FACULTY OF ECONOMICS TUL

Master Thesis

Accounting and Tax Issues in a Company in an International Context

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- NOBES, Christopher and Robert H. PARKER, 2016. *Comparative international accounting*. 13th ed. Harlow, England: Pearson. ISBN 978-1-292-08190-8.
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Anotace

Účetní a daňové problémy v podniku v mezinárodním kontextu

Tato diplomová práce se zabývá účetní a daňovou problematikou ve společnosti TATA Motors. Primárním cílem této diplomové práce je demonstrovat pozitivní a negativní dopady, které mělo zavedení daně ze zboží a služeb na společnost TATA Motors. Na základě obsáhlé literární rešerše diplomová práce nejprve popisuje základy systému finančního účetnictví včetně indických účetních předpisů. Diplomová práce dále podrobně popisuje indický daňový systém, zejména zavedení daně ze zboží a služeb v Indii. Následně je pomocí poměrové analýzy studován dopad zavedení daně ze zboží a služeb v Indii na společnost TATA Motors. Na základě této analýzy práce přináší návrhy na zlepšení výkonnosti dané společnosti.

Klíčová slova

Indické účetní standardy, daň ze zboží a služeb, účetnictví, daně, účetní období, poměrová analýza.

Annotation

Accounting and Tax Issues in a Company in an International Context

The accounting and tax issues at Tata Motors are the focus of this diploma thesis. My diploma thesis' primary goal is to demonstrate the good and negative effects that the adoption of the Goods and Services (GST) tax had on TATA Motors. Based on the extensive literature research the diploma thesis first describes the fundamentals of the financial accounting system including Indian accounting laws. The thesis then goes on to detail the Indian tax system, namely the introduction of the Goods and Services Tax in India. Subsequently using a ratio analysis, the impact of the introduction of the GST in India on the TATA Motors company is studied. Based on this analysis, the thesis provides some suggestions to improve company´s performance.

Key Words

Indian Accounting Standards, Goods and Service Tax, Accounting, TAX, Financial Year, Ratio Analysis.

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List of Abbreviations

Ind As	Indian Accounting Standards
GST	Goods and Service Tax
AICPA	American Institute of Certified Public Accountants
GDP	Gross Domestic Product
PPE	Plant, Property and Equipment
ROE	Return on Equity
ROA	Return on Total Assets
COGS	Cost Of Goods Sold
EBIT	Earnings Before Interest and Tax
FCCR	Fixed Charge Coverage Ratio
P & L	Profit & Loss
PAT	Profit After Tax
FEAE	Cash Flow from Operating Activities
FEAI	Cash Flow from Investing Activities
FEAF	Cash Flow from Financing Activities
ICAI	Institute of Chartered Accountants of India
AS	Accounting Standards
IFRS	International Financial Reporting Standards
ASB	Accounting Standard Board
NFRA	National Financial Reporting Authority
LLP	Limited Liability Partnership
CBDT	Central Board of Direct Tax
CBIC	Central Board of Indirect Tax and Customs
HUF	Hindu Undivided Families
IT	Income Tax Department
LTCG	Long – Term Capital Gains
STCG	Short – Term Capital Gains
VAT	Value Added Tax
GSTN	Goods and Service Tax Network
CGST	Central Goods and Service Tax
SGST	State Goods and Service Tax
IGST	Integrated Goods and Service Tax
UTGST	Union Territory Goods and Service Tax
FMCG	Fast – Moving Consumer Goods
NSE	National Stock Exchange

BSE	Bombay Stock Exchange
TCS	Tata Consultancy Services
RIL	Reliance Industries Limited
FY	Financial Year
SWOT	Strength Weakness Opportunity Threats
R & D	Research & Development
OPEC	Organization of the Petroleum Exporting Countries
MRP	Maximum Retail Price
ITC	International Trade Centre
SUV	Sports Utility Vehicles
EV	Electric Vehicles
CENVAT	Central Value Added Tax
NCCD	National tragedy contingencies duty
CVD	Countervailing Duty
SBC	Swachh Bharat Cess
MOU	Memorandum of Understanding
IPS	Investment Promotion Subsidy
RTO	Regional Transport Offices
BS4	Bharat Stage Emission Standards 4.
M & HCV	Medium & Heavy Commercial Vehicles
I & LCV	Indian & Commercial Vehicles
SCV	Small Commercial Vehicles
COVID - 19	Coronavirus Disease - 2019
BCD	Basic Custom Duty
SAD	Special Additional Duty
SWS	Social Welfare Surcharge
TELCO	Tata Engineering and Locomotive Company
UN	United Nation
IPO	Initial Public Offering

Introduction:

Accounting is essential in today's commercial and financial world for assuring the dependability, transparency, and correctness of financial data. It represents the cornerstone on which key choices are made by all parties involved, including management, investors, and regulatory organizations. This thesis explores the issues of financial accounting, including its fundamental concepts, the Indian regulatory system, and its significant effects on Tata Motors, one of India's renowned corporations

The methodical recording, analysis, and understanding of monetary activities are all part of accounting, which is sometimes referred to as the written form of business. It works as a thorough tool for firms to inform both internal and external stakeholders about their financial health.

Management accounting, financial accounting, and cost accounting are only a few of the many divisions that make up the diverse subject of accountancy. Every division assists in promoting informed decision-making in a different way. There are also some limitations to accounting. It has inherent constraints that affect the accuracy and thoroughness of financial reporting even if it offers priceless insights into financial performance. The foundational ideas in accounting are examined in this part, along with common methods that direct financial reporting.

Users of the financial information produced by accounting procedures range from creditors and investors to regulatory bodies. Accurate reporting of financial information depends on having an in-depth knowledge of the demand of individuals uses of this information. The recording, summarizing, and reporting of financial data is outlined in stages by the accounting cycle. It is a systematic method that guarantees the reliability and thoroughness of financial accounts. A business's financial achievements and condition are summarized in its financial reports, including the company's balance sheet, profit and loss account, and cash flow statement. Detailed financial analysis is built upon financial statements.

Indian Accounting Standards (Ind AS), which establish the legislative environment, control the country's financial ecosystem. The goals, advantages, and downsides of these requirements are examined in the 2nd chapter, along with how they will affect the financial reporting procedures.

The financial environment requires a thorough grasp of India's tax system. Both direct and indirect taxation systems are distinguished in the 3rd chapter, along with their different forms, advantages, and drawbacks. Additionally, it clarifies the essential variances between direct and indirect taxation.

The Goods and Services Tax (GST), a revolutionary tax reform in India, has irrevocably changed a number of businesses. In 4th chapter primarily looks at how GST would affect Tata Motors, including how it will affect finances, sales, pricing tactics, and consumer advantages.

The financial study of Tata Motors in the following section is thorough, examining its liquidity, effectiveness, profitability, leverage, and operational profitability using a variety of financial parameters. The financial success and health of the organization are revealed by these types of ratios.

Each of these topics will be covered in further detail in the ensuing chapters of this thesis, which will also provide a thorough examination of financial accounting, taxation, and the subtleties of Tata Motors' financial results in the post-GST period.

1 Financial Accounting system

An accounting framework is a collection of accounting operations that are linked by regulations and procedures. An accounting system's purpose is to record company operations, summarize these transactions into consolidated forms, and provide reports that decision makers may use to monitor, evaluate, and improve operations.(Bragg, 2022a).

1.1 Definition of accounting

There are several definitions of accounting in the literatures such as:

> Accounting is formulated by the American Accounting Association as "*the process of identifying, measuring, and communicating economic information so that informed judgements and decisions by information end users*."(Periasamy, 2010).

According to the AICPA (American Institute of Certified Public Accountants) accounting is defined as "the art of recording, classifying, and summarizing in an useful manner and in terms of money, transactions, and events which are at least in part of a financial character, and interpreting the result thereof."(Periasamy, 2010).

Accounting is the activity or process of maintaining financial records. It refers to the systematic recordings, reporting, and analysis of a person's businesses or organization's financial activities. It enables business to examine their financial problems.(Market Business News, 2023).

1.2 Branches of accounting

Accounting's primary function is to provide the required information to different stakeholders that are interested in the success of the firm in consideration. Various branches of accounting have been developed to serve the needs of management and outsiders. The main branches of accounting are as follows: (Weygandt et al., 2022)

- Financial Accounting,
- Cost Accounting,
- Management Accounting.

Financial Accounting

Financial Accounting is prepared to determine a business profitability and financial position for a given time period.(Periasamy, 2010).

Management Accounting

The goal of management accounting is the presentation of accounting information to management for effective decision making and control is accounting.(Periasamy, 2010).

Cost Accounting

Cost accounting is a formal accounting system which is set up for a record cost. It is a systematic procedure for determining the unit cost of output produced or service provided (Periasamy, 2010).

1.3 Accounting Principles

To satisfy the demands of management, several accounting system and approaches are devised. The data must be documented and presented in a way so that management may draw appropriate conclusion.(Periasamy, 2010). The management's ultimate goal is to maximize profitability to fulfil the company's overall goals(Weygandt et al., 2019).

Accounting statements must be prepared in conformity with general recognized principles and processes. Accounting principles are the rules of activity or conduct that must be followed. Accounting principles are those norms of behavior or procedures that accounts universally follow while documenting accounting transactions.(Periasamy, 2010).

Accounting principles are divided into two categories:

- Accounting fundamentals
- Accounting practices

1.3.1 Accounting Fundamentals

Accounting concept refer to the comprise required assumptions, concepts, or idea utilized in accounting practice and financial statement production. The relevant accounting terms are as follows:(Stolowy et al.,2020).

Entity Concept

The idea of separating a business or a firm as a legal entity distinct from its proprietors. The proprietors or members are not accountable for the company's actions. In the case of a partnership or single proprietorship the accounting entity is a separate legal entity from its owners (Periasamy, 2010).

Dual Aspect Concept

According to this principle, every commercial transaction has two components for every transaction received, there is a matching benefit given. The dual aspect principle enables double entry book – keeping. As a result, for every debit, there is an equal and opposite credit as well as the appropriate recognition. This principle can be shown using formula 1 (Periasamy, 2010)

Asset = Equity + Liabilities or Assets (1)

Going Concern Concept

It is also known as the continuing of activity concept. This assumption suggests that the firm will continue to exist for a long time before quitting operations. In the coming years, this assumption means that for the purpose of balance sheet, the assets of the firm are valued on the basis of productivity rather than their actual cost or present market worth.

Cost Concept

The "Going Concern Concept" serves as the foundation of this concept. The cost concept suggests that assets are documented in the books of accounts at the expenses or price paid for them. This cost serves as the foundation for further financial accounting.

Money Measurement Concept

Financial records are measured, expressed and documented in terms of money, according to this approach this definition eliminates transactions or activities that cannot be stated in monetary terms.

Constant Value Concept

This assumption maintains that the value of money remains constant. In reality, the monetary value will fall owing to inflationary pressure. In this case, financial statements are made using past costs rather than the dropping valve of the monetary unit. The depreciation is calculated based on the cost price.

Accounting Period Concept

According to this approach, a business's revenue or loss may be analyzed and evaluated on the basis of a reasonable accounting period rather than waiting for a lengthy period, until a company is liquidated. Being a firm that has been in operation for an extend amount of the time the proprietors, shareholders and outsiders desire to known the company's financial situation on a regular basis. As a result, the accounting period is often set at one year. (Periasamy, 2010).

Accrual Concept

Matching concept is linked to accrual concept. According to this theory, revenue recognition is determined by realization rather than receiving cash. Costs are recorded as they are incurred rather than when they are paid.

Realization Concept

The revenue recognition concept is another name for the realization concept. Revenue is defined as the gross amount of cash, receivables, or other considerations occurring in the course of a company from the selling of goods or the providing of activities from the ownership of assets.

Matching Concept

Accounting period definition is strongly connected to the matching concept. The primary goal of the firm is to determine earnings on a regular basis. To effectively calculate profit for a given time, the expenditures connected with income must be perfectly matched.

1.3.2 Accounting Practices

Accounting practices refers to the rules, techniques, and practices must be followed as a guideline for the compilation of financial accounts. Accounting practices are categorized as follows:

The Disclosure Practices

One of the most significant accounting rules is the reporting of all material facts. According to the standards all accounting reports should be honestly prepared and all facts and data must be reported. Thus, disclosure standards must be followed in accordance with the requirement of the companies act and the income tax act.

Prudence Principle

This norm is strongly tied to the play its safe principle. This idea is frequently defined as “expects no profit and plan for the unexpected losses.” As a result, this convention underlines the need of property considering the uncertainties and risks involved in economic transactions.

The Consistency Practices

The principle of consistency states that accounting rules, process, and techniques for preparing financial statements should be similar from one period to the next. This approach permits a meaningful comparison in the performance of various periods in order to evaluate a company’s operational efficiency.

Materiality Practices

While preparing profit and loss statement and balance sheet, this convention takes to account all material actions while ignoring irrelevant details. Material or immaterial assessment and choice depending on the facts and is at the accountant’s decision (Periasamy, 2010).

1.4 Users of financial information

A company’s financial data may be used by a wide range of people. The most likely users are listed below.(Bragg, 2022d).

Owners:

Accounting's major goal is to offer important information to company owners about their operations. For example, the directors of the company are interested in financial reporting data in order to determine the company's profitability and financial strength. Accounting report information is frequently used by investors to assess the relative advantages of various investments options. (Vidya Sethy, 2015).

Management:

Administration needs information on the firm's activity in order to determine its short and long – term profitability. Accounting information is required by management to make different decisions, such as determining the sales price and other approaches. It is also required for comparing performance with similar firms in the industry and estimate future strategies for development, decrease, and so on.(Geeksforgeeks, 2022b).

Creditors

Debt holders, equity investors, bankers, and other financial institutions want to know the company's short and long- term condition. The financial account gives the necessary information to determine a paying ability of the enterprise.

Regulatory Agencies:

Accounting reports are used by respective authorities and other agencies not only as a foundation for tax assessment, but also to analyze how well various corporate concern are working within the regulatory framework. The government and its agencies are interested in resource allocation and, as a result, economic operations. They also require the data to create tax policies, monitor economic activities, and compute basic data such as GDP and National Income.(Geeksforgeeks, 2022b).

Employees:

Employees are concerned in the company's profitability since their salary raises and incentive payments are based on the amount of financial position of company.

General Public:

Accounting data is used by researcher in their studies of accounting theory, company affairs, and practices. Further, people having an indirect interest in business include

financial experts and consultants, the financial media or reporting, trade groups, labor unions, consumers, and the general public. As a result, the list of present and potential accounting information consumers is wide.

