11.082

Abstract

Small accounting practices in India work between three parties: the taxpayer, the tax authority, and the bank. This paper reports a practice-based case study of one such firm, a chartered accountancy practice in a semi-urban town in Maharashtra, drawing on ten weeks of supervised participant observation in June–August 2026. Two work streams were followed: statutory compliance (reconciliation of GSTR-2B input tax credit and of TDS against the tax-credit statement) and bank-facing appraisal (a seven-year Excel financial model and project report for a proposed manufactured-sand unit, and a Credit Monitoring Arrangement (CMA) assignment for an existing borrower). A verify–classify–document framework, drawn from the literature on third-party tax information, internal control and SME credit, organises five analytic observations. Most reconciliation exceptions are timing differences, so the work is mainly classification. A projection earns a bank's trust through traceable assumptions more than through formula sophistication, with first-year capacity utilisation the most sensitive input. On one illustrative data set, the choice between the Tandon and Nayak working-capital methods changes permissible bank finance by ₹47.5 lakh on a gap of ₹110 lakh. Ledger-stage data quality carries through to every later output. And the practitioner's role is shifting from computation to verification and structuring. Because client data are confidential, quantitative exhibits are illustrative or derived and are labelled as such; the findings are propositions from a single case, not statistical results.

Keywords: GST reconciliation; TDS; financial modelling; project appraisal; Credit Monitoring Arrangement; working-capital assessment; small accounting practices; India

JEL classification: M41, H25, G21, L84

1. Introduction

1.1 Background

India's statutory compliance system has moved steadily onto government portals. Returns are filed online, tax credits are generated from information that other parties report, and a taxpayer's own records are matched against what the state already holds. The number of GST-registered taxpayers has grown from 66.5 lakh in 2017 to 1.65 crore in May 2026 (Business Standard, 2026), and each of them has to reconcile purchases, outward supplies and tax deducted at source with statements generated elsewhere. Much of this work is carried out by professional practices. The Institute of Chartered Accountants of India (ICAI) reported 4,23,105 members on 1 April 2025, of whom about 1.62 lakh were in



full-time or part-time practice (ICAI, 2025). Many of these practices are small, locally rooted firms, and the one studied here is an example.

The same practices increasingly handle a second kind of work. A bank asked to lend to a small or medium enterprise (SME) expects a structured financial projection, a project report and, for an existing borrower, Credit Monitoring Arrangement (CMA) data in a prescribed format. Few small borrowers can prepare these themselves, so the task falls to their accountant. A small practice therefore reads the same books of account for two quite different audiences: a tax authority that wants reconciled statements, and a bank credit officer who wants a forecast that can be defended.

Two regulatory changes made the period under study demanding: the GST rate rationalisation of 22 September 2025, which removed the 12 and 28 per cent slabs (Business Today, 2025), and the Income-tax Act, 2025, in force from 1 April 2026, which renumbered the TDS provisions and related statements (Computax, 2026; TaxGuru, 2026). Staff worked with two sets of terminology while deadlines continued to fall.

1.2 Statement of the research problem

Research on tax compliance and research on SME credit have developed largely apart. The first asks how information reaches the tax authority and what compliance costs taxpayers bear; the second asks how lenders overcome the opacity of small borrowers. The accountant who sits between the two, and whose workpapers feed both, receives comparatively little attention. In practice, the quality of what such a firm produces depends on routines that are seldom written down: how a mismatch between the books and a government statement is judged to be an error or merely a timing difference, how a forecast assumption is chosen and recorded, and which method a bank is likely to use when it sizes a working-capital limit. When these routines live in individual memory, quality varies with who does the work and how close the deadline is.

The problem addressed in this paper is therefore descriptive and practical. How does a small practice turn raw accounting data into outputs that a tax authority and a bank can each rely on, and at which points in that process do errors, delay or avoidable disagreement arise?

1.3 Research objectives

The study has five objectives.

O1. To describe how a small practice converts accounting data held in Tally Prime and Compu-Tax into reconciled GST and TDS statements.

O2. To document how a bank-facing Excel financial model and detailed project report are built for a new manufacturing unit, and to identify which assumptions carry the most weight.

O3. To show how the choice of working-capital assessment method changes the permissible bank finance computed from the same borrower data in a CMA assignment.

O4. To compare the compliance and appraisal work streams and identify the discipline and the sources of risk they share.

O5. To propose low-cost process improvements that a small practice could adopt.

1.4 Research questions

RQ1. How are differences between a client's books and externally generated statutory statements (GSTR-2B and the tax-credit statement) classified and resolved in practice, and what do those differences mostly consist of?

RQ2. Which inputs determine whether a projected financial model is credible to a bank, and how sensitive is the projection to them?

RQ3. How far does the choice of working-capital assessment method change the permissible bank finance for the same borrower data?

RQ4. What practices, and what vulnerabilities, are common to the compliance and appraisal streams?

1.5 Contribution and structure of the paper

The paper makes four contributions. It documents the workflow of a small, semi-urban accounting practice across both compliance and appraisal work, which on the sources reviewed has received little attention. It offers a six-category taxonomy for classifying reconciliation differences and an assumptions-log approach to financial models, both of which can be adopted at little cost. It connects the literature on third-party tax information with the literature on SME credit



through the figure of the intermediary practitioner. And it works through the Tandon and Nayak working-capital methods on a single data set so that the practical size of the method effect can be seen.

Section 2 sets out the institutional context, Section 3 reviews the literature and presents the framework, Section 4 describes the methodology, and Sections 5 and 6 analyse the work and state the findings. Sections 7 to 11 cover discussion, implications, limitations, further research and conclusions.

2. Institutional Context

2.1 The accounting and advisory sector

India's accounting and tax-advisory sector ranges from large multi-partner firms to a very long tail of small practices. Two published indicators give a sense of the scale of the compliance base and of the profession (Table 1).

