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Study on Impact of GST on Accounting Processes and Financial Reporting at Prime Gases Private Limited

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Abstract

The introduction of Goods and Services Tax (GST) in India represents a structural reform that has reshaped indirect taxation and fundamentally altered accounting processes and financial reporting practices across sectors. This paper examines the impact of GST on day to day accounting operations, financial statement presentation, compliance processes, and audit preparedness at Prime Gases Pvt. Ltd., a multi unit industrial and medical gases company operating across South India. Using a mixed method, case study-based design, the study integrates descriptive analysis of existing accounting and reporting processes with analytical evaluation of primary data collected from 55 respondents, including accounting staff, management, compliance personnel, and external consultants associated with the company. The findings indicate that GST has significantly increased the workload of accounting professionals, enhanced invoicing accuracy, standardized reconciliations, and improved transparency and audit readiness, while simultaneously creating challenges related to Input Tax Credit (ITC) reconciliation, vendor dependency, time pressure, and technology reliance. The paper concludes with recommendations on strengthening technological infrastructure, simplifying ITC processes, enhancing training, and providing targeted support to small and medium enterprises (SMEs), with implications for practitioners, policymakers, and researchers concerned with GST driven reforms in accounting and financial reporting

Keywords: GST, Accounting Processes, Financial Reporting, ITC Reconciliation, Compliance, Prime Gases Pvt. Ltd.

1. Introduction

The launch of Goods and Services Tax (GST) on 1 July 2017 marked a turning point in India's indirect taxation system, replacing a fragmented structure comprising excise duty, service tax, value-added tax, entry tax, and multiple cesses with a unified destination-based tax regime. Prior to GST, businesses maintained separate records for numerous levies, managed overlapping compliance requirements, and prepared financial statements that embedded tax components within revenues and expenses, often reducing transparency. With GST, organizations were required to redesign invoicing formats to separately disclose Central GST (CGST), State GST (SGST), and Integrated GST (IGST), revamp chart of accounts, and adopt new recognition and

reporting practices for indirect taxes and ITC balances.

For a multi-unit industrial gases company like Prime Gases Pvt. Ltd., the reform was not only a tax change but a transformation in operational accounting, financial reporting, and technology adoption. The company operates manufacturing units, satellite filling stations, and an extensive distribution network across South India, supplying industrial, medical, and specialty gases to sectors such as healthcare, food processing, and metal fabrication. Its GST transition involved implementing GST-compliant invoicing, integrating ERP systems, restructuring ledgers to track ITC and tax liabilities, and realigning reporting processes to meet monthly, quarterly, and annual filing requirements.

From an accounting and financial reporting standpoint, GST has altered how turnover, tax expenses, receivables, and payables are recognized and presented, shifting revenue reporting to a net-of-GST basis and requiring distinct disclosure of GST-related assets and liabilities. At the same time, frequent regulatory amendments, evolving compliance formats, and digital-first filing systems have increased the complexity of day-to-day accounting work and raised expectations regarding accuracy, timeliness, and systems integration. Against this background, the present study analyses the impact of GST on accounting processes and financial reporting at Prime Gases Pvt. Ltd., seeking to understand both operational challenges and improvements in transparency, control, and audit readiness.

2. Literature Review

2.1 GST's Accounting Implications

Goyal (2018) noted initial disruptions in ledger reconfiguration and invoicing redesign post-GST. Sharma and Mehta (2019) highlighted shifts to net-of-GST turnover reporting, improving P&L clarity but complicating disclosures. ICAI (2020) stressed ERP integration for ITC validation and audits.

2.2 Financial Reporting and Compliance

Patel (2023) observed enhanced balance sheet transparency via separate GST liability lines. World Bank (2022) praised audit trails but flagged SME burdens. Kumar (2021) detailed SMEs' struggles with filings and credits.

2.3 Technology and Professional Evolution

Verma and Singh (2022) emphasized e-invoicing's efficiency gains amid frequent amendments. ICAI Journal (2023) described accountants' shift to compliance advisors. EPRA (2025) advocated robust systems for reporting.

2.4 Challenges

- Increased workload for accounting staff due to frequent GST return filings, detailed reconciliations, and continuous monitoring of amendments.
- High complexity in managing Input Tax Credit (ITC), including matching requirements, reversals, and blocked credits.
- Strong dependence on vendor compliance, where delays or errors in supplier filings negatively affect ITC eligibility and cash flows.

- Stringent filing timelines leading to time pressure and stress during month-end and year-end closing periods.
- Heavy reliance on technology and ERP systems, with risks from system downtime, integration issues, and portal glitches.
- Need for continuous staff training to keep pace with evolving GST rules, formats, and system changes.