1.5 Financial Statements

Financial statements are detailed reports generated by a management of the company to describe the financial situation of the organization during specific time period (quarter, half a year or year). To maintain accuracy in reporting, these statements. Financial statements include information about operating income, cash position, and statement of owner's equity, must be produced in accordance with defined and standard accounting principles.(Srivastav, 2018).

1.5.1 Balance Sheet:

A balance sheet includes a financial statement which reveals the assets and liabilities of a corporation at a particular point in period. This is one of three main financial statements (the others being the income statement or cash flow statement) used to evaluate a company's performance.

A balance sheet is a source of information used by investors as well as other stakeholders to determine the financial condition of an organization. This allows users to assess current assets and liabilities to figure out the business's liquidity or to measure the rate at which the organization earns returns. Assessing more than one balance sheet from various times in time may also demonstrate how a company has evolved (Zoho books, 2019).

As a result, the balance sheet has two distinct sides (or sections). The balance sheet's left side lists all of a company's assets. The balance sheet on the right side details the company's liabilities and shareholders' equity. There are two types of assets and liabilities: current assets and liabilities and non-current (long-term) assets and liabilities. Inventory, Cash, and Trades Payables are placed in the current area before illiquid (or non-current) accounts such as Plant, Property, and Equipment (PP&E) and Long-Term Debt.(CFI Education Inc, 2023a).

The period of time was the initial item to remember when preparing it. The majority of companies choose either monthly or yearly financial reports. The information about the assets as well as the liabilities are sorted, categorized, and displayed according on the demand. The information is then compiled by the businesses in order to compute the

equity of the investors. But the information may be shown horizontal having assets in the left and liabilities as well as shareholders' equity to the right, or vertically having liabilities and shareholders' equity on top and assets down the bottom.

Structure of balance sheet

A financial statement is made up of three parts: assets, liabilities, and shareholders' or owners' equity. In short, liabilities in addition to shareholders' equity should equal assets. The two halves on the balance sheet should be comparable if accounting process has been followed properly. Whenever they're not and the imbalanced sheet will reveal any accounting or financial issues that need to be resolved. Figure 1 provides information about the format of balance sheet (Ohio university, 2018).

Balance Sheet of...
(as at ..)

Liabilities			**Amount (₹)**	**Assets**	**Amount (₹)**
Capital		XXX		Goodwill	XXX
Add: Net Profit	xxx			Patents and Trade Marks, etc.	XXX
Interest on Capital	xxx	XXX		Business Premises	XXX
Less: Drawings	xxx			Freehold/Leasehold Land	XXX
Income Tax	xxx			Land and Building	XXX
Interest on Drawings	xxx			Plant and Machinery	XXX
Net Loss	xxx	(XXX)	XXX	Furniture and Fixtures	XXX
Reserves and Surplus			XXX	Investments	XXX
Mortgage			XXX	Loose Tools	XXX
Loan (Credit)			XXX	Closing Stocks	XXX
Employment Provident Fund			XXX	Loan (Debit)	XXX
Bank Overdraft			XXX	Sundry Debtors	XXX
Bills Payable			XXX	Bills Receivable	XXX
Sundry or Trade Creditors			XXX	Cash at Bank	XXX
				Cash in Hand	XXX
Total			**XXXX**	**Total**	**XXXX**

Figure 1 Format of Balance Sheet
Source: Ohio university (2018).

Objectives of Balance Sheet

The primary goal for generating a balance sheet was to recognize the company's short- and long-term financial status. At the end of the year, balance sheet provides information about company’s assets and liabilities. A balance sheet accurately reflects

both creditors and debtors for the relevant time period. The firm's liquidity position is displayed on the balance sheet. Knowing the business's solvency condition with the use of the balance sheet on the basis of the information provided by the balance sheet, accounting ratios are calculated. Knowing the business's strengths and weaknesses is beneficial to administration. The management, the government, shareholders, lenders, etc. may all get accurate and trustworthy financial information from the balance sheet.(Poudel, 2018).

Need for Balance Sheet

The balance sheet summarizes the company's financial situation at a given point in time. A balance sheet is a systematic and uniform representation of a company's financial status. The balance sheet indicates whether or not the company is solvent. If the market value of its assets exceeds the worth of the obligations, the business is solvent; otherwise, the company is insolvent. The balance sheet assists us in determining the business's purchasing price. A balance sheet is generated to assess the firm's genuine financial status at a certain date.(Geeksforgeeks, 2022a).

1.5.2 Profit and Loss Account (P &L):

This financial statement shows the revenues, and expenses incurred over a specific time period, generally a calendar year or quarterly (Companies that are listed on a stock market). This statement discloses a firm’s capacity or inability to make profit through growing revenue, decreasing cost, or maybe both. Profit and loss management refers to the way a firm manages its profits and losses through revenues and expenses management by making appropriate decisions.

A statement of profit and loss, or P&L, is one of the three kinds of financial records that companies generate. The financial statements and cash flow statement are the other two. The goal of the profit and loss statement is to illustrate a company's income and expenses over a specific time period, generally one fiscal year. Investors as well as analysts may utilize this data to judge the profitability of the business, frequently combining with the data of the remaining two financial statements. For example, an investor may compute a company’s return on its equity (ROE) through analyzing its net income to its equity. This principle can be shown using formula 2,3,4 (Julius Mansoa, 2023).

Income Statement Formula

Gross Profit = Revenue – Cost of Goods Sold (2)

Operating Income = Gross Profit – Operating Expenses (3)

Net Income = Operating Income + Non-operating Items (4)

Structure of an Income Statement

It serves as a financial record which a company keeps. Revenues, costs, profits, and losses are entered, tracked, and analyzed by the companies. The firm's income after tax during the given time period is its ultimate product.

Net Sales

It is calculated by deducting a company's total sales from all refunds, allowances, and discounts. This is the basis for every income statement.

Cost of Goods Sold

The purchase price of goods sold was the sum of money received for the sold items or the expense of production. It is determined by subtracting the final inventory amount from the total value of opening stock, net acquisitions, and freight costs paid.

Gross Profit

After deducting the expense of products sold from net sales, we arrive at gross profit. This is the amount before interest, overhead, taxes, and payroll are deducted.

Operating Expenses

It includes administrative costs for a certain accounting period. Rent, pay, electricity, insurance, transportation, and commission are all included. Cost planning is critical for firms since that's a sector that affects earnings.

Net Income from Operations

The distinction among the gross profit and the total operating expenditures is what is called net operating income. It denotes the revenue generated by a company's primary or regular activities.

Other Income

Other flows of revenue are also available to the firm. Rent, commission, and interest are all included. All of this cash inflow is contributed to net operating income.

Other Expenses

Other non-operating expenditures incurred by businesses include borrowing interest and depreciation. This is deducted of net operating income.

Earnings Before Income Tax (EBIT)

Additional revenue will be added to the total operating income, while other costs are deducted. Financial analysts regularly track EBIT since it is considered the company's future profits indication.

Income Tax

To calculate net income, subtract tax payable from EBIT**.**

Net Profit

To calculate net income or Profit After Tax (PAT), operational expenditures are subtracted from gross margin, first additional revenues are added, and finally costs and income tax are subtracted. Figure 2 provides the information regarding the structure of income statement(Team, 2021).

Structure of an Income Statement

Particulars	Amount	Amount
(A) Net Sales		–
(B) Cost of Goods Sold		(-)
(C) Gross Profit (A-B)		–
(D) Operating Expenses (Salary, rent, commission insurance, etc.)		(-)
(E) Net Income from Operations (C-D)		–
(F) Other Income (Commission, interest received, rent received, etc.)		–
(G) Other Expenses		(-)
(H) Earnings Before Income Tax (E+F-G)		–
(I) Income Tax		(-)
(J) Net Profit / Net Income (H-I)		–

Figure 2 Structure of Income Statement
Source: Team (2021).

How to Prepare an Income Statement

A person has to prepare a trial balance statement and figure out the cost of products sold and the gross margin in order to compile an income statement. Include operational costs as well, compute your income, taking into account all income taxes, compute your net income, and then complete the income statement by adding your company's data for the reporting period. Small firms must examine and record their sales, costs, and consequent profits and losses for a certain reporting period in order to generate an income statement. In addition to the statement of cash flows and balance sheet, the income statement, usually referred to as a profit or loss declaration, is one of the important financial statements for firms. The income statements display the amount of profit a company makes during a certain reporting period as well as the total costs expended while generating revenue.(Halwai, 2021).

1.5.3 Cash Flow Statement:

The cash flow statement is the financial statement which shows changes in cash and cash equivalents over an accounting period. These cash flow statement is defined as free cash flow from operations, cash flow from investment activities, and cash flow from financing activities. Figure 3 provides the information regarding the cash flow statement (Bragg, 2022b).

How to Create a Cash Flow Statement

The statement of cash flow categorizes cash flows into three types:

- Cash flow from Operating Activities (FEAE),
- Cash flow from Investing Activities (FEAI),
- Cash flow from Financing Activities (FEAF).

Figure 3 Cash Flow Statements
Source: *Team (2016).*

Determine the Starting Balance

The primary step in creating a statement of cash flows is to determine the initial amount in the form of cash as well as cash equivalents before beginning of the period under consideration.

When using the indirect technique of estimating cash flow through operational operations, the initial financial position is required. The immediate technique, on the other hand, does not require this knowledge.

Calculate Cash Flow from Operating Activities

Once you've determined your beginning balance, Cash flow through operational operations must be computed. This stage is critical as the amount of money made by a firm through its activities is shown. Cash flow from activities can be calculated using either a direct or indirect technique. The financial activities that determine the organization's result were the primary source for cash flows through operational operations. Apart from the subsequent flows, that are going to be recorded individually, the cash flow difference generated by these operations will be indicated on an aggregate basis:

- Interest (Payments or Revenues),
- Dividends were received,
- Tax advantages.

Cash Flow from Investing Activities (FEAI)

This category includes cash revenues from the exchange of goods or depreciation of assets that are not current, which include intangible assets, equipment, investment property, or financial investments, in addition to the money received for the sale or devaluation at term (assuming that the investment is held to maturity).

The variation in the amount of cash and cash equivalents and other liquid resources resulting from the purchase or sale of a group of assets and liabilities that comprise an organization or a particular line of activity is going to be included, in which necessary, as one contribution in investment operations according to the category of investments or divestments, generating a particular topic for this objective.

Cash Flow from Financing Activities (FEAF)

Cash flows from financing operations can be defined as a money received from third-party investments that are issued by the business or assets provided by financial issues or third-party organizations to the type of cash advances or other types of financing, in addition to transactions received as the redemption or as reimbursement from the amounts invested by them. These can also be found as revenues from financial operations. Dividends are payment made to shareholders. Concerning non-cash transactions, keep in mind that because they did not result in cash fluctuations, they were not reflected on the cash flow statement.(Team, 2016).

Structure of Cash Flow Statement

The cash flow statements were one of the three basic accounting records used by corporate executives. Cash flow statements, together with revenue and balance sheets, provides critical financial information that affects decisions made by organizations. Although each of them is useful in assessing the financial health of an organization, some business executives believe that financial reports are more significant. Figure 4 provides the information regarding the statement of cash flow can be prepared using direct or indirect method (President & Fellows of Harvard College, 2021).

Statement of Cash Flows Statement of XYZ company for the year end 20XX		
	Year - 20XX	Previous Year
Cash flows from operating activities		
Cash receipts from customers	XXX	XXX
Cash paid to suppliers and employees	XXX	XXX
Cash generated from operations	XXX	XXX
Net cash from operating activities	XXX	XXX
	XXX	XXX
Cash flows from investing activities	XXX	XXX
Business acquisitions, net of cash acquired	XXX	XXX
Purchase of property, plant and equipment	XXX	XXX
Net cash used in investing activities	XXX	XXX
	XXX	XXX
Cash flows from financing activities	XXX	XXX
Proceeds from issue of share capital	XXX	XXX
Proceeds from long-term borrowings	XXX	XXX
Payment of long-term borrowings	XXX	XXX
Net cash used in financing activities	XXX	XXX
Net increase in cash and cash equivalents	**XXX**	**XXX**
Cash and cash equivalents at beginning of period	**XXX**	**XXX**
Cash and cash equivalents at end of period	**XXX**	**XXX**

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Figure 4 Statement of Cash Flow
Source: Team (2016).

Direct Method

The direct technique of estimating the flow of cash through operational activities is a simple process that requires adding every receipt of cash through operating to all cash outflows from activities. This method records every transaction having resulted in cash payments or receipts throughout the entire reporting period.

Indirect Method

To calculate cash flow from operational activities indirectly, commence using net income in the statement of income and apply modifications to "undo" the effect of accumulations recorded throughout the period under review. Amortization and depreciation are two of the most typical and constant changes.

1.5.4 Statement of Owner's Equity

The owner's equity statement describes changes in the company's capital balance during the reporting period.(Bragg, 2022c). In basic terms, that you can determine your company's shareholder equity simply deducting all of its obligations with the total value of its assets. Whenever the organization generates a profit, the owner's equity rises. When a business loses money, the owner's equity falls. Figure 5 provides the information regarding the statement of owner's equity (TD Bank, 2023).

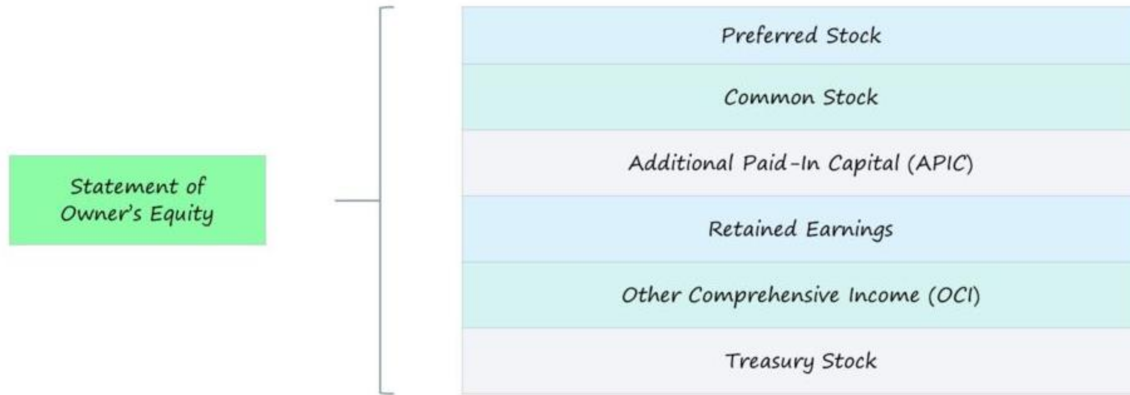

Figure 5 Statement of Owner's Equity
Source: Wall Street Prep (2023b).