Table 1
Scale of the GST base and the chartered accountancy profession in India

Indicator	Figure	Source
GST-registered taxpayers	66.5 lakh (2017); 1.65 crore (May 2026)	Business Standard (2026)
Total ICAI membership	4,23,105 (1 April 2025)	ICAI (2025)
ICAI members in full-time or part-time practice	1,61,565 (about 38% of membership)	ICAI (2025); percentage computed by the author

Note. Practice figures combine 1,54,552 members in full-time practice and 7,013 in part-time practice. Figures are as reported for 1 April 2025

Set against 1.65 crore GST registrations, about 1.62 lakh practising members is roughly one hundred registrations per practising member. The ratio is crude, since many taxpayers use other tax professionals or none, but it is consistent with the observation at the Firm that volume work is carried by trainees and semi-qualified staff while qualified staff review and sign off.

2.2 Regulatory developments during the study window

Table 2 summarises the changes most relevant to the Firm's work between the start of the 2025–26 financial year and the end of the study period.

Table 2
Regulatory changes affecting the compliance workflow

Area	Earlier position	Position during the study window	Source
GST rate structure	Slabs of 5%, 12%, 18% and 28%, with cess on selected goods	From 22 September 2025, main rates of 5% and 18%; 40% for selected luxury and demerit goods; the 12% and 28% slabs removed	Business Today (2025); TaxGuru (2025)
TDS on salary	Section 192; Form 24Q	Section 392; Form 138	TaxGuru (2026)
TDS on other payments to residents	Sections of the 194 series (e.g., 194C, 194I, 194J); Form 26Q	Section 393; Form 140	TaxGuru (2026); Computax (2026)
Tax-credit statement	Form 26AS	Form 168 (Annual Information Statement) for tax years from 2026–27; Form 26AS continues for earlier years	Business Standard (2026, May)
Applicable Act	Payments up to 31 March 2026 fall under the Income Tax Act, 1961	Payments on or after 1 April 2026 fall under the Income-tax Act, 2025	Computax (2026)



Note. Examples in Section 5 use some legacy section numbers because they remain the terminology most familiar to staff and clients; the reconciliation logic is unchanged by renumbering. Rates and thresholds must always be checked against the notification in force on the date of the transaction.

Two consequences matter. The Firm's reconciliations in the study window straddled both Acts, so a single reconciliation could involve two section numbers and two form names. The rate change may also surface in GST tax-amount mismatches around the transition, a plausible but undemonstrated effect.

2.3 The host practice

The study was carried out at a chartered accountancy practice (the Firm) in a semi-urban town in the Vidarbha region of Maharashtra. The Firm is a private professional practice and does not publish financial statements; none were disclosed to the author and none are reported here. It offers accounting and bookkeeping in Tally Prime; GST registration, return support and reconciliation; income-tax computation support in Compu-Tax; TDS compliance support; financial modelling and project reports for clients seeking term loans or cash credit; and CMA data preparation for existing borrowers. Its client base is of the kind typical for such a practice, namely small manufacturing and quarrying-related units, traders, existing SME borrowers and salaried or professional individuals (an illustrative description, not a client count).

Staff work across accounting, GST, TDS and appraisal for the same clients, and the reconciliation and modelling work observed was largely spreadsheet-based and not supported by dedicated software.

3. Review of Literature and Conceptual Framework

3.1 Third-party information and the paper trail

Tax-enforcement research has long argued that the information a tax authority can observe shapes how much tax it collects. In a field experiment with the Danish tax authority, Kleven et al. (2011) found evasion to be small on income that third parties report and considerably larger on self-reported income. Pomeranz (2015) studied the value added tax directly, through two randomised experiments among more than 400,000 Chilean firms. Announcing additional monitoring changed behaviour less on transactions already covered by a paper trail, and enforcement against one firm raised compliance among its suppliers. The VAT works, in part, because each transaction leaves a record in two taxpayers' books.

GST is built on the same logic. A supplier's GSTR-1 populates the recipient's GSTR-2B, and the recipient's input tax credit is tied to what that statement shows (Central Goods and Services Tax Act, 2017, s. 16(2)(aa)). For a practice acting for the recipient, reconciliation is the step that squares the client's books with the state's copy of the transaction chain.

3.2 Reconciliation as internal control

In accounting, a reconciliation compares two independently produced records of the same transactions so that error, omission or duplication appears as a difference. The COSO Internal Control–Integrated Framework treats such verifications and reconciliations as control activities (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2013). A difference is not itself a finding, though. Some differences are errors that persist until corrected; others are timing differences that disappear once the other party acts. A process that treats every difference as an error wastes effort and strains client relationships, while one that treats every difference as timing lets real errors through.

3.3 Compliance costs and the role of intermediaries

Complying with tax law imposes costs on taxpayers that are separate from the tax itself. Eichfelder and Vaillancourt (2014) review the empirical evidence, distinguishing in-house time, external adviser fees and other monetary expenses, and report average costs separately for individuals, small businesses and large businesses. For a small firm, outsourcing to a professional practice is the usual way of turning a compliance burden into a service fee. The sources reviewed for this paper did not yield India-specific studies of what GST reconciliation costs small practices (Section 3.7).

3.4 Information asymmetry and SME credit

Credit markets are the standard case of asymmetric information. Akerlof (1970) showed how uncertainty about quality can undermine a market, and Stiglitz and Weiss (1981) showed that, when lenders cannot observe borrower quality, credit may be rationed rather than priced. Small firms are the hardest case because they are informationally opaque.



Berger and Udell (2006) distinguish several lending technologies for such borrowers, among them transactions technologies such as financial statement lending, and relationship lending based on information accumulated over time. Financial statement lending rests on the quality of the borrower's financial information. In India, the International Finance Corporation (2018) reported a substantial gap between the debt demand of micro, small and medium enterprises and what formal sources supply.

In this setting a project report or CMA data set acts as a bridging document. The bank cannot observe the proposed business directly, so it relies on a structured account prepared by someone with access to the borrower's books. Whether that account is credible depends on how visibly each figure is tied to an assumption and a source. This reading is the author's interpretation of the literature; it is not a result reported in the studies cited.