Research Problem Statement

- How has the implementation of GST altered day-to-day accounting processes at Prime Gases Pvt. Ltd.?
- In what ways has GST affected the structure and transparency of financial reporting in the company?
- What specific challenges does Prime Gases face in GST reconciliations, ITC claims, and return filings?
- How adequate are the existing systems, processes, and skills at Prime Gases to handle GST-driven compliance requirements?

Research Gap

- Limited empirical case-based studies on the impact of GST on accounting and reporting in single, multi-unit manufacturing firms.
- Scarcity of research that integrates internal stakeholder perceptions (accountants, managers, auditors) with operational GST practices at the firm level.
- Inadequate analysis of how technology dependence and ERP integration shape GST compliance outcomes in mid-sized industrial organizations.
- Few studies that connect GST-induced accounting changes with audit readiness, internal controls, and decision-making in a specific company context.

Objectives of the study

The specific objectives are:

- To evaluate the effects of GST on day-to-day accounting processes at Prime Gases Pvt. Ltd.
- To evaluate the impact of GST compliance on financial reporting and readiness for audits.
- To outline issues faced by the company in GST reconciliations and filings.
- To recommend changes to systems, processes, and training to improve the company's GST compliance.

Research Methodology

1. Research Design

Descriptive-analytical case study of Prime Gases, blending qualitative insights and quantitative perceptions.

2. Data Collection

Primary: Questionnaire (55 respondents: accountants, managers, IT staff, auditors); observations (12 weeks); interviews (10 key personnel). Likert-scale items assessed workload, accuracy, challenges.

Secondary: Company records, GST returns, literature.

Sampling: Stratified (95% confidence, 5% error; n=55 from 54 population).

3. Data Analysis

Descriptive statistics (percentages); thematic analysis (NVivo-inspired coding for challenges). Triangulation ensured validity.

4. Scope & Limitations

Scope

- Focuses on the post-GST implementation period (2017 onwards).
- Examines the impact of GST on:
 - Routine accounting operations (invoicing, journal entries, ledgers, ITC reconciliation).
 - Financial statement preparation (P&L, balance sheet, disclosures).
 - Compliance processes (return filing, reconciliations, audit support).
- Geographical scope limited to the Indian GST framework.
- Organizational scope limited to Prime Gases Pvt. Ltd. and its multi-unit operations.

Limitations

- The study focuses on a single company, limiting the generalizability of the results.
- Primary data from 55 respondents and short-term observations may not capture long-term regulatory impacts.
- The analysis depends largely on internal records and secondary sources, with no cross-country GST/VAT comparisons.
- Findings are constrained by the evolving GST laws and apply only to the regulatory context of the study period.

3. Thematic Analysis of GST Impact at Prime Gases Pvt. Ltd.

Theme 1: Workload, Structure, and Day-to-Day Accounting

GST implementation has significantly elevated the workload for accounting teams at Prime Gases Pvt. Ltd., primarily due to the proliferation of periodic filings, detailed reconciliations, and ongoing monitoring of regulatory updates. Previously fragmented tax processes have been centralized under GST, but this unification demands meticulous tracking of CGST, SGST, IGST components across high-volume, multi-unit transactions. Journal entries now require precise segregation of output taxes, input credits, and reverse charges, transforming routine bookkeeping into a more intensive, time-bound activity that spans month-end closings and annual consolidations.

Conversely, GST has instilled greater structure and standardization in daily operations, with mandatory invoice elements like HSN codes and place-of-supply details ensuring consistent data capture. Integration with Tally ERP automates much of the ledger maintenance, linking source documents directly to accounts and facilitating traceable audit trails that were often absent in the pre-GST era. Monthly reconciliation cycles have become institutionalized, replacing ad hoc practices with systematic reviews that enhance accuracy and reduce discrepancies between operational records and financial ledgers.

Theme 2: Financial Reporting, Transparency, and Audit Preparedness

The shift to GST has compelled Prime Gases to revise its financial reporting framework, presenting turnover net of GST and isolating tax liabilities from core revenue and expense lines in profit and loss statements. Balance sheets now feature distinct disclosures for GST receivables (primarily ITC) and payables, providing stakeholders with a clearer view of tax positions and working capital tied to compliance activities. This granular presentation aligns with enhanced Ind AS requirements, minimizing embedded tax distortions that previously obscured profitability metrics.

These modifications have bolstered audit preparedness, as digital linkages between ERP-generated reports and GST portal data create verifiable evidence for statutory and tax audits. Respondents noted fewer undocumented adjustments during audits, attributed to routine book-to-return reconciliations that preempt mismatches. Overall, GST has fortified internal controls and governance, though it demands heightened vigilance in data capture to sustain this improved evidentiary base.