Creating a Statement of Owner's Equity

Commence using an adequate balance sheet for the commencement of the financial year, other throughout the end of the year, then an accrual adjustment income statement throughout the duration of the year that includes an assessment of owner's equity.

The starting value for this declaration of owner's equity is the net worth at the very beginning of the preceding year, which is obtained from a balance sheet from the beginning of the year.

The declaration of the equity of the owner is broken into three sections, each of which examines a different aspect of a farm's financial life.(Regents of the University of Minnesota, 2023).

Importance of Owner's Equity

Owner's Equity in acquisition serves to convey an accurate representation about the financial resources at an organization's availability. It refers to the percentage of the company's assets that is owned by its proprietor or owners and represents their involvement in the enterprise. The equity of owners can be utilized as an alternative means of finance for acquisition tasks, enabling businesses to finance purchases without depending on external sources like mortgages or financial institutions. Companies can keep better control over their financial problems and avoid expensive interest payments by utilizing owner's equity. Owner's equity also serves as an indication of the overall stability and health of a company's finances. Creditors and investors frequently use this indicator to assess businesses since it shows how much capital the owners have contributed compared to debt financing. Owner's Equity also aids management in

determining how much cash is available for upcoming investments and operations. This allows customers to decide what purchases are realistic based on the most recent cash flow estimates.(Team, 2023).

1.6 Analysis of Financial Statements

Financial statement evaluation involves analyzing financial reports in order to understand a company's financial position. Considerations about borrowing and investing may be made based on the findings. The following elements for the financial reports of a business throughout a number of periods of reporting are to be identified during this assessment.(Mbona a Yusheng 2019)

1.6.1 Liquidity Analysis:

Liquidity ratios assess the business's solvency. Which give information on a company's capacity to satisfy debt and other liabilities with liquid assets. Any assets which may be changed to money in a short period of time are considered liquid. Under some conditions, receivables and inventory are additionally included in liquidity.(Agi cap, 2023).

Current Ratio:

Current financial assets are compared to current liabilities in the current ratio. Cash, marketable securities, receivables from customers, and inventory are examples of current assets. Current liabilities comprise all short-term debts which should be repaid during a period of not more than one year. This principle can be shown using formula 5

Current Ratio = Current Assets / Current Liabilities (5)

Quick Ratio:

The quick ratio, commonly known as the acid-test ratio, compares an enterprise's liquidity in the short term to its short-term liabilities. Basically, the proportion aims to determine if a corporation have sufficient liquid capital (cash or commodities which may be immediately turned into cash) to meet its present liabilities and upcoming commitments. However, it is important to emphasize that it's not an indicator test to determine the amount of debt a firm had or whether it can get funding to meet its present bills. The quick ratio simply examines how an enterprise's liquid assets exceed its liabilities. This principle can be shown using formula 6 (Girardin, 2022).

Quick Ratio = Current Asset - Inventories / Current Liabilities (6)

Cash Ratio:

The cash ratio measures and computes the proportion between an organization's total reserves of capital and cash equivalents compared to its current obligations. The indicator assesses a company's capacity for repaying short-term debt using financial or near-cash resources, including readily convertible commodities. This data is helpful for creditors when deciding what amount of money, if any, to lend to a corporation. This principle can be shown using formula 7(Will Kenton, 2022).

Cash + Cash Equivalents / Current Liabilities (7)

1.6.2 Efficiency Analysis:

Efficiency ratios evaluate the ability of an organization for using its financial resources, including assets and capital, in order to generate profits. The ratios compare costs to revenues earned, effectively indicating what type of income or profit a firm may generate with the money it invests to run a company.(CFI TEAM, 2023).

Inventory Turnover Ratio:

The ratio of inventory turnover indicates the quantity period instances an organization's stock have been sold and renewed over a given period of time. The method can be employed as well to determine how long that will require to sell the current inventory. The turnover ratio was calculated mathematically by dividing the cost of products sold with the average amount of inventory during the same time. A greater ratio is preferable than an inadequate one since a high ratio indicates good sales. This principle can be shown using formula 8 (NetSuite.com, 2022).

Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory (8)

Receivables Turnover Ratio:

The turnover of accounts receivable ratio, also known as receivable turnover, serves as a metric utilized in corporate finance to assess how effectively organizations manage the money that they provide to their consumer by determining the amount of time it takes to gather the debts that remain through the course of the period of accounting. To make progress towards establishing financial stability, firms need to recognize their receivables receivable turnover ratio. This effectiveness ratio considers an organization's outstanding

balance and accounts payable to estimate its cash flow situation. This principle can be shown using formula 9 (Tip alti, 2021).

Receivable Turnover Ratio = Net Credit Sales/ Average Accounts Receivable (9)

Account Payable Turnover Ratio:

Accounts payable turnover is a ratio that evaluates how quickly a business returns its vendors. When the turnover ratio falls from one period through the next, the business is likely to repay its vendors less frequently, which might be a sign of declining financial health. Although this frequently has more than a modest influence on the ratio, an alteration in the turnover ratio might also signal modified payment conditions with suppliers. When a business pays its suppliers very rapidly, it might be a sign that suppliers are expecting quick payments or that the business is benefiting from early payment discounts. This principle can be shown using formula 10 (Wall Street Prep, 2023a).

Account Payable Turnover Ratio = Purchase / Account Payables (10)

1.6.3 Profitability Analysis:

Profitability ratios are utilized by investors and analysts to measure and assess a company's capacity to create revenue (profit) as compared to sales, balance sheet assets, operational costs, and the equity of shareholders throughout a specific period of time. Which indicate how successfully a firm uses its resources to generate value and profit for its owners. A greater ratio indicates that the firm is competitive and generates adequate sales, profit, and cash flow. This proportion study is useful when performing an analysis of comparison with other companies in the marketplace as well as with previous years to assess your firm's present financial status. This ratio analysis comes in handy while doing a comparative analysis with your competitors in the market or even with previous periods, to understand the current financial position of your firm (Tally Solutions Private Limited, 2020).

Return on Equity Ratio:

The return on equity ratio serves as a monetary statistic utilized to quantify a company's ability to create profits through its investments on behalf of its shareholders. This profitability assists in determining a company's performance in employing equity revenue to operate its everyday operations. Individuals may determine the amount of post-tax revenue a firm has in reserves by calculating its ROE. Following that, one could

contrast net income with the overall shareholder equity as shown on the balance sheet. This principle can be shown using formula 11 (Grow, 2023a).

Return on Equity Ratio = Net income / Common equity (11)

Return on Total Assets Ratio:

The expression "return on total assets" or ROA refers to an accounting statistic which evaluates an organization's ability to efficiently employ all of its resources to create earnings. Essentially, this indicator measures a company's capacity to transform the money it invests in properties into earnings. The main assumption of the statistic is the fact that it concentrates on operational profit instead of net income to account for financing inequalities and corporation taxation. This principle can be shown using formula 12 (Educba, 2019).

Return on Total Asset Ratio = Net Income / Total Assets (12)

Operating Profitability:

Operating margin, commonly referred to as the returns on earnings, is a significant profitability statistic that measures revenue after operating costs have been subtracted. It is figured up by subtracting operational income from revenue. When all operational expenditures have been paid for, the operating margin shows what percentage of the produced sales is still available.(Square up Pte Ltd, 2023).

Gross Profit Margin Ratio:

Accountants use a financial indicator known as gross profit margin to evaluate the financial condition of a business. After deducting the price of goods sold (COGS), the revenue generated is referred to as the gross profit margin. The amount of money a corporation earns after deducting its operating expenses is known as its gross profit margin. The ratio of gross margins can additionally be used to refer to this indicator, which is often reported as a number of sales. This principle can be shown using formula 13 (Sisense Ltd, 2023).

Gross Profit Margin Ratio = Sales – Cost of Goods Sold / Sales (13)

1.6.4 Leverage Analysis:

Leverage is a method used by businesses to grow resources, revenue, and profits, but it can also increase losses. Leverage is classified into two types: financial and operational. A company can enhance its financial leverage by selling fixed-income investments or obtaining funds straight from a lender.(CFI, 2023a).

Operating Leverage

Operating leverage may also be employed to increase cash flows and earnings by boosting sales or profit margins. Both techniques have risks, which include bankruptcy, but can be extremely advantageous to a firm.

Financial Leverage

When a corporation borrows money, its financial leverage grows. Additional funding can be utilized to improve returns, but this comes at the expense of principal payments, which reduce net earnings.(CFI, 2023a).

Fixed Interest Coverage Ratio:

The Fixed Charge Coverage Ratio (FCCR) evaluates the ability of an organization for generating sufficient revenue to satisfy its contractual payment obligations including debt payments for interest and principal. Rentals and additional fixed expenses may be included. It is an essential financial measure that affects the business's capacity to take on or refinancing debt from lenders whenever it's an obligation commitment. This principle can be shown using formula 14 (Gabriel Lip CFI, 2023).

Interest Coverage Ratio = Earnings before Interests and Taxes (EBIT) / Interest Expense (14)

2 Accounting Regulations in India

In India, the financial statements are prepared in accordance with the accounting standards issued by the institute of chartered accountants of India (ICAI) and the state regulations.

The institute of Chartered Accountants in India develops and publishes accounting standards. Accountants of all firms registered in India conform to these requirements. The accounting standards assists in the formulation and reporting of financial accounts.(Deskera, 2021).

Being a chartered accountant is a good choice and this qualification is required for the growth in the field because a chartered accountant pays a very important role in overseeing funds and the working of finance and accounting related jobs.(Nobes et al., 2016).

2.1 Objectives of the Indian Accounting System

Accounting is frequently referred as the business language since it conveys the company's financial status to others. In the context of accounting, these regulations are known as Accounting Standards (AS). They are a country's system of accounting and reporting laws and regulations.(Toppr, 2018).

All of the financial operations that businesses engage in are transparent thanks to Indian accounting standards. It serves as a benchmark for comparison between internationally accepted methods and those that are best for domestic growth. By offering a distinctive and consistent accounting system for all businesses, it serves as an instrument to elevate the Indian enterprise to a worldwide level. It gets rid of all of the scams and ambiguity around the final remarks. (Commerce Mates, 2022).

2.2 Indian Accounting Standards

The government of India specifies Indian accounting standards in order to improve clarity and the acceptance of Indian company's financial statements across the world. The term of the Indian Copyrights act of 1957 Regulate these standards, and their copyrights is held by the central government. Specific firms are expected to implement these requirements whenever they are released by the union corporate affairs ministry.(Gupta, 2022).

The Indian accounting standards were created with the Indian economic and legal context in mind. It was published under section 133 of the companies act of 2013, and it complies with the international financial reporting standards (IFRS). This is to guarantee that Indian enterprises follow global best practices.(Gupta, 2022).

The Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India develops Indian accounting standards (ICAI). The ICAI recommends the Indian Accounting Standards to the government of India's National Financial Reporting Authority (NFRA). Its goal is to introduce consistency to the country's financial transactions recording, accounting, and profit and loss account and balance sheet reporting.(Gupta, 2022).

2.3 Needs for Accounting Standards

These requirements guarantee comparability of financial statements among all businesses in order to ensure investors may clearly and simply recognize them and make informed investment decisions. Anyone can look into accounting employment prospects anywhere in the globe if the equivalent accounting rules are used globally. Accounting standards provide a universal accounting language by directing firms on how to develop and manage their account reports. It enables everyone to utilize a solitary framework for keeping track of all business transactions (Geeksforgeeks, 2022c).

2.4 Benefits of Indian accounting standards

The accounting standards acquire governing power in the field of accounting. The requirements ensure that the data presented to potential investor is not fraudulent in any way.(Vedantu, 2023).

Accounting standards provide their own benefits, which will attempt to follow an accounting system with such rewards, as we know there are several advantages to using the Indian accounting system.(Vedantu, 2023).

Uniformity in accounting system

Accounting standards are those that contribute in achieving overall accounting uniformity. Accounting guidelines provide comparable norms and principles for the processing of accounting transactions. It suggests that all firms record transactions in the same manner. For example, accounting standard manages the complete accounting

process for the matters with depreciation, all firm shall comply to Accounting Standards (Deskera, 2023).

Offers financial statement reliability

Financial statements are a useful source of data about business. These statements provide information to corporate owners and other partners. As it is, many people make important choices based on this information. As a result, it is important that such financial statements are accurate and suitable. These financial reports are properly supervised by bookkeeping principles.(Especia Associates LLP, 2022).

Assists Auditors

Accounting standards currently records all accounting methods, rules, regulations, and so on. The accounting standards must be agreed that if an auditor confirms that the policies have been implemented accurately he may be confident that the financial statement are fair and accurate.(Baudot, 2011).

Budgeting made simple

While working in the normal Indian accounting system, data is a critical advantage of accounting standards. It facilitates client acceptance and eliminates any misleading.(Especia Associates LLP, 2022).

Comparability

This is also another significant goal of accounting standards, because all entities in the country conform to the same list of requirements, their financial documents become kind of comparable. Before making any choices, users of financial statements can study and compare the financial records of other organizations.(Standard Bank Trade Club, 2022).

2.5 Advantages of Accounting Standards

An accounting standard includes an official explanation which examines the part of acknowledgement, appearance, administration, calculation, and disclosure of financial transactions of budgetary statements. This financial standard was designed by the ICAI to guarantee uniformity across all national accounting processes.

Comparison Between Two Organization

The annual reports of both organizations maintain a comparable structure, so consumers for the financial statements may make judgements on the basis of comparisons after examining overall financial statements from every firm. This will be difficult to make comparisons between the two companies if they use different systems for accounting. As an outcome, anytime an assessment is required, the accounting standard provides for it.

Uniformity in Accounting

Accounting standards provide guidelines and requirements which a corporation has to comply with regardless of costs while recording a transaction. To guarantee uniformity through the accounting procedure, companies employ an identical structure for accounting records and distinct values for every business. Because the financial statements are founded on accounting procedures that conform to a particular presenting technique with uncertainty, stakeholders may more easily assess them.

Increased Financial Statement Dependability

It has a standard format for evaluating the accounting records, and the consumer, whether external or internal, was entirely depending on this accounting record for making any decision. The contributions of account highlight a firm's various uncertainties as well as the operational considerations with their categories, enabling the procedure more transparent and, as a consequence, acquiring the attribute of dependability.