3.5 Working-capital assessment in India

Indian banks' methods for sizing working-capital limits derive from two committees. The Tandon Study Group (Reserve Bank of India [RBI], 1975) recommended that banks finance only part of the working-capital gap, defined as current assets less current liabilities other than bank borrowing, with the borrower contributing a margin from long-term funds. Under the first method the bank finances 75 per cent of the gap. Under the second, the borrower funds at least 25 per cent of total current assets and the bank finances the rest of the gap, which gives a lower limit for the same data. The Nayak Committee (RBI, 1992) proposed a simpler turnover method for small borrowers.

RBI guidance now states that working capital may be assessed on projected annual turnover for micro and small enterprises with fund-based limits up to ₹5 crore, and for other borrowers with limits up to ₹1 crore. The requirement is taken as 25 per cent of projected turnover, of which the borrower contributes 5 per cent and the bank finances at least 20 per cent (RBI, n.d.). The same guidance leaves banks free to use either the turnover or the traditional method and no longer prescribes detailed norms for inventory and receivables. The mandatory element of the Tandon norms was relaxed some time ago, but the methods still frame how CMA data are prepared at the Firm.

3.6 Spreadsheet models and assumption risk

Both work streams ran on Excel. Research on spreadsheet errors is consistent: errors are common in operational spreadsheets and can lead to poor decisions (Panko, 1998; Powell et al., 2008). For a financial model supporting a loan application the risk has two parts. Mechanical errors, such as a broken link between a depreciation schedule and the balance sheet, can be found by checking. Judgemental errors, such as an unexamined utilisation assumption, cannot be found by checking formulas; only a record of the reasons for each assumption exposes them.

3.7 Research gap

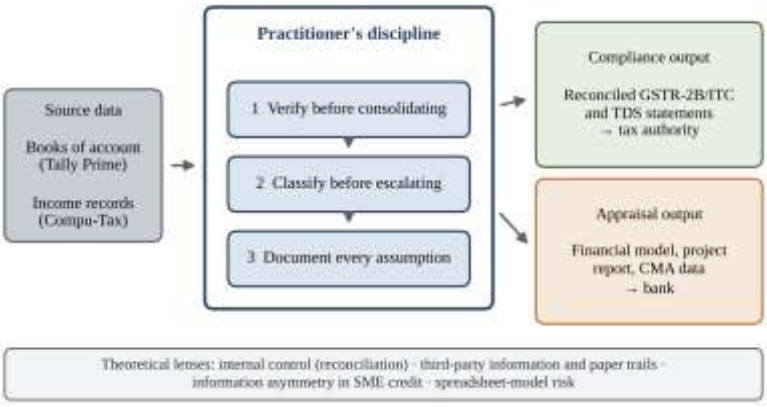
Three gaps follow. First, the tax-information and SME-credit literatures rarely meet, and the practitioner whose workpapers serve both is seldom the unit of analysis. Second, the mechanics of classifying reconciliation differences and documenting forecast assumptions in small practices appear, on the evidence reviewed, mainly in professional guidance and not in empirical research. Third, the effect of method choice on working-capital limits is usually taught through textbook examples; working one data set through all three methods makes its practical size visible. The review is selective and not systematic, and the claim of a gap should be read in that light.

3.8 Conceptual framework and propositions

The analysis is organised around three working rules that the Firm's staff applied, in different words, across all tasks: verify before consolidating, classify before escalating, and document every assumption. Figure 1 shows where they sit, between the source data in Tally Prime and Compu-Tax and the two kinds of output. Each rule corresponds to a strand of the literature. Verification and classification reflect the internal-control view of reconciliation (COSO, 2013) and the use of third-party records as the benchmark (Kleven et al., 2011; Pomeranz, 2015). Documentation of assumptions responds to information asymmetry between borrower and bank (Berger & Udell, 2006) and to the risk of undocumented judgement in spreadsheets (Powell et al., 2008).

Figure 1

Conceptual framework: from books of account to compliance and appraisal outputs



Note. Source: author's synthesis of the literature reviewed in Section 3.

Four propositions, one for each research question, structure the analysis that follows.

P1. Most differences between a client's books and third-party statutory statements are timing differences, and classifying them before escalation reduces unnecessary follow-up (RQ1).

P2. The credibility of a bank-facing projection depends more on the traceability of its assumptions than on the sophistication of its formulas, and early-year capacity utilisation is the most sensitive input (RQ2).

P3. The choice of working-capital method changes permissible bank finance materially for the same borrower data (RQ3).

P4. Data-quality problems at the accounting stage propagate into both compliance and appraisal outputs, so one upstream discipline benefits both (RQ4).

4. Research Methodology

4.1 Research design

The study is a qualitative, single-case, practice-based investigation. A case design suits the research questions because the object of study is a process inside an organisation, and process detail of this kind is rarely available from surveys (Yin, 2018). The aim is analytic rather than statistical generalisation: to describe the workflow carefully, relate it to existing theory, and generate propositions that later multi-firm work can test (Eisenhardt, 1989). The study is exploratory and descriptive and does not test hypotheses with inferential statistics.

4.2 Setting and period

Data were gathered during a ten-week supervised placement of the author at the Firm, from 15 June to 21 August 2026. The author, an MBA (Finance) student, took part as an assistant under close supervision: entering and checking records, preparing first-level reconciliations, and drafting parts of the financial model and project report. Qualified staff reviewed every output, and statutory filings, bank submissions and client representation remained with them. The author's position was therefore that of a participant observer with limited authority, which gave good sight of working routines and little sight of decisions taken at partner level.

4.3 Data sources

Five kinds of material were used. The first was the author's weekly learning diary and fortnightly progress notes kept during the placement. The second was working papers, namely the GST and TDS reconciliation extracts. The third was project artefacts: the seven-year Excel financial model and twenty-section detailed project report for a proposed manufactured-sand (M-Sand) unit, and the CMA data set, with two years of actual and five years of projected figures, for an existing borrower referred to here as Client A. The fourth was notes from four supervised client-interaction points



on the M-Sand project. The fifth was secondary material: statutes, RBI guidance, ICAI and government statistics, and the academic literature reviewed in Section 3.