Theme 3 : Compliance Challenges, ITC Management, and Vendor Dependence

ITC reconciliation under GST poses substantial compliance hurdles at Prime Gases, where claims hinge on vendors' timely and accurate return filings via the GST portal. Mismatches arising from supplier lapses block credits, strain cash flows, and invite interest or penalties, compelling the company to invest in proactive vendor monitoring and dispute resolution. The framework's matching requirements—cross-verifying purchase data against GSTR-2A/2B—add procedural layers absent in prior regimes, amplifying administrative efforts across 13 manufacturing units.

Tight statutory deadlines exacerbate these issues, creating month-end "races against time" where data aggregation from dispersed locations must align perfectly for filings. Respondents frequently cited the rigidity of timelines and limited rectification windows as pain points, underscoring GST's dual-edged nature: while aiming for self-policing through technology, it transfers upstream compliance risks to downstream filers like Prime Gases.

Theme 4 : Technology Dependence and System Performance

Prime Gases' GST compliance is inextricably linked to technology, with Tally ERP serving as the backbone for invoice generation, tax code mapping, and return preparation across branches. Seamless integration with the GST portal enables automated population of returns and real-time mismatch alerts, drastically cutting manual computations that plagued earlier systems. However, this reliance exposes operations to risks like portal outages, software glitches during peak filing periods, and integration failures between unit-level and head-office databases.

System upgrades to accommodate evolving formats—such as e-invoicing mandates—necessitate rigorous testing and downtime planning, further taxing IT resources. Staff emphasized the need for redundant backups, 24/7 support, and user-friendly interfaces to mitigate disruptions, highlighting how technology, while a compliance enabler, has redefined operational vulnerabilities in the GST ecosystem.

Theme 5 : Training, Skills, and Role Evolution

Accounting roles at Prime Gases have evolved under GST from transactional clerks to multifaceted compliance

specialists, demanding proficiency in tax law, portal navigation, and analytical reconciliation. Frequent amendments require continuous upskilling, with staff navigating clarifications on ITC eligibility, rate changes, and procedural tweaks to avoid misclassifications or reversals. Training gaps manifest in errors during complex scenarios like inter-state supplies or capital goods credits, underscoring the urgency of structured programs.

This transformation elevates the profession's stature, positioning accountants as strategic advisors who interpret data for management decisions on cash flows and vendor strategies. Respondents viewed it as a growth opportunity amid challenges, advocating for certification-linked training and cross-functional forums to bridge knowledge deficits and adapt to GST's dynamic landscape.

Survey Insights

Dimension	Majority perception at Prime Gases Pvt. Ltd.
Effect on accounting workload	Workload has significantly increased
Invoice recording and reconciliation	Accuracy has improved under GST
Monthly reconciliations	More structured and standardized
Integration with financial statements	Reporting accuracy has improved
Audit preparedness	Overall audit readiness has strengthened
Time pressure for return filing	Time pressure is a major challenge
ITC claim complexity	ITC is more complex than pre-GST
Vendor non-compliance	Vendor lapses adversely affect ITC
Technology dependence	Compliance is heavily technology-driven
Importance of training	Continuous training is essential

4. Key Findings

- GST improved process discipline at Prime Gases, with 75% noting better structured reconciliations.
- However, vendor-related issues and ITC challenges continue to create compliance hurdles.
- Financial reporting became more transparent, and audits strengthened due to enhanced digital documentation.
- Technology plays a crucial role, but gaps in staff training still limit efficiency.
- SMEs like Prime Gases require more tailored regulatory and technological support to fully benefit from GST reforms.

5. Conclusion

The study demonstrates that GST has had a transformative impact on accounting processes and financial reporting at Prime Gases Pvt. Ltd., mirroring broader shifts observed in the Indian business environment. On the positive side, GST has contributed to more accurate invoicing, standardized reconciliations, clearer financial statement presentation, and stronger audit preparedness, supported by digital accounting tools and structured compliance processes. At the same time, it has increased the workload of accounting professionals, intensified time pressure for return filings, heightened dependency on vendor compliance, and made ITC management and technology reliability critical determinants of compliance success.

From a professional standpoint, GST has elevated expectations placed on accounting and finance teams, requiring them to combine technical tax knowledge with systems expertise, process design, and stakeholder coordination. For Prime Gases, sustained investment in ERP systems, process automation, and user training emerges as essential to harness the benefits of GST while managing associated risks and costs. The findings reinforce the view that GST is both a transparency-enhancing reform and a source of significant compliance burden, particularly for organisations with complex supply chains and multi-location operations.

Future research could extend this case-study approach to comparative analyses across multiple firms or sectors, examine long-term impacts of e-invoicing and advanced analytics on GST compliance, and explore the interplay between GST reforms and other regulatory frameworks affecting financial reporting and audit practices in India.

Declaration of Conflicting Interests

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