Protect Fraud and Manipulation

As previously mentioned, a financial statement has an established framework which nobody can modify or manipulate during the entire accounting procedure. As a consequence, the standard of accounting has already reduced the likelihood of modification and corruption while increasing the effectiveness and dependability of the financial reporting system.

Assist Auditors

The objective of an auditor was to ascertain the extent to which financial reports generated by business organizations comply with the standards and guidelines imposed by accounting standards. Since accounting standards have previously laid out the

regulations, processes, and framework, the auditors are able to evaluate the financial declarations more easily.

Helps Resolve Conflicts

Accounting standards assist in determining management responsibility by assessing the organizational management aspect. It also evaluates the performance of management or their potential to improve revenue, maintain a company's liquidity, and meet additional leadership responsibilities.(java point, 2021).

2.6 Disadvantage of Accounting Standards

Accounting Standards serve as the foundation for the regulations which we observe throughout daily financial statements may be begun to make some conclusions about the restrictions of accounting standards as well as how these influence individuals responsible with preparing financial statements based on our comprehension of exactly what they represent.(Financial Yard, 2023).

Rigid and Inflexible

Regulations were previously established that should be complied with regardless of expenses within the entity; therefore, establishing the financial statement inflexible implies that none of them can modify it according to their preference.

Compromise the Standard

Even in the existence of several restrictions, the accounting standard might be undermined owing to lobbying or government regulation on responsible institutions. This is due to government agencies or an elevated authority only granting favors to huge, strong firms or if they have a personal interest. Because a consequence, regulations have been compromised and can't be completely depended on, resulting in a significant disadvantage.

Selecting an Alternative is Difficult

These are numerous strategies for documenting transaction in a book of account it may be complicated to determine which strategy to employ and which one never to use, making qualitative data harder to obtain. In addition, because of constraints in the approach of preference, an organization may be required to give up the most accessible

form of transactional documentation, sacrificing its effectiveness and quality in preference for another form of transaction documentation.

Time Consumption is High

Since every note and agenda has to be generated by the person using them and undergo an extended, effort-consuming procedure, following to accounting rules requires work. It frequently increases the likelihood of errors. Through an occurrence of the exact same work, an assessment represents a requirement which additionally constitutes a responsibility and time-consuming. The assignment must be completed twice, once for performance and once for verification of accuracy.

Scope is Limited

Accounting standards are required to be set in accordance with the legislation in effect in the nation at that point, while maintaining local officials in consideration. They're incapable to overturn the legislation. As a result, the range of possibilities for developing policies is limited, presenting a barrier to progress.(java point, 2021).

3 Indian Tax System

The Indian tax system refers to the set of laws, regulations, and procedures that govern the collection, administration, and enforcement of various taxes in India. The Indian tax system is administrated by the Central Board of Direct Tax (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC), which are under the jurisdiction of the Ministry of Finance. The CBDT is responsible for administering direct taxes, while the CBIC oversees the administration of indirect taxes. (Central Board of Secondary Education, 2016).

India has a progressive income tax system, which means that the tax rates increase as the income level increases. The income tax is levied on individuals, Hindu Undivided Families (HUFs), and corporate entities, among others. Similarly, Goods and Services Tax (GST) is levied on the sale of goods and services and is collected by the state and central governments.(Pritam Mahure, 2015).

Indian tax system is complex and constantly evolving, with new laws and regulations being introduced regularly to keep up with changing economic conditions and tax compliance requirements.

3.1 Introduction to Tax System

The government impose a financial levy on income, commodities, or activities. The government levies two types of taxes:

- direct taxes,
- indirect taxes.

A direct tax is one in which the burden of taxation is entirely on the payer, such as income tax. An indirect tax is one in which the cost of tax is covered by someone other than the payer. It is a person who consumes the goods or services E.g., Excise duty, Custom duty, Service Tax, Sales Tax, Value Added Tax.(Frecknall - Hughes, Jane, 2015).

Revenues are generated for the primary aim of providing adequate money to the state; they have evolved into a tool for achieving the economic and social goals of a democratic state. They are increasingly used to provide incentives for higher wages and greater savings. promoting economic development by chosen concessions, limiting excessive

spending, minimizing inflationary pressures, and attaining social goals. (Jayaram et al., 2021).

3.2 Direct Taxes

"*Income Tax is charged on everyone's total income for the preceding year*."

To levy income tax, one needs comprehend many tax concepts such as previous year, assessment year, income, total income, person, and so on.(Aditya Birla Capital Ltd, 2023).

"A direct tax is one that is paid directly to the government by an individual. This responsibility cannot be transferred to another company or person by a taxpayer". (Grow, 2022a).

3.2.1 Types of Direct Taxes

The following are some of the most popular forms of direct taxes used in India

- income tax,
- securities transaction tax or gift tax,
- capital gain tax,
- entitlement tax,
- property tax.

Income Tax

Income tax is levied on your earnings within a fiscal year. The income tax paid is determined using the IT department's income tax slabs. Individuals and corporations must pay income tax to the government directly. Individuals can claim a range of tax deductions allowed under several parts of the Income Tax Act, including Section 80C (Rajagopal, 2023).

Securities Transaction Tax or Gift Tax

The estate tax is the most frequent type of transfer tax. This type of tax is charged on the taxable proportion of a departed person's property, which includes corporations and commercial assets. A gift tax is another type of tax in which a specified payment is

collected from persons who transfer property to another individual (CFI Education Inc, 2023b).

Capital Gain Tax

Whenever you make a financial gain, you must pay capital gains taxes. This financial gain might be from the selling of a house or from an investment. You will be liable for both LTCG (Long-Term Capital Gains) tax or STCG (Short-Term Capital Gains) tax depending on the capital gains and the length of time you owned the investment.(Aditya Birla Capital Ltd, 2023).

Entitlement Tax

People benefit from social programs such as Obamacare, insurance, and social security because of this kind of direct tax. The entitlement tax, which is collected by payroll deductions, is referred to as the social security contribution act. (CFI Education Inc, 2023b).

Property Tax

Property tax is levied on real estate such as property and facilities and is used to fund public services such as law enforcement and rescues departments, educational institutions, libraries, and roads.

3.2.2 Benefits of Direct Tax

Although it is strictly enforced on all individuals who do not qualify for an exception, there are various benefits to paying taxes directly. They are as follows:(Frecknall et al.,2015).

- reduces inflation,
- equitable,
- reduces inequality,
- promotes elasticity,
- saves time and money,

Reduce Inflation

In the event of inflation, the government might raise direct tax rates to lessen the demand for goods and services. When demand decreases, inflation becomes more concentrated.(Aditya Birla Capital Ltd, 2023).

Equitable

Taxation is also considered to be equal, since the progression concept is at their core. Individuals with lesser income incomes pay less in taxes, while those with higher incomes pay more.

Reduces Inequality

The government uses the greater taxes received from the richest to fund new projects for the poor. The projects give revenue sources to low – income people, allowing them to improve their living conditions.(Aditya Birla Capital Ltd, 2023).

Promotes Elasticity

Taxes are the government's profits, but as they increase, the earnings also change. They have the ability to go either higher or lower.(CFI Education Inc, 2023b).

Save Time and Money

The government is not obligated to spend money on tax collection because taxes are already collected at the source of revenue. Several businesses employ automated payroll deduction systems to save time and money.(CFI Education Inc, 2023b).

3.2.3 Disadvantages of Direct Taxes

Direct taxes have various disadvantages, which are as follows:

- consider a burden,
- evasion is possible,
- retains investments.

Consider a Burden

Taxpayers are regarded as burdens since they are forced to pay direct taxes such as income tax together in single lump payment every year. Moreover, the documentation procedure is often difficult and time-consuming.(Grow, 2022a).

Evasion is Possible

Whereas the government has taken steps to make tax evasion more difficult, there remain a lot of fraudulent techniques that people and organizations can use to avoid or pay less taxes compared to what they should to.(Aditya Birla Capital Ltd, 2023).

Retains Investments

Many people avoid investing because of the application of direct taxes such as securities financial transactions tax and the tax on capital gains. Direct taxes, in this sense, limit investment.(Aditya Birla Capital Ltd, 2023).

3.3 Indirect Tax

The indirect taxes are levied on goods and services consumed. In contrast to direct taxes, indirect taxes are often collected from the end customer by an intermediary. The intermediary is then in charge of passing the tax on to the government. (Rajagopal, 2023).

3.3.1 Types of Indirect Taxes in India

In India, there are several kinds of indirect taxes. Even so, with the adoption of GST, all of these indirect taxes are integrated into a single tax for Indian people. We shall look at the many sorts of indirect taxes in India:

- Goods and Services Tax (GST),
- Custom Duty,
- Value Added Tax (VAT).

Goods and Services Tax (GST)

GST stands for Goods and Services Tax. It is an indirect tax that has largely substituted several other indirect taxes in India, including excise duty, VAT, and services tax. The Goods and Services Tax Act was passed by Parliament on March 29, 2017 and went into

effect on July 1, 2017.(CLEARTAX IS A PRODUCT BY DEFMACRO SOFTWARE PVT. LTD, 2023).

Framework of GST in India

GST (Goods and Services Tax) is an indirect tax imposed in India on the supply of both goods and services. This is a target tax, meaning that it is imposed at the place of consumption instead of the initial point of entry. (Pritam Mahure, 2015).

Dual GST

India has selected a Dual GST approach, similar to that used in Canada and Brazil, in which the center and states both impose GST based on them inter taxable supplies of Goods & Services.

History of GST

The Goods and Service tax was imposed in India on July 1st, 2017. Even so, the process of establishing the new taxation system began a long time ago. Atal Bihari Vajpayee, India's then prime minister, formed a team to develop the GST law in 2000. In 2004, a research term decided that a new consumption tax should be implemented to improve overall taxation system in the country. Table 1 provides information about the history of GST.(Defmacro Software PVT. LTD, 2023).

Table 1 History of GST

Year	History of Goods and Service Tax (GST)
2000	Former Prime Minister Atal Bihari Vajpayee proposed GST and established an advisory board to design a GST model for India. In India, Atal Bihari Vajpayee is known as the "Father of GST"
2003	Vijay Kelkar leads a task team constitutes by CG.
2004	Based on VAT, the Kelkar task group proposed a fully integrated national GST. Vijay L. Kelkar, an advisor to the Finance Ministry, lead the taskforce.
2006	In presenting the central budget, federal finance minister Shri P. Chidambaram declared that GST will be implemented on April 1, 2010.
2011	The constitution (115th Amendment) act 2011, was presented in Lok Sabha to provide the union and states combined taxing powers. This law was later removed.

2013	GSTN: A non-for-profit, non-governmental, private limited company entitled Goods and Service Tax system was formed as a special purpose entity to offer IT infrastructure and services for GST implementation.
2014	On December 19, 2014, the Constitutional (122nd Amendment) Bill, 2014, was submitted to change the constitution in order to implement GST.
2015	The Lok Sabha passed the Constitution Amendment (122nd) bill on May 6, 2015.
2016	It was approved by the Rajya Sabha on august 3, 2016.
2016	On August 8, 2016, the Lok Sabha formally adopted the changes.
2016	When the bill was accepted by a majority of state legislatures (at minimum 50% of the states), the President of India gave his final approval on September 8, 2016. Constitutional (122nd Amendment) bill of 2014 was renamed the (101st Amendment) Act of 2014.
2017	The GST law became effective in India on July 1, 2017.
2017	The GST law became applicable to J and K on July 8, 2017.

Source :CA Pranav Chandak (2023).

GST Acts

The 101st Constitution Amendment Act of 2016 was mainly in charge of the creation of Goods and Service Tax (GST). Goods and Service Tax is enhanced by CGST, SGST, and IGST. Goods and Service Tax would replace numerous existing taxes around the country and create a unitary taxing system which will enable companies to conduct business all over the country while paying similar taxes. There are 35 GST Acts in India. Table 2 provides information about the Goods and Service Act.

GST in India

The Goods and Services Tax, or GST, first came into effect in India on July 1st, 2017. Interstate and intrastate GST were the most significant parts of GST since they assist decide when IGST, CGSST, or SGST is due. The place of business of the supplier and the site of supply determined whether a supply is deemed interstate or intrastate. This article compares and contrasts interstate and intrastate GST. It also explains in detail the interstate and intrastate definitions under GST legislation. Table 3 provides information about GST in India.(Clear tax, 2023).

Table 2 Goods and Service Act

Name of the Act	No. of Act	Tax
Central Goods and Services Tax Act, 2017	1	CGST
State Goods and Services Tax, 2017	31	SGST
Union Territory Goods and Services Tax, 2017	1	UTGST
Integrated Goods and Services Tax Act, 2017	1	UTGST

Source: CMA Bhawan (2022).

Table 3 GST in India

<table>
<tr><th colspan="3">Intra State Supply</th><th colspan="3">Inter State Supply</th></tr>
<tr><td>CGST</td><td>Levied and collected by Central government</td><td>CGST Act 2017</td><td rowspan="3">IGST</td><td rowspan="3">Levied and collected by Central government on all inter- state supplies.

IGST will be apportioned between Central government and state government in manner provided by parliament as per recommendation of GST Council.

IGST = CGST +SGST / UTGST</td><td rowspan="3">IGST Act, 2017</td></tr>
<tr><td>SGST</td><td>Levied and collected by State government or Union Territories with state legislatures.</td><td>SGST Act 2017</td></tr>
<tr><td>UTGST</td><td>Levied and collected by Union Territories without state legislatures.</td><td>UTGST Act 2017</td></tr>
</table>

Source: Clear tax (2023).

Goods and Services Tax (GST) Rates

CGST and SGST would be imposed at rates to be manually set by Central Government and State Government based on Goods and Services Tax (GST) council guidelines. The IGST rates will be determined by the center based on the Goods and Services Tax council's suggestions. The law provides for the maximum (top) levels of Central Goods and Services Tax and Integrated Goods and Services Tax of 20% and 40%, respectively. The tax rates

are set at 5%, 12%, 18%, and 28%. Some other levels are 0%, 0.25%, and 3%. Table 4 provides information about the goods and services tax rates.(Credit Mantri, 2023).

Table 4 Goods and Services Tax Rates

Revenue Neutral Rate	Basic Necessities	Essential Goods	Demerit and Luxury Goods
18%	12%	5%	28% + Cess

Sources: Cleartax (2023).

Custom duty

When you buy something that must be imported from another nation, we must pay custom tax on it. You must pay custom duty on the merchandise regardless of whether it arrived in India by airline, road, or sea. The purpose of applying such indirect tax would be to ensure that all products entering India are taxed.(Jayaram Hiregange & Deepak Rao 2021)

Value Added Tax (VAT)

A VAT is a sort of consumption tax levied on goods and their value raises throughout the production chain. The state government imposes it, as does the VAT percentages on certain commodities. Although GST has mostly replaced VAT, it continues to be levied on certain products, such as those containing alcohol.(Aditya Birla Capital Ltd, 2023).