4.4 Analytical approach

Observations were organised around a sequence that emerged from the six tasks: source data are extracted from the books; an external or bank-mandated format is identified; the data are matched, structured or projected into that format; every difference or assumption is recorded; and only the reviewed output is carried forward. The sequence was used to compare the compliance and appraisal streams. Quantitative exhibits were then checked for internal consistency, and where figures could be derived from others in the same table (margins, coverage ratios, working-capital limits) they were recomputed by the author. No statistical inference is drawn.

4.5 Data status and transparency

Client confidentiality limits what can be shown. The quantitative exhibits fall into four categories (Table 3), and every table and figure in Section 5 is labelled accordingly. The illustrative exhibits should be read as demonstrations of structure and arithmetic, not as measurements.

Table 3
Status of the quantitative exhibits

Code	Meaning	Where used
A	Reported: approximate figures that the client agreed could describe project scale	Table 7 (amounts)
B	Observation: qualitative accounts of what the author saw in working papers and project files	Sections 5.1 to 5.6; Findings F1 to F5
C	Illustrative: template data in the form of actual outputs, rounded and not client-specific	Tables 5, 6, 8 and 9; Figures 3 to 5
D	Derived: computed by the author from categories A or C	Table 7 (shares); Table 8 (growth, margins, cover); Table 9; Figure 3b

4.6 Ethical considerations

Client names, GSTINs and identifying figures are excluded, and neither the Firm nor its clients are named. The M-Sand client agreed that the project's scale (term loan, cash credit and total cost) could be used to illustrate the work.

4.7 Trustworthiness and reflexivity

Credibility was supported by comparing the diary, working papers and project files, and by qualified staff reviewing all outputs. Researcher bias remains a risk: the author was a trainee learning the Firm's methods and may have taken them to be normal practice. Where a finding rests on the author's observation alone, Table 10 says so.

5. Data Analysis and Interpretation

5.1 The common starting point: books and income records

Every output studied begins in a client's books or income records. In Tally Prime the Firm organises the chart of accounts into ledger groups, with separate duty ledgers for CGST, SGST and IGST. This design is what makes later extraction possible: purchase registers for GST reconciliation, TDS ledgers for tax-credit matching and trial balances for financial statements all come from the same structure, and a purchase booked to the wrong ledger resurfaces later as a reconciliation difference or a distorted ratio. In Compu-Tax, the working rule for a client with several income sources was to capture each source separately before consolidating, so that any figure can be traced to its head of income. The two rules are one discipline: verify, and keep the source visible, before consolidating.

5.2 GST reconciliation (GSTR-2B and input tax credit)

The reconciliation (Figure 2a) compares the client's purchase register with GSTR-2B, the monthly statement of input tax credit compiled from suppliers' GSTR-1 filings. Records are matched on supplier GSTIN and invoice number, taxable value and tax amount are compared, and each difference is classified before anyone decides what to do about it. Figure 2 also shows the parallel TDS workflow discussed in Section 5.3.



The classification used in the Firm's working papers is set out in Table 4. Its value is that each category points to a different action and a different owner.

Table 4

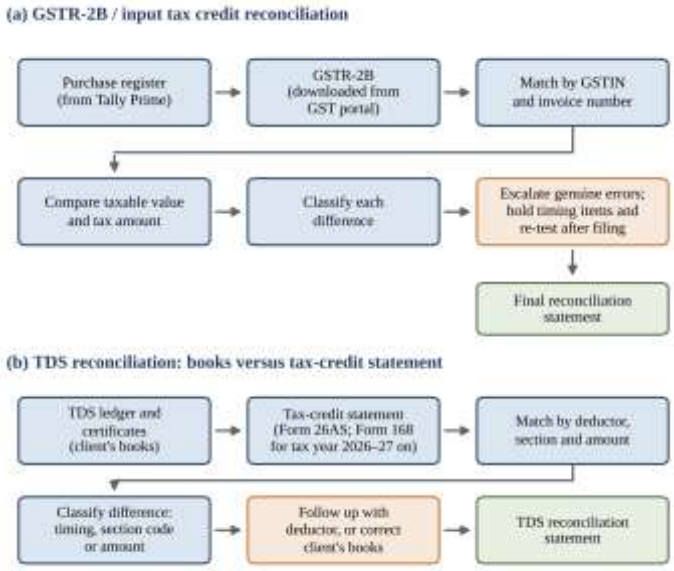
Taxonomy of GSTR-2B reconciliation differences

Category	Meaning	Typical cause	Usually an error?
Matched	GSTIN, invoice number, value and tax agree	Correct recording and timely supplier filing	No
In books, not in GSTR-2B	Purchase recorded but absent from the statement	Supplier has not yet filed; wrong GSTIN keyed in the books	Often timing; sometimes an error
In GSTR-2B, not in books	Credit available but purchase not recorded	Invoice not yet booked; invoice meant for another entity	Often an error or omission
Taxable value mismatch	Value differs between the two records	Keying error; credit note not reflected; rounding	Usually
Tax amount mismatch	Tax differs although value agrees	Wrong rate; place-of-supply error	Usually
Invoice number or date difference	Same transaction, different identifiers	Formatting differences; wrong period	Often minor

Note. Source: author's synthesis of the Firm's working-paper practice (category B).

Figure 2

Reconciliation workflows for GST input tax credit and TDS



Note. Source: author's representation of the Firm's observed workflow (category B).

A simple example shows why classification matters. Suppose a business records purchases of ₹10,00,000 in taxable value for a month, but GSTR-2B shows matching purchases of only ₹9,20,000 because one supplier has issued its invoice and not yet filed GSTR-1. The ₹80,000 gap is a timing difference, not an error in the recipient's books. Credit is claimed in GSTR-3B only to the extent shown in GSTR-2B and the remainder is tracked forward until it appears in a later statement; claiming it from the books figure would create a mismatch the GST system can flag. At a uniform 18 per cent, assumed only for illustration, the credit on the books figure would be ₹1,80,000, the credit available ₹1,65,600 and the credit carried forward ₹14,400.

Table 5 shows an illustrative extract. Two of the four lines match. One is a books-only item awaiting the supplier's filing. The fourth is a taxable-value mismatch of ₹1,700, where GSTR-2B shows a higher value than the books. The first needs only a note and a re-test after the supplier's due date. The second needs someone to establish which record is right,



and the answer decides whether the client corrects its books or asks the supplier to amend its return. Treating the two lines alike would send the client two queries for a problem that needs one.

Table 5

Illustrative GSTR-2B reconciliation extract (category C)

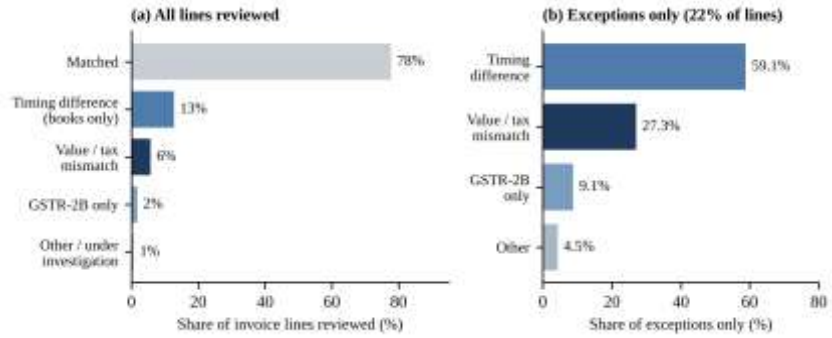
Supplier	Invoice	Books: taxable value (₹)	GSTR-2B: taxable value (₹)	Difference (₹)	Classification
Supplier V	INV-1001	1,20,000	1,20,000	0	Matched
Supplier W	INV-1045	85,500	85,500	0	Matched
Supplier X	INV-1109	65,500	67,200	1,700	Taxable value mismatch
Supplier Y	INV-1112	42,000	Not in GSTR-2B	42,000	In books, not in GSTR-2B (timing)

Note. Supplier names and invoice numbers are generic. The difference column shows the absolute difference (category D); for Supplier X, GSTR-2B exceeds the books by ₹1,700.

Figure 3 shows an illustrative distribution of invoice lines in a working paper. The data are template values rounded to resemble the pattern the author saw across working papers; they are not a count. In the illustration 78 per cent of lines match. Of the remaining 22 per cent, timing differences account for 13 points, or about 59 per cent of all exceptions; value or tax mismatches for 6 points (27 per cent); lines present in GSTR-2B but absent from the books for 2 points (9 per cent); and unresolved items for 1 point (5 per cent). The pattern was the same in kind across the working papers observed: once matched lines were set aside, timing differences were the largest group of exceptions and genuine unresolved errors were a small minority.

Figure 3

Illustrative distribution of GSTR-2B reconciliation outcomes



Note. Illustrative template data (category C); panel (b) is derived from panel (a) (category D).

One further observation concerns the staff. A lookup formula finds differences automatically; the skill lies in classifying them. In the first weeks the author tended to refer almost every mismatch to the client; once the taxonomy was in use, timing items were held and re-tested after the supplier's filing date and only value, tax and unrecorded-purchase differences were escalated (see Recommendation 3, Section 8).



5.3 TDS reconciliation

TDS reconciliation (Figure 2b) compares tax deducted as recorded in the client's books with the credit shown in the tax-credit statement, which is Form 26AS for earlier years and Form 168 from tax year 2026–27 (Business Standard, 2026). Table 6 gives an illustrative extract.

Table 6
Illustrative TDS reconciliation extract (category C)

Particulars	Per books (₹)	Per statement (₹)	Difference (₹)	Status
A: professional fees (s. 194J)	38,000	38,000	0	Matched
B: contract payment (s. 194C)	54,000	0	54,000	Deductor's return not yet filed
C: rent (s. 194I)	96,000	92,000	4,000	Amount mismatch; under review
Total	**1,88,000**	**1,30,000**	**58,000**	

Note. Legacy section numbers are used for recognisability; under the Income-tax Act, 2025 these payments fall under section 393. Totals are derived by the author (category D).

The two differences have different owners. The ₹54,000 item exists because the deductor has not yet filed its quarterly statement, so the credit cannot appear until it does. It is a timing item, and the action is to remind the deductor, not to alter the client's books. The ₹4,000 difference on rent is a genuine mismatch. In the Firm's working papers, real amount mismatches of this kind most often traced to an incorrect section code or amount reported by the deductor, and the correction then has to be made by the deductor in its own statement. Across both reconciliations one question decides the action: whose record is wrong, and is it wrong now or only late?

5.4 Project appraisal: the M-Sand financial model

The first appraisal assignment was a proposed M-Sand manufacturing unit. The promoter sought a ₹40 lakh term loan and a ₹10 lakh cash-credit facility against a total requirement of about ₹1.03 crore, with the balance of ₹53 lakh from his own contribution (Table 7). The author took part in supervised discussions with the promoter and helped build the Excel model and project report. The model had to show a bank two things: that projected cash generation would cover term-loan repayments comfortably, and that the working-capital cycle could be sustained within the cash-credit limit.

Table 7
M-Sand project: means of finance

Source of funds	Amount (₹ lakh)	Share of total (%)	Nature
Term loan	40	38.8	Long-term bank debt
Cash credit	10	9.7	Working-capital limit
Promoter's contribution	53	51.5	Own funds
Total	**103**	**100.0**	

Note. Amounts are approximate and reported (category A); shares are derived (category D). Bank finance (term loan plus cash credit) is ₹50 lakh, or 48.5% of the total. The ratio of term loan to promoter's contribution is 0.75:1. Cash credit is a revolving working-capital limit and not a capital cost; it is shown within the means of finance as the client reported it.

The model linked a seven-year projected profit and loss account, a projected balance sheet, a depreciation schedule, a term-loan repayment schedule, a cash-credit interest calculation and a ratio analysis. Linking is what makes it a model and not a set of tables: a change to the depreciation assumption has to carry through to both the profit and loss account and the balance sheet. Keeping the schedules consistent after each change required iterative checking, and this was the most demanding technical task of the placement. The twenty-section project report covered the promoter, raw materials,



process, plant and machinery, site and utilities, manpower, marketing and pricing, statutory compliance, project cost and means of finance, projections, ratio analysis and conclusions.