3.3.2 Benefits of Indirect Taxes

Indirect taxes are collected on products and services rather than on persons or corporations directly. Indirect taxes have various advantages, including:

- poor contribute too,
- convenience,
- the collection is easy,
- reduce negative consumption.

Poor contribution Too

Every individual contribute to the country's progress is important. While the poor are frequently exempted without paying direct taxes, indirect taxes ensures that even the poor also participate to nation-building.(Aditya Birla Capital Ltd, 2023).

Convenience

Indirect taxes should not be overburden for a taxpayer which are efficient as they are payable only when a purchase is made, which are often paid in one single payment, indirect taxes such as GST are paid in incremental steps. When you buy a product or services, a tiny portion of GST is usually incorporated into the price, making it easier for taxpayers to pay

The Collection is Easy

One of the most significant variations among direct and indirect taxes is how they are collected. In comparison to direct taxes, there isn't any documentation or complicated procedures to pay indirect taxes. We must pay the tax at the time you buy a goods or service.(Aditya Birla Capital Ltd, 2023).

Reduce Negative Consumption

The largest indirect taxes are levied on products that are harmful to human health, such as alcohol, cigarettes, and other comparable items. As a result, they are more expensive, which helps to reduce expenditure and consumption on such hazardous items.(Bank Bazaar, 2023).

3.3.3 Disadvantages of Indirect Taxes

There are some disadvantages of indirect taxes are as follows

- regressive,
- makes product and services more expensive,
- lacks civic-consciousness,

Regressive

Indirect taxes are commonly acknowledged to be regressive. While they ensure that everybody pays taxes regardless of income, taxes are not equal. Individuals of all income levels are obligated to pay the same rate of indirect taxes.(Central Board of Secondary Education, 2016).

Make Products and Services more Expensive

When an indirect tax is charged to the value of products or services, they become more expensive. Cigarettes, high-end bikes, luxury vehicles, and other items, for example are subject to GST at a rate of 28%.

Lacks Civic-Consciousness

Consumers are usually unconscious of the tax that are paying since indirect taxes are added to the cost of the good or services. This is in contrast to direct taxes, when the taxpayer is fully aware of the taxes he or she is paying.(Aditya Birla Capital Ltd, 2023).

3.4 Difference Between Direct and Indirect Taxes

There are two sorts of taxes: direct taxes and indirect taxes. Direct taxes, such as income tax, have both incidence and impact on the same individual. Indirect tax, on the other hand, is a tax whose proportion and effect fall on two distinct people, such as GST. As in the situation of direct tax, it indicates that the tax is collected straight from the applicant, who ultimately suffers such taxes. Table 5 provides information about the difference between direct and indirect tax (Grow, 2022a)

Table 5 Difference Between Direct and Indirect Tax

S.no	Context	Direct Tax	Indirect Tax
1	Imposed on	Income and profits	All the goods and services
2	Who pays	Individuals and businesses	End – consumers
3	How much	Depends on income and profits	Same for everyone
4	Transferability	Not transferable	Transferable
5	Tax Evasion	Possible	Not possible
6	Nature	Progressive	Regressive
7	Collections	Complex	Convenient
8	Common Examples	Income tax and securities transaction tax	GST, excise duty and VAT.

Sources: Bank Bazaar (2023).

4 Description of the Company

The Tata Group is a large corporate organization headquartered in Mumbai, Maharashtra, India. Jamshedji Tata established the company in 1868 after purchasing numerous well-known firms.

Tata Sons owns the Tata Group, which is among India's largest enterprises. It was founded 153 years ago, in 1868, resulting in it being one among the nation's oldest and biggest firms. Every Tata company has its own board of directors and shareholders, and it operates independently despite being directed and regulated by the board of directors (Grow, 2023b).

4.1 TATA Groups

The tata group is a worldwide corporation headquartered in India that comprises 30 firms lasting 10 sectors. The company operates in over 100 countries, with the aim of improving the quality of life of the societies that we serve globally by creating long-term value for stakeholders based on *"Leadership with Trust"* (Ata AIA Life Insurance, 2022).

Tata Sons is the primary financial holding company and developer of Tata firms. Sixty-six percent of Tata Son's equity share capital is held through philanthropic trusts that promote education, health, job creation, and art and culture.

The Tata group of business organizations achieved international recognition through buying major multinational corporations, in addition to its existing activities.(Grow, 2022b).

4.1.1 Tata Shares

The Tata group of enterprises is diverse, including activities in FMCG, Jewelry, Chemicals, Communications, Hotels, Airlines, and other sectors. Despite the fact that the Tata Group has over 100 subsidiaries, a Tata Group had 19 publicly traded businesses on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Tata Sons owns 66% of the group's firms, whereas the Tata family owns a minority stake in all publicly traded corporations and subsidiaries.

As exceeding March 31st, 2022, the aggregate capitalization of all 19 publicly-traded Tata Group Corporations were $311 billion (INR 23.6 trillion), having yearly revenue of $128 billion (INR 10.4 trillion) for fiscal year 2021-2022. Tata Consultancy Services (TCS)

became the most valued company, valued at $153.19 (INR 12.4 trillion). Figure 6 provides the information regarding the tata shares (5Paisa Capital, 2023).

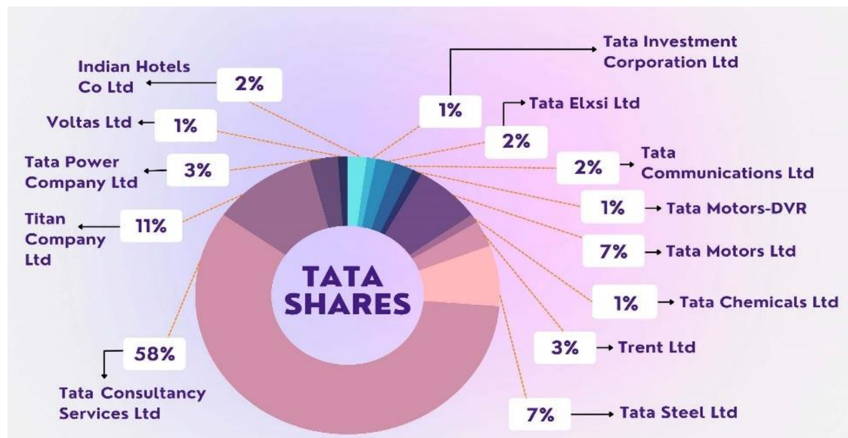

Figure 6 Tata Shares
Source: 5Paisa Capital Ltd (2023).

4.1.2 Financial Reports of Tata Groups

Tata firm's combined revenue in 2021-2022 is $ 28 billion. The business employed over 935,000 employees in total.

Each tata firm or organization functions independently, guided and supervised by its very own board of directors. As of March 31, 2022, there were 29 openly traded Tata firms with a total market value of $311 billion.(Ata AIA Life Insurance, 2022).

However, as a percentage of earnings, Tata maintains the largest corporate organization within the private sector, compared to Mukesh Ambani's Reliance Industries (RIL). RIL recorded combined income worth Rs 8.91 trillion in FY23, increasing 24.1% over Rs 7.18 trillion the previous year. For contrast, its combined net profit increased 9.9% at Rs 66,702 crore in FY23 (from Rs 60,705 crore the previous year), putting it just ahead of the entire Tata group's average earnings of the 14 firms.(5Paisa Capital, 2023).

During FY18, the gross domestic product of India with present prices has grown with an average yearly rate of 9.7 percent, growing from Rs 170.9 trillion in FY18 to a projected Rs 272 trillion in FY23.

As a consequence, the company's contribution of the country's gross domestic product fell to 3.7% in FY23, down from 3.9% in FY18 and a peak of 5.12% in FY14. In addition to particular businesses, Tata Motors contributed for 54% of the group's additional revenue growth in FY23

TCS is the company's cash cow, which contributed to 63% of overall net income in FY23, despite Tata Motors seeing the largest positive profits fluctuation of Rs 13,856 crore – between a consolidated loss of ₹ 11,441.47 crore during the fiscal year 22 towards a consolidated net profit worth Rs 2,414.29 crore in the fiscal year 23 (Kant, 2023).

4.2 Tata Motors Limited

Tata motors, which began as a steam locomotive maker in 1945, is now an international automobile production firm. It is based in Mumbai and produces passenger automobiles, vans, trucks, sports cars, military automobiles, and construction machinery. Apart from India, Tata motors has automobile manufacturing plants in the United Kingdom, South Korea, Spain, South Africa, and Thailand. Following its establishment, Tata Motors produced its first commercial car in 1954 in conjunction with Daimler-Benz. It joined the passenger car market in 1988 (The Ceo Magazine, 2019).

4.2.1 Competitors of Tata Motors

In spite TATA's dominant position in the Indian automobile market, it faces strong competitors coming from Mahindra & Mahindra, Maruthi Suzuki, Ashok Leyland, Bajaj Auto, and others. The competitor valuation, net profit, and market capitalization statistics will help us recognize competition. The automobile sector has been experiencing a hard patch in recent years because of demonetization, economic downturn, the newest corona outbreak, and other factors (Super Heuristics, 2021).

5 Impact of GST on the Tata Motors

In India, taxpayers must contend with a number of indirect taxes prior to the adoption of GST. Each state in the Indian country has its own indirect tax system. Since the implementation of GST, all indirect taxes were combined into a single tax. Because transportation in India does not pass through checkpoints or numerous levies, the GST tax on autos has greatly decreased the cost of delivering products. In reality, it has decreased the price of autos throughout the nation when compared to pre-GST prices.(Pritam Mahure, 2016).

Reduced Operational Cost

The Central State Tax (CST), that was levied on sales between states is being removed. Tata motors manufacturers no longer need to manage multiple storage facilities in various places. They may join a variety of warehouses and benefit from reduced operational costs. Furthermore, taxes spent on marketing, advertising, and other expenditures are subject to investment credit taxation, resulting in an additional reduction in operational costs.

Effect on Working Capital

Considering lower operational costs, the GST tax on autos has only increased dealers' fears.

Because the supply is taxed with GST, whenever an automobile gets transferred, the GST gets discharged and capital is frozen. The merchant must now pay GST to the government on the same day that the advance is received. This, however, is going to render traders more careful in order to avoid negatively impacting their outflow.

Another way that GST will impact dealership is through money lock-on-services that are free. As a type of consumer bonus, several vehicle makers offer complimentary maintenance or guarantee cards at the moment of purchase. Dealers must pay GST on them at the moment of issue, but consumer are able to redeem these services at any time.(Pritam Mahure, 2016).

5.1 Positive impact of GST of the Tata Motors

The effect of GST for the automobile industry is predicted to be favorable, since Automobile sector would have lower tax responsibilities, which will benefit end-users.

Various taxes were applied in India prior to the implementation of GST, including road tax, sales tax, VAT, sector tax, registration fee, and motor vehicle tax. Fortunately, all of these levies have now been included into the GST framework. Figure 7 provides the information regarding the positive impact of GST on the automobile sector (Enterslice, 2020).

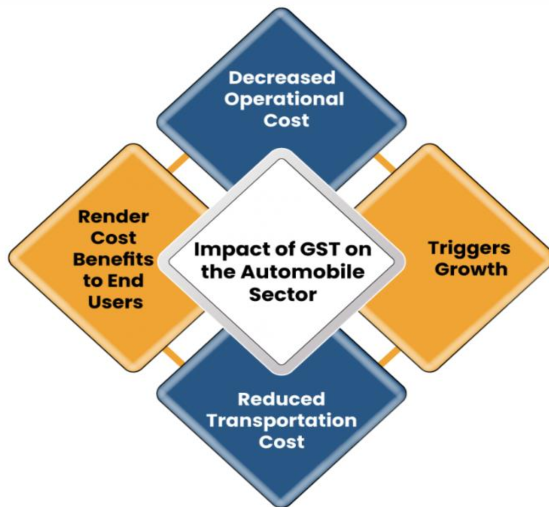

Figure 7 Positive Impact of GST on the Automobile Sector
Source: Interslice Private Limited (2020).

Automobile Parts Segment in Tata Motors

The old tax scheme imposed an excise tax on accessories, vehicle components, and component producers in excess of their maximum retail price or MRP price less reduction. As a result, the tax paid upon the overall value was larger than the amount paid for the transaction. As a result, repairs and vehicles components were costly. Car post-GST pricing have been greatly reduced.(Khatabook, 2022).

Transactional Value Subsidy

The GST statutes establish transaction value that exclude both central and state subsidies. As a result, electric vehicle producers may now save money on taxes and get substantial subsidies. This subsidy is clearly defined under the GST legislation.

Second-hand Vehicles

The vehicle industry is also being rationalized, since the GST regulations allow for taxation on the difference between buying and selling prices. Therefore, unpaid ITC is applied to the purchase price, allowing the seller to get back the amount of ITC that was

previously reversed due to any mismatch. As a result, the mostly unorganized and highly taxed industry has shifted to the organized sector.

Single Tax Across the Nation

Difference in State- based taxation are now a thing of history. The “One Tax, One Nation” program has decreased tax evasion while also simplifying the operation of Tata motors dealerships and distribution stations.

Consumer Burden Reduction

The historical average total rate of taxes levied on vehicles and motorcycles ranged from 26.50% to 44%. This was greater than the current Goods and Service Tax (GST), which has already been decreased to 18% and 28%, resulting in actual tax savings for end-users.

5.1.1 Negative impact of GST on Tata Motors

There are also certain drawbacks associated with the GST rates on automobiles, they are as follows.

Warranties and Vouchers:

They reduce the amount of working capital since the GST levied on warranties and after- sale service coupons supplied to customers stays frozen until settlement.

Discounts

As marketing techniques, the Tata Motors is well-known for promotional periods and post-sales dealership discounts. Such reductions were not connected to the invoice value, which causes taxes concerns. Discounts will no longer be reflected in the supply’s value if they are agreed upon prior to or at the point of provision.

Insurance and Ancillary Services

The absence of guidelines on the tendency of manufacturers and Tata motors dealers collecting sums on accessories, insurance, and other additional services within the GST system has been an important cause of conflict. When you have separate rates of taxation for mixed and composite supply, this becomes complicated.

5.1.2 Benefits of GST

Cheaper automobiles will enhance market demand and, as a result, industrial expansion. Furthermore, because the GST rates of taxes are the same throughout the country, there would be no difference in tax expense for the customer when purchasing automobiles from another state. This would avoid incidents of tax avoidance caused by consumers purchasing automobiles from states that aren't their own.

Multiple layers of taxation, complex tax compliance duties, and rising taxes will be obsolete with GST. Better compliance is ensured by an easier and completely automated tax process. Figure 8 provides the information regarding how GST made vehicles cheaper (Business Standard Private, 2017a).

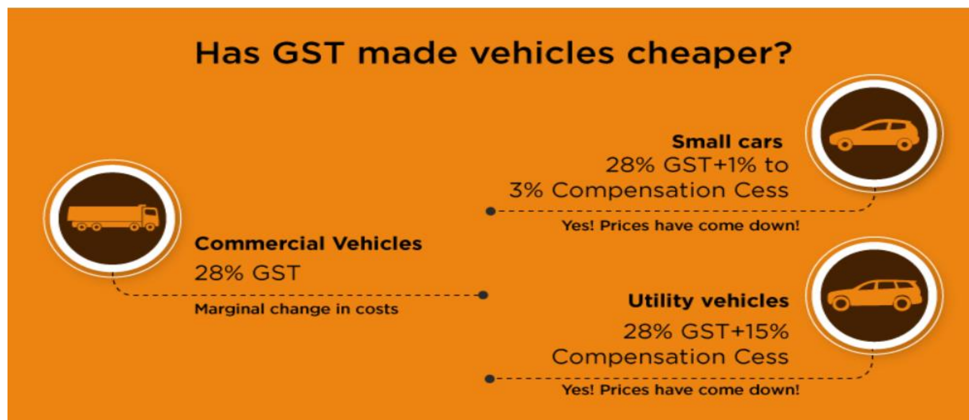

Figure 8 GST made Vehicles Cheaper
Source: TATA Motors (2017).

5.1.3 GST Rates on Automobiles of Tata Motors

The GST on automobile of Tata motors is calculated primarily by taking into consideration an existing base rate and an extra cess. The stable base rate is currently set at 28%. Depending on kind of vehicles, the cess flat rate varies between 1% to 22%.

Commercial Vehicles

The vast majority of commercial cars will be subject to a 28% tax, up from a prior ceiling of 30.2%. However, minibus have been disproportionately affected because they attract a 15% cess fee, bringing the overall percentage to 43%. Whereas the majority of commercial vehicles have seen a little impact since the adoption of GST.

LuxuryCars

Under the GST scheme, luxury cars are taxed at 42-45%. Under the previous tax

scheme, these Tata motors were taxed at 50% or higher, which seems pretty high given the initial price for the car.

Small Cars

The rate of taxation for a small Tata motor under the provisions of the GST is essentially the same. Small autos are now taxable as 28% + 1% cess under GST. The previous tax rate for these vehicles was set at 29%. This is a minor increase in the tax rate.

Hybrid Cars

Hybrid vehicles are significantly taxed under GST. The hybrid autos are intended to be taxed at 28% + 15% cess under the current slab rate. Under the previous tax structure, these vehicles were only subject to 30% taxation.

Spare Parts

The replacement component market may be impacted by the implementation of the new GST rate of taxation. Previously, spare components were only taxed at 12%, but with the adoption of GST, replacement parts are now taxed at 28%. However, the fees are not applicable to all spare parts categories. According to the tax authorities, components purchased under the code 8708 will be taxed at a rate of 28%, that be split evenly among the central and state Government. Rubber tubes with the designation 4008/4009 will be taxable at 18% GST. Table 6 provides information about the representation of GST rates on different class of automobile(Enterslice, 2020).

GST Rate on Different Class of Automobile in Tata Motors

Table 6 Tabular Representation of GST Rate on Different Class of Automobile

Category	Before GST	After GST
Small Cars	24-25%	29-31%
Luxury Cars	50%	42-45%
Spare Parts	12%	28%
Hybrid Cars	30%	43%
Commercial Vehicles	30.2%	28%

Source: Enterslice (2020).

Difference Between Old GST and New GST of Tata Motors

Taxes on all autos, save electric vehicles, are imposed at a basic rate of 28%, with extra cess applied at 1%, 3%, and 15% depending on characteristics such as dimensions, engine capacity, and ground clearance. However, on September 9, the GST Council decided to raise the cess on mid-size cars, large cars, and SUVs by 2%, 5%, and 7%, respectively, to bring tax rates on these vehicles back to pre-GST levels. The following table compares the former and new GST rates on autos in India. Table 7 provides the information regarding the difference between the new and old GST rates of Tata motors.

Table 7 Difference Between Old GST and New GST

Category	Old GST Rates			New GST Rates		
	GST	Cess	Total	GST	Cess	Total
Small Cars< 4m-Petrol	28%	1%	29%	28%	1%	29%
Small Cars< 4m-Diesel	28%	3%	31%	28%	3%	31%
Small Cars<4m- Engine > 1200	28%	15%	43%	28%	15%	43%
Mid-size cars- Length > 4m,	28%	15%	43%	28%	17%	45%
Mid-size cars- Length > 4m,	28%	15%	43%	28%	20%	48%
SUVs- Ground Clearance >	28%	15%	43%	28%	22%	50%
Hybrids	28%	15%	43%	28%	15%	43%
Electric	12%	NA	12%	12%	NA	12%
Buses	28%	15%	43%	28%	15%	43%
Trucks	28%	NA	28%	28%	NA	28%
Three wheelers	28%	NA	28%	28%	NA	28%
Two wheelersEngine < 1500 cc	28%	NA	28%	28%	NA	28%
Two wheelersEngine > 350 cc	28%	3%	31%	28%	3%	31%

Source: Sharma (2018).

5.2 GST Rate on Electric Vehicles of Tata Motors

Initially, electric cars (EV) and their important accessories, such as EV chargers and EV charging stations, were subject to an 18% GST rate. However, during the 36th annual GST Council meeting on July 27, 2019, the GST rate for electric cars was cut to 5%. As announced at the same conference, the same 5% GST rate apples to EV chargers and charging stations. This lower rate will be in effect beginning August 1, 2019. It is vital to remember that this 5% GST charge will apply to all EVs, regardless of what they're used

for personal or business use. Figure 9 provides the information regarding the GST on electric vehicles (Paisabazaar, 2023).

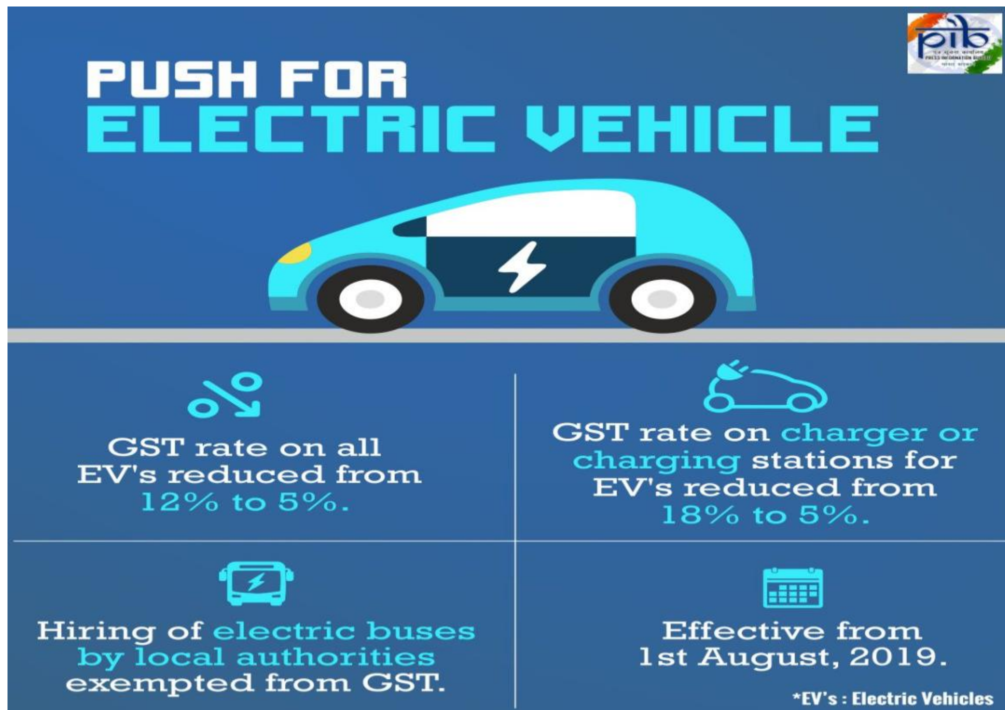

Figure 9 GST on Electric Vehicles
Source: Pinterest (2023).

5.3 Other Impacts of GST in the Tata Motors

The automotive sector has become one of India's most rapidly expanding industries. The manufacturing sector generates 7.1% of the nation's Gross Domestic Product (GDP).This industry generates around 13% of central excise income and accounts for 4.3% of total Indian exports.(Caknowledge, 2021).

Impact of Tax

GST is going to replace all taxes such as excise, sales tax, road tax, motor vehicle tax, and registering tax. Tata motors sellers would be required to collect CGST and SGST (i.e., Central GST and State GST) on intra-state motor vehicle sales under the GST system. Furthermore, if the automobiles are sold between states, they're going to be charged the IGST.

Impact on Credits

Currently, vehicle dealerships find themselves ineligible for CENVAT refunds on a range of indirect taxes. When acquiring automobile parts, supplies, equipment, and assets, they incur the Central State Tax (CST). Likewise, exercise duty is paid when purchasing

automobiles, spare parts, supplies, and accessories. On top of this, the purchase of a car is accompanied by the payment of the NCCD (National Tragedy Contingencies Duty), Auto Cess, and Infrastructure Cess. Furthermore, any imported spare parts, equipment, and consumables are subject to CVD, while the SBC (Swachh Bharat Cess) is a tax imposed on input services. Additionally, the reversal of the proportional CENVAT credit of service tax occurs due to trading operations such as showroom rent and advertising expenses. However, with the implementation of the Goods and Services Tax (GST) system, dealerships would become eligible to claim input tax credits on all their purchases of goods and services, with only a few limitations imposed by the legislation in the GST law. This shift marks a significant change in the tax landscape for vehicle dealerships.

5.4 Impact of GST on Tata Motors on finance perspective

The enactment of GST helped Tata Motors India by simplifying the company's tax structure, improving the tax on inputs credit, improving cash flow administration, and increasing demand for its goods.

Before Goods and Service Tax (GST)

The tax system was complicated, with several levies differing among states, such as excise duty, value-added tax (VAT), and entrance tax. This resulted in a greater regulation challenge and higher expenditures on Tata Motors India. Under the previous tax system, there was a restricted amount of credit for input taxes allowed. Tata motors India’s manufacturing costs increased as a consequence of being unable to claim input tax credit on all raw materials, services and capital goods acquired. Cash flow management system Tata Motors India was required to pay taxation at various levels of chain of supply, resulting in a greater tax output and an impact on the management of cash flows.

After Goods and Service Tax (GST)

After the adoption of GST, the system of taxation has been standardized by adopting a single rate of taxation for products and services throughout the nation. This has simplified the formerly complicated tax system and decreased the burden of compliance on enterprises such as Tata Motors India. The GST system raised the amount of credit for input taxes accessible for enterprises, lowering Tata Motors India’s manufacturing expenses. It is now able to use the input tax credit on all acquired raw materials, services, and capital items, lowering the overall tax bill. Cash Flow Management: Through the GST system, Tata Motors India is required to provide monthly statements and pay the

corresponding taxes. This helped improve their financial control since it is able to better anticipate its cash outflow to prevent the at the last moment tax rush. The introduction of GST has resulted in a decrease in the overall cost of taxes on consumers, leading in a rise of demand for automobiles such as Tata Motors India's vehicles. This has increased the business revenue as well as sales.

5.4.1 Tata Motors Q4 Net Profit Down Nearly 50% by Implementation of GST

Tata automobiles recorded a 49.82% drop in overall net profit to Rs 2,176.16 crore during the final quarterly ending march 31, 2017-2018 on Wednesday. It generated a net profit of Rs 4,336.43 crore in the previous fiscal year. During the quarter under review, its solidified income coming from operation was Rs 91,279.09 crore. In the previous period, it was Rs 78,746.61 crore. Due to the imposition of GST on July 1 of last year, the two statistics are incomparable. Separately, the company reported a net loss of Rs 499.94 crore in the fourth quarter. In the same quarter last year, it was Rs 805.93 crore. For the preceding quarter, independent revenue from business operations was Rs 19,779.32 crore. In the previous calendar year, it was Rs 15,080.56 crore. Comprehensive net profit for 2017-18 were Rs 9,091.36 crore, up 18.58% from Rs 7,666.56 crore in the year before. In 2017-18, consolidated revenue through operating were Rs 2,95,409.34 crore. In 2016-17, the amount was Rs 2,74,492.12 crore. Figure 10 provides the information regarding the Tata Motors Q4 net profit for the year 2017-2018.

Tata Motors Ltd. Q4 2017-18 (in ₹Crores)

TATA

	MARCH 31		
	2017	2018	YoY Growth %
Income	78980.8	91643.4	
Expenditure	73734.5	87695.5	
Op Profit	6246.3	3948.0	
PBT	5165.5	2307.7	
Net Profit	4336.4	2176.2	-49.82
EPS (in ₹)	12.64	6.24	

Consolidated, Audited

PTI GRAPHICS

Figure 10 Tata Motors Q4 Net Profit Down Nearly 50% by Implementation of GST
Source: The Printers Mysore Private Ltd (2018).

5.4.2 Impact of GST on Tata Motors on sales perspective

GST (Goods and Services Tax) adoption in India has resulted in considerable changes in the taxation structure, including the car sector. Tata Motors India, important participants in the Indian vehicle sector, has also been damaged in terms of sales by the adoption of GST. The introduction of GST has benefited Tata Motors India's sales. It has resulted in a decrease of tax burden, pricing uniformity, increased sales effectiveness, and logistical improvements, resulting in increased sales for the firm (Business Standard Private, 2017b).

The Goods and Services Tax (GST) system has decreased the tax burden on customers, which has resulted in a rise in consumer demand for automobiles such as Tata Motors India's cars. This has resulted in an increase in sales for the firm. The adoption of GST has resulted in price uniformity of products and services throughout the country. This has removed the previously existing pricing variations, making it easy for Tata Motors India to set a standard price for its automobiles throughout different states. In the past, there had been several taxes such as excise duty, VAT, and entrance tax, which differed by state.