Information reached the model through four supervised interactions with the promoter: an initial meeting on the concept and funding need; a follow-up on capacity, machinery, raw materials and manpower; a discussion of assumptions on pricing, utilisation ramp-up and costs; and a review of the draft. Most of the judgement entered the model at the third.

Table 8 reproduces an illustrative extract of the projections together with indicators derived from it. The figures are template data and are neither a forecast for any client nor a sector benchmark. Sales rise from ₹62 lakh to ₹136 lakh, with most of the growth in the second and third years as capacity utilisation ramps up. The EBITDA margin rises from 29.0 to 39.7 per cent as fixed costs are spread over a larger revenue base, and profit before tax (PBT) from ₹3 lakh in year 1 to ₹48 lakh in year 7 (Figure 4). Interest cover is a modest 3.0 times in year 1 and rises quickly as the term loan is repaid.

Table 8

M-Sand project: illustrative seven-year projection and derived indicators (₹ lakh)

	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Net sales	62	88	104	112	120	128	136
Operating expenses	44	58	66	70	74	78	82
EBITDA	18	30	38	42	46	50	54
Depreciation	9	9	8	7	6	6	5
Interest	6	6	5	4	3	2	1
Profit before tax	3	15	25	31	37	42	48
Sales growth (%)	n/a	41.9	18.2	7.7	7.1	6.7	6.3
EBITDA margin (%)	29.0	34.1	36.5	37.5	38.3	39.1	39.7
PBT margin (%)	4.8	17.0	24.0	27.7	30.8	32.8	35.3
Interest cover (EBITDA ÷ interest, times)	3.0	5.0	7.6	10.5	15.3	25.0	54.0

Note. The first six rows are illustrative template data (category C); shaded rows are derived by the author (category D). The profit-before-tax margin is shown because the extract has no tax line. EBITDA is net sales less operating expenses. The debt service coverage ratio (DSCR) must be taken from the model's repayment schedule and is left blank here.

Year 1 is the fragile year. Profit before tax of ₹3 lakh is 4.8 per cent of sales, and depreciation and interest together absorb ₹15 lakh of the ₹18 lakh of EBITDA. A weaker ramp-up in the first year threatens both profit and the cash available for debt service. The author observed that small changes in the assumed ramp-up moved projected profitability materially, which is why the utilisation figure was discussed explicitly with the promoter and recorded and not set at a round number by default. How far profit would fall depends on how operating costs divide between fixed and variable items, a split the extract does not show. If every operating cost were fixed, a fall of just over 4.8 per cent in year-1 sales would remove profit entirely; because some costs are variable, the true threshold will be higher, but the extract does not allow it to be calculated.

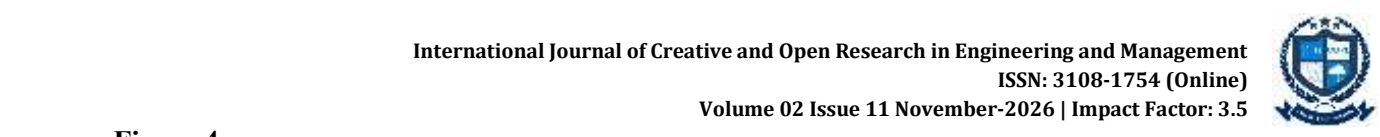
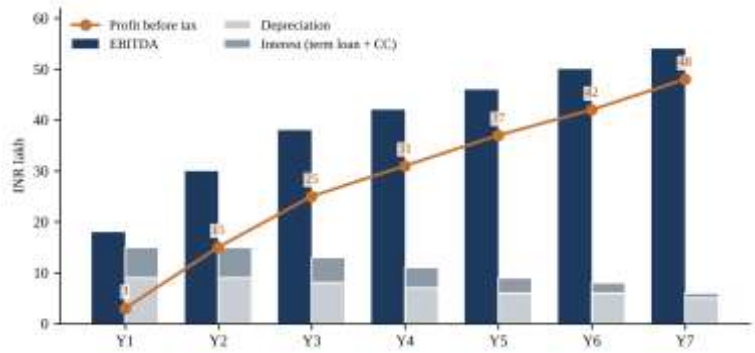


Figure 4

M-Sand project: EBITDA, fixed financing charges and profit before tax



Note. Illustrative template data (category C), plotted from Table 8.

The more general lesson concerns documentation. A model's credibility with a bank depends less on how elaborate its formulas are than on whether each key assumption (utilisation, selling price, cost escalation, interest rate, depreciation method) is explicit, reasoned and traceable; a credit officer cannot judge a figure whose basis is not visible.

5.5 CMA data and working-capital assessment

The second assignment prepared CMA data for an existing business, Client A, seeking renewal or enhancement of its limits. The data set covered two years of actual and five years of projected figures: financial statements, depreciation, ratios, sensitivity analysis, a bank-format restructuring of the balance sheet, the working-capital calculation and loan schedules. The central analytical step was the assessment of working-capital finance. Table 9 applies the three methods to one illustrative data set: current assets of ₹150 lakh, current liabilities other than bank borrowing of ₹40 lakh (a working-capital gap of ₹110 lakh) and projected annual turnover of ₹600 lakh.

Table 9

Permissible bank finance under three assessment methods (illustrative inputs, ₹ lakh)

Method	Computation	Borrower's margin	Permissible bank finance	Implied current ratio
Tandon Method I	75% of the gap: 0.75 × 110	27.5	82.5	1.22
Tandon Method II	Gap less 25% of current assets: 110 − 0.25 × 150	37.5	72.5	1.33
Nayak turnover method	Requirement 25% of turnover (150); borrower 5% (30); bank 20%: 0.20 × 600	30.0	120.0	n.m.

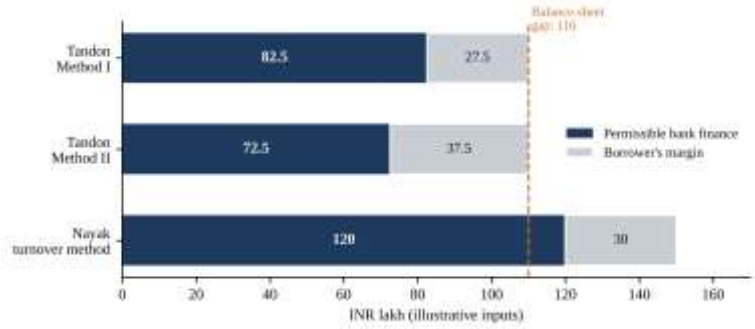
Note. Inputs are illustrative (category C); limits and ratios are derived (category D). The implied current ratio is current assets ÷ (other current liabilities + bank finance). It is not meaningful (n.m.) for the turnover method here because bank finance of ₹120 lakh plus other current liabilities of ₹40 lakh would exceed current assets of ₹150 lakh.

On the same data the methods give permissible bank finance of ₹82.5 lakh, ₹72.5 lakh and ₹120 lakh (Figure 5). The second Tandon method is the most conservative because it requires the borrower to fund a quarter of all current assets and not a quarter of the gap; the first method gives ₹10 lakh more, or 13.8 per cent above the lower figure. The turnover method gives the highest figure, ₹47.5 lakh or 65.5 per cent above the second Tandon method, because it is driven by projected turnover and ignores the detail of the current-asset build-up.

The size of the spread is partly an artefact of the illustrative inputs. Here the turnover-based requirement of ₹150 lakh exceeds the balance-sheet gap of ₹110 lakh, a combination a bank would want explained before accepting it. The point of the comparison is not that one method is correct but that the answer depends on which is used. Which methods are open also depends on the borrower: the turnover method applies, in RBI guidance, to micro and small enterprises with limits up to ₹5 crore and to other borrowers up to ₹1 crore, and the bank and not the borrower chooses the approach (RBI, n.d.). A practice preparing CMA data should therefore be ready to present the working-capital calculation under more than one method and to explain the difference.

Figure 5

Permissible bank finance and borrower's margin under three methods



Note. Illustrative inputs (category C); computed values (category D). The dashed line marks the balance-sheet working-capital gap of ₹110 lakh.

5.6 Comparing the two work streams

Despite the different readers, the two streams share a structure. Both start from the same books, both measure the output against an external benchmark, and both depend on a classification or reasoning step that a formula cannot perform. The consequences of error differ: an incorrect credit claim or unmatched TDS credit may bring a notice, whereas an unsupported projection may lead to under-sanction, over-sanction or rejection of a loan. In both, the practitioner's work is increasingly the verification and structuring of data that third parties or bank templates have already shaped, and less first-principles computation.

6. Results and Findings

The five findings below respond to the research questions and the four propositions. They are analytic observations from one practice, and Table 10 states the evidence on which each rests so that its strength can be judged.

F1. Timing differences, not errors, dominate reconciliation exceptions (RQ1, P1). In both the GSTR-2B and TDS work, most exceptions that remained once matched lines were set aside were timing differences that resolve when a supplier or deductor files. Reconciliation effort is therefore mostly classification and only partly correction. The illustrative distribution in Figure 3 conveys the pattern, but the observation itself, and not the template numbers, is the evidence.

F2. Traceability of assumptions matters more than sophistication of formulas (RQ2, P2). The M-Sand model's credibility turned on whether each key assumption was explicit and reasoned. First-year capacity utilisation was the most sensitive input: in the illustrative projection, year-1 profit before tax is 4.8 per cent of sales and fixed financing charges take most of EBITDA.

F3. The choice of working-capital method changes the answer (RQ3, P3). On one data set, permissible bank finance ranges from ₹72.5 lakh under the second Tandon method to ₹120 lakh under the turnover method, a spread of ₹47.5 lakh on a working-capital gap of ₹110 lakh. The magnitude depends on the illustrative inputs; the direction and the arithmetic do not.

F4. Upstream data quality propagates (RQ4, P4). Ledger structure in Tally Prime and source-by-source capture in Compu-Tax determined how easily reconciliations and statements could be produced. Errors at that stage reappeared downstream as reconciliation differences or distorted ratios.

F5. The practitioner's role is shifting from computation to verification and structuring (RQ4). Pre-populated government statements and bank templates mean that much of the work is checking and organising data that others have



shaped. A trainee could contribute to this work under supervision, but classification and assumption judgements remained with qualified staff.

Table 10

Findings, evidence base and verification status

Finding	RQ / proposition	Evidence base (Table 3 codes)	Strength and what remains to be verified
F1	RQ1 / P1	B; C (Table 5, Figure 3)	Direction supported by observation; quantification needs actual counts from anonymised working papers
F2	RQ2 / P2	B; C (Table 8); D	Supported qualitatively; needs the model's DSCR and a year-1 utilisation sensitivity
F3	RQ3 / P3	C (inputs); D (arithmetic)	Arithmetic verified against the published method definitions; inputs are illustrative
F4	RQ4 / P4	B	Qualitative; single firm
F5	RQ4	B; secondary literature	Qualitative; reflects a trainee's vantage point

7. Discussion

7.1 Reconciliation as classification

Finding 1 fits the control view of reconciliation: the value lies in telling kinds of difference apart. It also reveals something specific to the design of GST. Because a recipient's credit depends on the supplier's filing, the recipient's timing difference is created by someone else's behaviour. Pomeranz (2015) found that enforcement against one firm raises compliance among its suppliers; the practice observed here suggests a quieter, private version of the same mechanism, in which recipients and their accountants chase suppliers whose filings are late. This is an inference and not something the study measured, but it implies that supplier follow-up is part of the recipient's compliance cost. It also suggests a refinement for the third-party-reporting literature (Kleven et al., 2011): a third-party record is a reliable benchmark only once the third party has reported, and the wait is a cost to the party relying on it.