This resulted in a greater regulatory challenge and higher expenditures for Tata Motors India. The adoption of GST has decreased the regulatory burden, resulting in greater sales effectiveness. The installation of GST has resulted in the formation of a single market, leading in the removal of various checkpoints and the decrease of the length of transit. It has enhanced Tata Motors India logistics, resulting in speedier automobile deliveries to consumers.

5.4.3 GST Impact: Tata Motors record decline in sale of passenger vehicles

Domestic car sales in June 2017 were 36,854 automobiles, a 5% decrease from June 2016 (Business Standard Private, 2017b).

Following the implementation of the Goods and Services Tax (GST) on July 1, automobile major Tata Motors announced a decline in passenger vehicle sales, despite the commercial vehicle industry growing month on month due to BS4 manufacturing ramp-up. According to its sales records, overall passengers and commercial automobile sales, including exports, were limited at 40,358 cars in June 2017, 9% less than the equivalent figures in June 2016.The national sales of commercial and passenger car for the firm in June 2017 were 36,854 units, at 5% decrease from June 2016. The Tata Motors commercial vehicle business sold 25,678 units, representing from month to month

increase due to the start up to BS4 manufacturing across classifications. As a result of an increase in manufacturing in June, demand as well as supply in the M&HCV categories increased. As markets move to load-rated activities, demand for 37 to 49 tons trucks has been risen significantly. Although the M&HCV business grew slightly year to year, 2,628 I&LCV trucks have been sold this year, due to the good reaction to the recently released extreme range in the I&LCV market.

The SCV freight and pickup category maintained its growth speed in June, selling 11,038 units compared with 10,029 units in June 2016 because of strong demand for the Xenon Yodha and the XL series of SCVs, resulting in a 10% increase. Tata Motor's passenger vehicle revenue fell 10% in June 2017 owing to GST unpredictability, including 11,176 units delivered in 2017, compared to 12,482 units sold the previous year. Based on 11% increase in the April-June 2017 quarter comparing to the previous year, the business thinks the volume reduction is short-term and will be regained in the subsequent period. In terms of exports, the firm sold 3,504 units in June 2017, a 40% decrease from the previous month due to supply difficulties. Figure 11 provides the information regarding the Tata motors record decline in sale of passenger vehicles (Business Standard Private, 2017b).

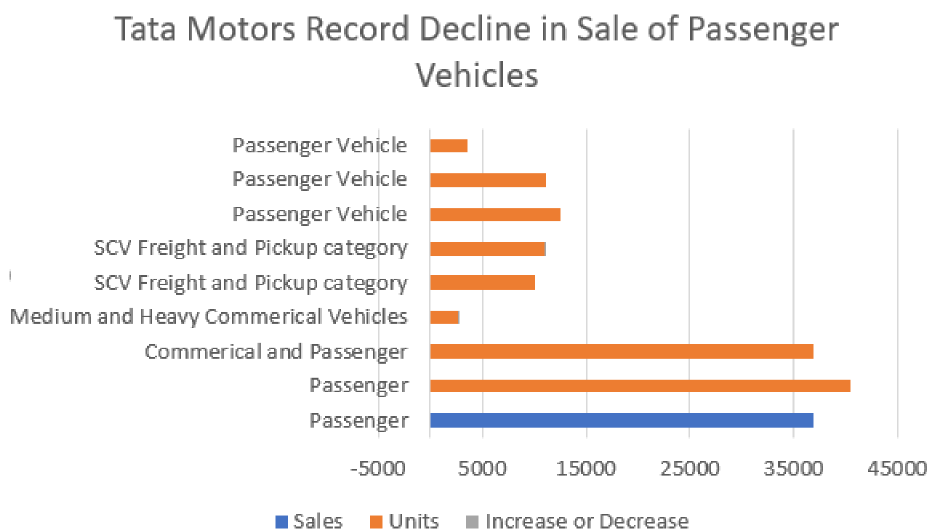

Figure 11 Tata Motors Record Decline in Sale of Passenger Vehicles
Source: Business Standard Private (2017b).

5.4.4 GST impact: Tata Motors slashes passenger vehicles prices up to Rs. 2.17 lakh

The automobile manufacturer is providing a price cut of up to 12% on models and variants ranging from Rs 3,300 to Rs 2,17,000, based on the vehicle's model and version.

Following the implementation of the (Goods and Services Tax), Tata Motors said that it has reduced the cost of its passenger cars by up to 12%. "We are providing a discount of up to 12% varying from Rs 3,300 and Rs 2,17,000 based on the model and variant," said Mayank Pareek, head of the automobile manufacturer's Passenger Vehicles Business Unit, he stated that the action was conducted with a significant emphasis on encouraging favorable purchasing attitudes. According to Pareek, the automaker selected to pass on the whole gain to its consumers following the implementation of GST. In the month of June, the company's domestic sale of passenger cars were experienced difficulties by diverse reactions to GST, resulting in poor buying attitudes. The Tata Motor's sold 11,176 units in June, a 10% decrease from the 12,482 units sold in June 2016. The automobile manufacturer stated that the decline in volume was just transitory. It would rebound in the coming quarter, based on 11% increase in the April-June 2017 quarter compared to 2016. Pareek welcomed the implementation of GST, saying it will make conducting business easier and indicate in an exciting period for economic growth in general, and especially for the car industry. It also stated that end-user prices had been decreased by a standard of 1.1% for smaller commercial vehicles and 0.5% for LCVs and HCVs(Hindustan Times, 2017).

5.4.5 Tata Motors passes GST benefits to customers

Tata Motors, an Indian automobile manufacturer, has changed automobile pricing across models beginning July 1, 2017. Interestingly, Tata Motors has announced a 12% pricing drop across all models, lowering costs from Rs 3,300 to Rs 2.17 lakh. The newly updated pricing is also said to be calculated using the tax rates that were in effect previous to the implementation of GST.

In response to the cost decrease, Mayank Pareek, Tata Motors President, Passenger Vehicles Business Unit, stated, "We wholeheartedly support the Union the Government's effort for implementing GST, which will result in one uniform tax throughout the nation."

The recently implemented price cut is intended to assist Tata Motors in strengthening its position in the Indian market. Due to uncertainty about GST costing, the Indian car manufacturer experienced a 5% decline in year-on-year growth. The GST savings have also been transferred on to consumers by Tata Motors luxury brand Jaguar Land Rover. (Carwale, 2017).

6 Financial Analysis of Tata Motors

6.1 Liquidity Analysis

The first type of financial measure used to assess a company's capacity to settle its immediate debt is the liquidity ratio. The statistic aids in figuring out if a business can pay its current responsibilities with its liquid, or current, assets. The current ratio, quick ratio, and cash ratio are the three liquidity ratios that are most frequently utilized. The quantity of liquid assets is included in the majority of each liquidity ratio, while the amount of current obligations is provided in the denominator.(CFI, 2023b).

6.1.1 Current Ratio

Figure 12 provides the information regarding the tata motors current ratio.

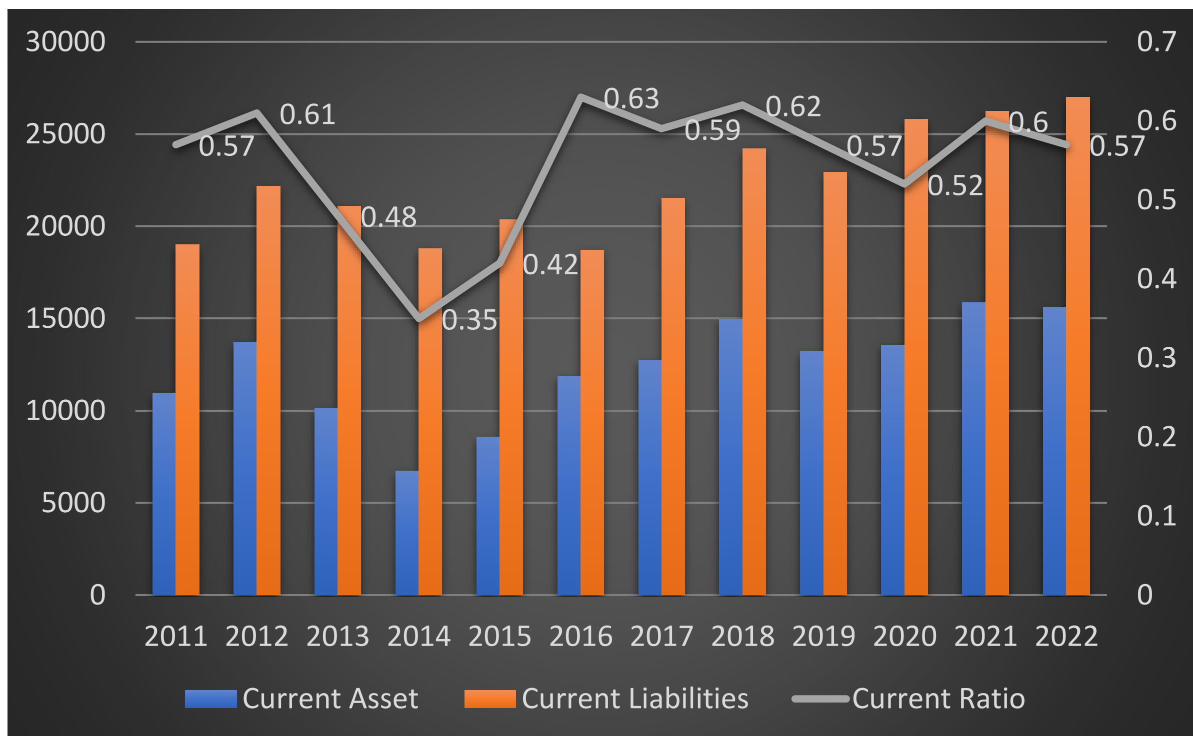

Figure 12 Current Ratio
Source: Own calculation.

The current ratio is falling over a period of time often suggests that a firm could be having trouble financing its immediate obligations using its short-term funds. It might be the result of a number of factors, including a rise in debt, a decline in cash flow, or ineffective administration of working capital. A falling current ratio could be an indication of monetary difficulty and liquidity issues, which could affect the company's capacity to pay commitments and make investments in growth. The current ratio in 2011 was 0.5774.

Accordingly, the corporation has $0.5774 in its current assets to compensate for every 1 in current liabilities. If the ratio is less than 1, the business may be experiencing liquidity problems, which GST-related changes in supply and demand dynamics might impact. In 2012, saw an improvement in the current ratio, which reached 0.6183. The better administration of current financial obligations and assets may have been aided by GST. In 2013, A decrease in liquidity was shown by the current ratio, which fell to 0.4802. GST could have impacted the procurement procedure and cash flow, causing this decline. In 2014, The current ratio dropped even worse, to 0.3585, indicating more severe liquidity issues. The introduction of the GST may have affected the financial operations and this ratio.

The current ratio increased to 0.4208 in 2015. The impact of GST on commerce and cash flows may be a factor in this development. In 2016, there was a considerable improvement in the current ratio, which reached 0.6343 and indicated high liquidity. Improved administration of current liabilities and assets as well as effective GST adaption may have helped and in 2017, the current ratio remained largely steady at 0.5923. It's possible that this is a result of continuing modifications within the GST framework. A continuous approach to managing liquidity is indicated by the current ratio's stability at 0.6182. The effects of GST appear to have successfully been integrated into the business's operations. The current ratio for 2019 is 0.5767, indicating potential liquidity issues. The proportion of the current assets and liabilities may still be impacted by GST. In 2020, is 0.5257, the current ratio dropped. Cash flows or processes for purchasing may have been impacted by modifications to the GST structure. In 2021, the current ratio increased to 0.6039, showing greater short-term liquidity. Continuous GST adaption could be to blame. In 2022, the current ratio was pretty constant at 0.5787. The business's GST implementation appears to be stable.

6.1.2 Quick Ratio

Figure 13 provides the information regarding the tata motors cash ratio.

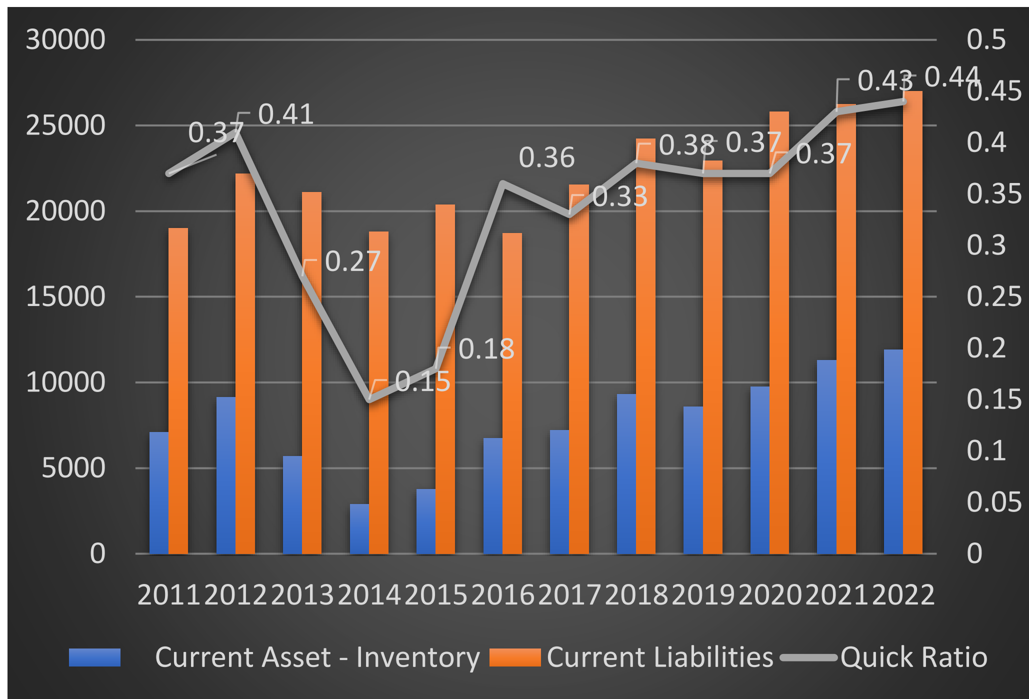

Figure 13 Quick Ratio
Source: Own calculation.

From 2011 to 2022, Tata Motors' quick ratio have typically gone up. This shows that Tata Motors has improved over time in its ability to satisfy its short-term obligations while substantially depending on inventories. From 2011 to 2022, the fast ratio typically showed an upward trend. This implies that Tata Motors continues to be steadily increasing its capacity to pay its short-term obligations utilizing its most liquid resources (apart from inventories). There is considerable fluctuation from year to year, despite the main trend of growth. As an illustration, the quick ratio drastically decreased in 2013 and 2014, signaling possible liquidity issues during those years. Nevertheless, it bounced back and kept becoming better throughout the following years.