7.2 Documentation and information asymmetry

Finding 2 is consistent with the information-asymmetry view of SME credit. In financial statement lending the bank's comfort rests on the quality of the borrower's financial information (Berger & Udell, 2006), and for a new business with no history the projection is that information. An assumptions log turns an opaque forecast into one a credit officer can question, and guards against the judgemental errors that formula checks alone do not catch (Powell et al., 2008). The Firm already did much of this informally; the suggestion is to write it down.

7.3 Method choice and bank discretion

Finding 3 follows from the discretion RBI guidance gives banks between the turnover and traditional methods (RBI, n.d.). The flexibility is practical, but it moves part of the borrower's outcome onto the lender's choice of method. A practice should therefore prepare the calculation under each plausible method and learn the bank's policy before the CMA data are finalised.

7.4 Digitisation and the practitioner's role

Findings 4 and 5 point the same way. Pre-filled returns, e-invoicing and template-driven bank formats push the practitioner towards verification and structuring, which raises the premium on clean upstream books and on judgement that formulas cannot supply. The 2025–26 regulatory changes also illustrate a training problem for small practices: staff had to work with old and new section numbers, forms and rates at once, without the training departments larger firms maintain.



7.5 Alternative explanations and boundaries

Alternative readings should be kept in view. The dominance of timing differences may reflect the clients, the months observed or the Firm's purchasing practices, and the author's early over-escalation may have made timing differences more salient. The sensitivity to year-1 utilisation is partly a property of a new unit with heavy fixed charges. The method comparison rests on one illustrative data set. These caveats are why the findings are framed as propositions for testing.

8. Practical and Managerial Implications

For practice managers. The findings point to the small set of low-cost changes in Table 11. A model template with a dedicated assumptions sheet, a dated assumptions log and a firm-wide exception taxonomy address the two largest sources of avoidable rework; a client document checklist and a shared status tracker address delays from client coordination and competing deadlines; and onboarding for new staff and a method-selection note prepare the practice for the learning curve and for the bank's choice of method.

Table 11
Recommended process improvements for a small practice

No.	Recommendation	Linked finding or difficulty	Effort
1	Standard financial-model template with a dedicated assumptions sheet	F2; risk of broken links	Low (one-time)
2	Dated assumptions log for every model	F2	Low (process)
3	Firm-wide GST and TDS exception taxonomy (Table 4)	F1	Low (process)
4	Client document checklist before project or CMA work starts	Delays in client coordination	Low (one-time)
5	Shared project and CMA status tracker	Competing compliance and project deadlines	Low (one-time)
6	Structured onboarding for new staff on Tally Prime and Compu-Tax	Learning-curve period; F4	Low to moderate
7	Working-capital method-selection note by borrower size	F3	Low (one-time)

Note. Effort ratings are the author's judgement; none was costed.

For lenders. Asking for the assumptions log alongside the projection, and for the working-capital calculation under the method the bank intends to apply, would let credit officers test the figures that matter. **For SME clients,** current books, timely purchase documents and follow-up of late-filing suppliers reduce the exceptions a practice has to resolve. **For regulators and professional bodies,** mapping tables between old and new provisions, alerts to recipients when a supplier's filing is overdue, and training material for small practices would ease transitions like that of 2025–26.

9. Limitations of the Study

The study covers a single firm in one semi-urban location, so the findings may not hold for firms with different clients, software or scale. The ten-week window excludes annual-cycle work such as year-end closing and audit-linked assignments. The author was a supervised participant and a trainee, which gave a view of routines but not of partner-level decisions and may have introduced familiarity bias. Confidentiality meant that most quantitative exhibits are illustrative or derived and that no statistical testing was possible, so the findings are propositions and not estimates. Bank-side behaviour was not observed. The literature review is selective and not systematic, and some regulatory points rest on secondary summaries of notifications that continue to change.

10. Recommendations and Future Research Scope

The practice recommendations in Table 11 are deliberately modest: changes a small practice can adopt without new software or staff. Their effect is untested, so adoption should start with a baseline, such as the share of reconciliation lines escalated to clients and the number of bank queries per project report.



Six lines of further research follow from the study.

1. Multi-firm studies that collect anonymised reconciliation logs, so that the distribution of exception types in Figure 3 can be measured and not illustrated.
2. Before-and-after tests of the assumptions-log and exception-taxonomy interventions, using queries received from banks and the share of lines escalated as outcome measures.
3. Interviews or surveys with bank credit officers on how projections and CMA data are used, and on how the working-capital method is chosen.
4. Estimates of the cost to small practices and their clients of GST reconciliation and of the transition to the Income-tax Act, 2025, extending the compliance-cost literature (Eichfelder & Vaillancourt, 2014) to Indian SMEs.
5. Field studies of supplier follow-up as a private enforcement mechanism in GST, building on the paper-trail work of Pomeranz (2015).
6. Comparative case studies of practices of different size and location, to test whether the propositions travel.

11. Conclusion

A small accounting practice reads the same books for two audiences, and this study followed that process through two work streams: reconciliation of GST and TDS data for the tax authority, and financial modelling and CMA preparation for a bank. The two streams turned out to share a structure. Each starts from the client's books, is judged against an external standard, and depends on a step that a formula cannot perform: classifying a difference correctly in one case and recording the reasoning behind an assumption in the other.

Five observations follow. Most reconciliation exceptions are timing differences, so the work is mainly classification. A projection earns a bank's trust through traceable assumptions more than through elaborate formulas, and first-year utilisation is the input to watch. The working-capital method chosen can change permissible bank finance substantially, in the worked example by ₹47.5 lakh on a gap of ₹110 lakh. Data quality at the ledger stage carries through to every later output. And the practitioner's role is moving from computation towards verification and structuring.

These observations come from one practice and, for the quantitative exhibits, from illustrative data, so they are propositions to test and not estimates. Their practical value does not depend on that testing: a written exception taxonomy, a dated assumptions log and a working-capital method note cost little and can be introduced in any small practice. The quality of what small practices send to tax authorities and banks is largely a matter of process, and process is something a small firm can improve.

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