Tata Motors' quick ratio has significantly improved within the most recent three years (2020, 2021, and 2022), hitting the greatest levels in the statistics. This implies that the business has worked to improve its liquidity situation. Although the presented data fails to specifically address the implications of GST, modifications to Tata Motors' accounting procedures and other associated variables may have an impact on the growth in the quick ratio. Tata Motors might have enhanced the inventory control procedures, which cut down on the requirement for extra inventory. It's possible that the GST's system of taxes simplifying contributed to development.

The GST might have increased the company's liquidity, enabling it to deploy resources more effectively and reduce its requirement to liquidate inventories to pay immediate

commitments. Through removing a number of indirect taxes, the Goods and Services Tax (GST) seeks to reduce the financial strain on companies. Taxes were cut, which would have increased cash flow and solvency.

6.1.3 Cash Ratio

The examine of the past trends, the consequences of fluctuations over time, and the company's ability to maintain financial stability as we explore Tata Motors' cash ratio. Effective liquidity management is crucial in sectors like the automobile industry where cash flow can be impacted by unanticipated market changes. Figure 14 provides the information regarding the tata motors cash ratio.

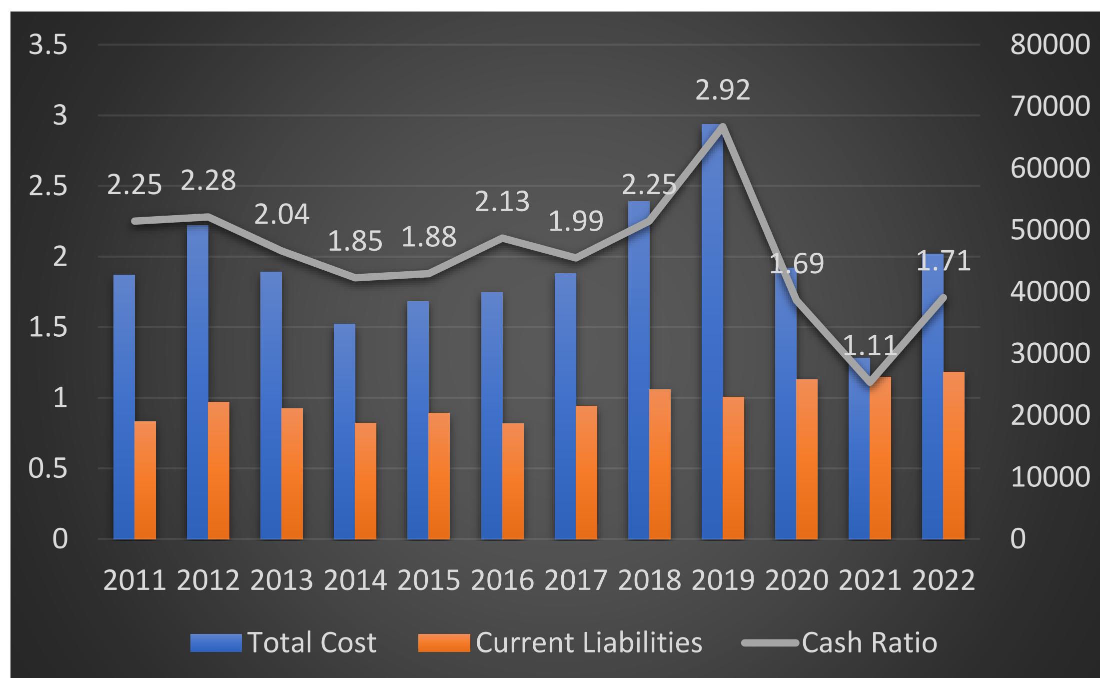

Figure 14 Cash Ratio
Source: own calculation

Over time, Tata Motors' cash ratio has demonstrated a changing tendency. In 2019, when it was at 2.926, the cash ratio was at its greatest level, demonstrating a healthy cash position compared to current obligations. However, the cash ratio dramatically declined in the years after (2020, 2021), indicating a decreasing cash position compared to current obligations. The business's cash management procedures, particularly how it distributes cash resources to satisfy its short-term obligations, may have an impact on the variations in the cash ratio.

The GST was designed to simplify the tax system and minimize the consequences of taxes dumping on one another. This might have improved the way businesses, like Tata

Motors, maintain their working capital. The GST was designed to make corporate taxes more manageable overall. Tata Motors' financial performance might have been enhanced by lower tax costs, resulting in a stronger cash ratio. GST established the idea of input tax credit (ITC), which enables businesses to obtain refunds for taxes paid for inputs. Through a decrease in tax withdrawals, this may have improved Tata Motors' liquidity.

Over time, the cash ratio, calculated at a proportion of current obligations, has shown some variation. Between 2021 and 2019, it varied between about 1.12% and 2.93%. Aiming to streamline and optimize the tax system, the GST improved liquidity. Tata Motors may have had a greater cash ratio % if GST resulted in lower tax costs and enhanced liquidity.

Tata Motors' financial position when compared to its current liabilities might have been better with efficient handling of working capital, involving efficient receivables collection and payments management. The GST's elimination of a number of indirect taxes may have resulted in lower operational expenses for the business, which may have increased cash reserves. Tata Motors' cash flows might have been positively affected by changes to tax structures and the elimination of tax cascading, resulting in a greater cash ratio percentage. In particular, the cash ratio percentages decreased in 2020 and 2021, falling to its lowest level in the data presented in 2021 (1.12%). The economic difficulties brought on by the COVID-19 epidemic might be one of several causes of this.

6.2 Efficiency Analysis

Efficiency ratios assess a company's capacity to create revenue from its assets and liabilities. Because it has reduced its net asset investment, a highly efficient business needs reduced debt and equity to continue operating. Efficiency ratios in the framework of assets relate a collective group of resources with sales or the price of products sold. Liabilities have a primary efficiency ratio that relates payables to total supplier purchases.(Bragg 2023)

6.2.1 Inventory Turnover Ratio

Figure 15 provides the information regarding the tata motors inventory turnover ratio.

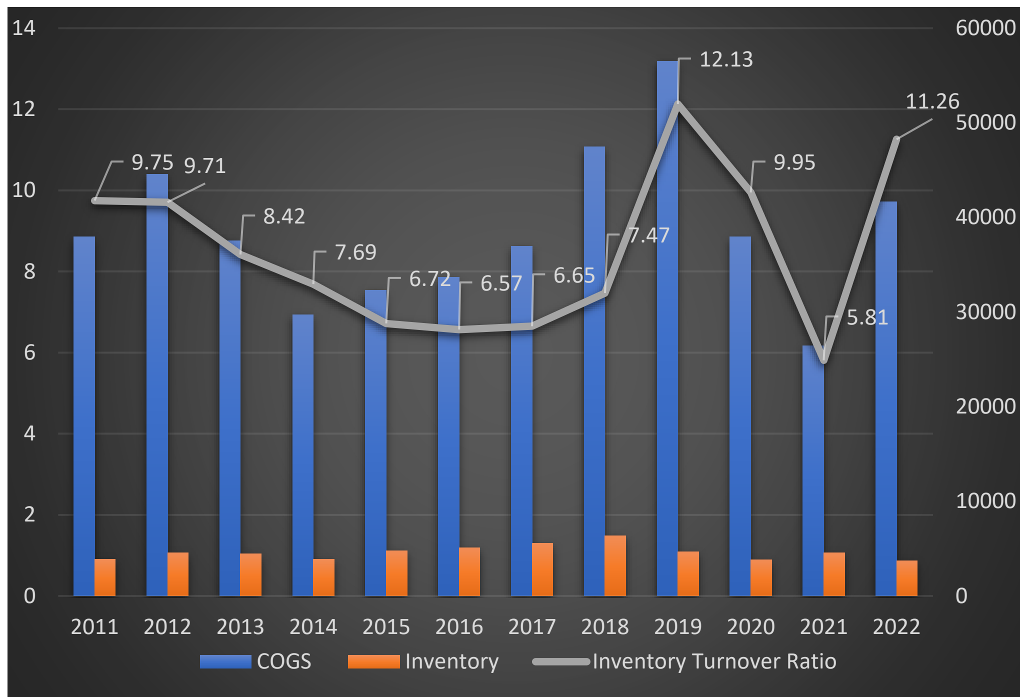

Figure 15 Inventory Turnover Ratio
Source: Own calculation.

Tata Motors' inventory turnover percentage has changed a lot throughout the years. More effective inventory management is often indicated by a greater inventory turnover ratio. According to Tata Motors' comparatively large inventory turnover percentages in 2011 and 2012, inventory was managed well throughout both years. The introduction of GST in 2017 possibly had an impact on inventory management. In reaction to the new tax structure, businesses modified their supply chain and inventory procedures. Tata Motors was able to retain effectiveness in inventory turnover with changes to the tax system since its inventory turnover ratio in the years after the adoption of GST (2017 and 2018) remained largely consistent.

In order to guarantee fulfillment of GST requirements, businesses have to make investments in systems and procedures. improved compliance may have led to more accurate reporting and improved inventory tracking, which might have had an impact on the inventory turnover ratio. After the introduction of the Goods and Services on 2017, Tata Motors' inventory turnover ratio proportions remained largely stable in the two years that followed (2017 and 2018), demonstrating that it continued to operate with a respectable level of effectiveness in spite of the changes to the tax system. Tata Motors had a significant rise in inventory turnover ratio percentage in 2019 (1212.62%), indicating a major improvement in the effectiveness of inventory management during that year. Tata Motors had a drop in their inventory turnover ratio percentage in 2021 (to 581.26%), which may signify a decline in inventory management effectiveness. Numerous

elements, like shifts in demand, problems with the supply chain, or tactical choices, may have an impact on this. Tata Motors saw a rise in inventory management efficiency in 2022, with their inventory turnover ratio percentage rising to 1120.61% from the previous year.

6.2.2 Receivables Turnover Ratio

Figure 16 provides the information regarding the tata motors account receivables turnover ratio

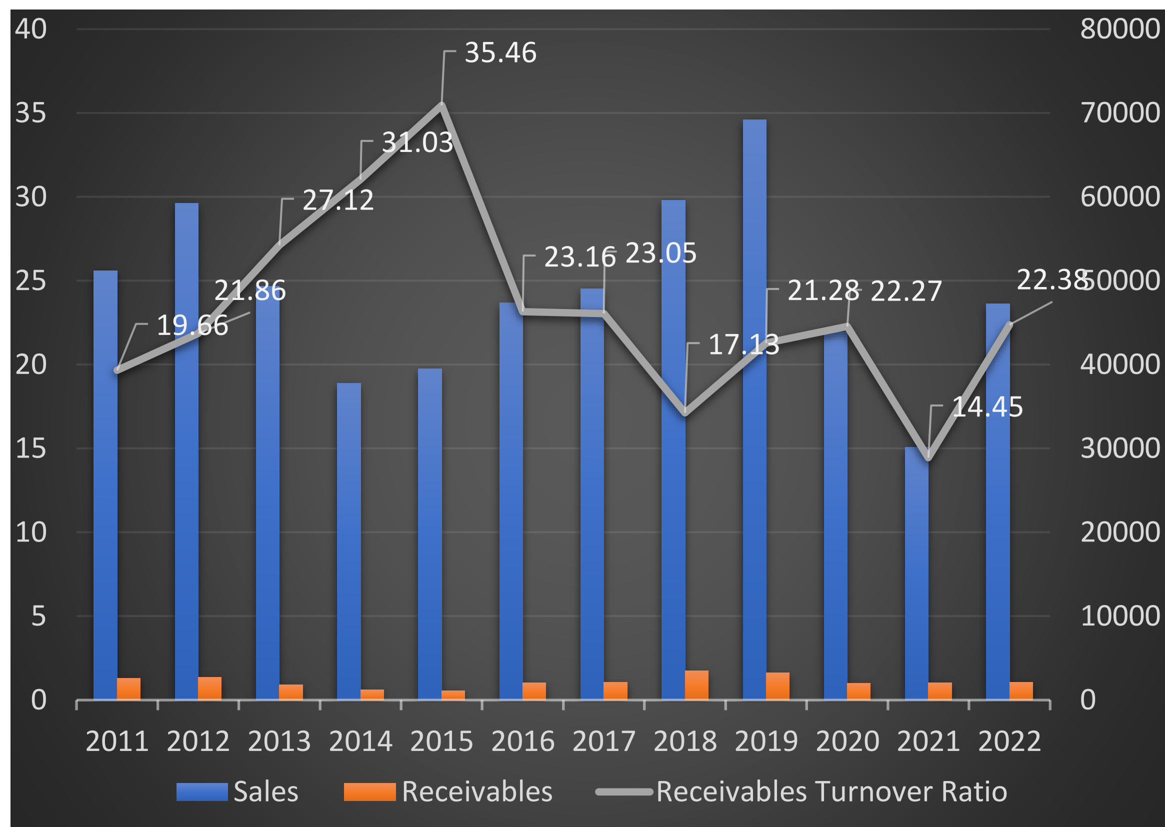

Figure 16 Receivables Turnover Ratio
Source: Own calculation.

During this time, Tata Motors' Receivables Turnover Ratio % fluctuated but stayed typically high, pointing to effective receivables management. Customers' funds were collected by the business pretty quickly. In 2017 and 2018, the Receivables Turnover Ratio % stayed mostly steady with the introduction of the GST. This implies that throughout improvements to the tax system, Tata Motors continued to collect money from consumers with a respectable level of efficiency. Tata Motors' Receivables Turnover Ratio percentage increased dramatically in 2019 to 2128.90%. This jump shows that throughout that year, receivables management efficiency significantly increased.

Tata Motors had a large decline in its Receivables Turnover Ratio percentage in 2021 (1445.50%), which may have pointed to a probable wait in customers' payments during that year. Several factors, such as the state of the economy or modifications to consumer credit conditions, may have an impact on this decline. The introduction of the GST may have changed how customers behave and make payments. Due to the new tax structure, clients may have postponed payments or altered their credit terms, which may have had an impact upon the Receivables Turnover Ratio.

In reaction to GST, Tata Motors could have modified its credit conditions for its clients. By spreading out payments over a longer period of time, prolonged credit terms may result in a reduced Receivables Turnover Ratio. There may have been early administrative difficulties with GST compliance. These difficulties may have had an influence on billing purposes, invoice generation, and accounting processes, which would have affected the Receivables Turnover Ratio.

6.2.3 Account Payable Turnover Ratio

Figure 17 provides the information regarding the tata motors account payables turnover ratio.

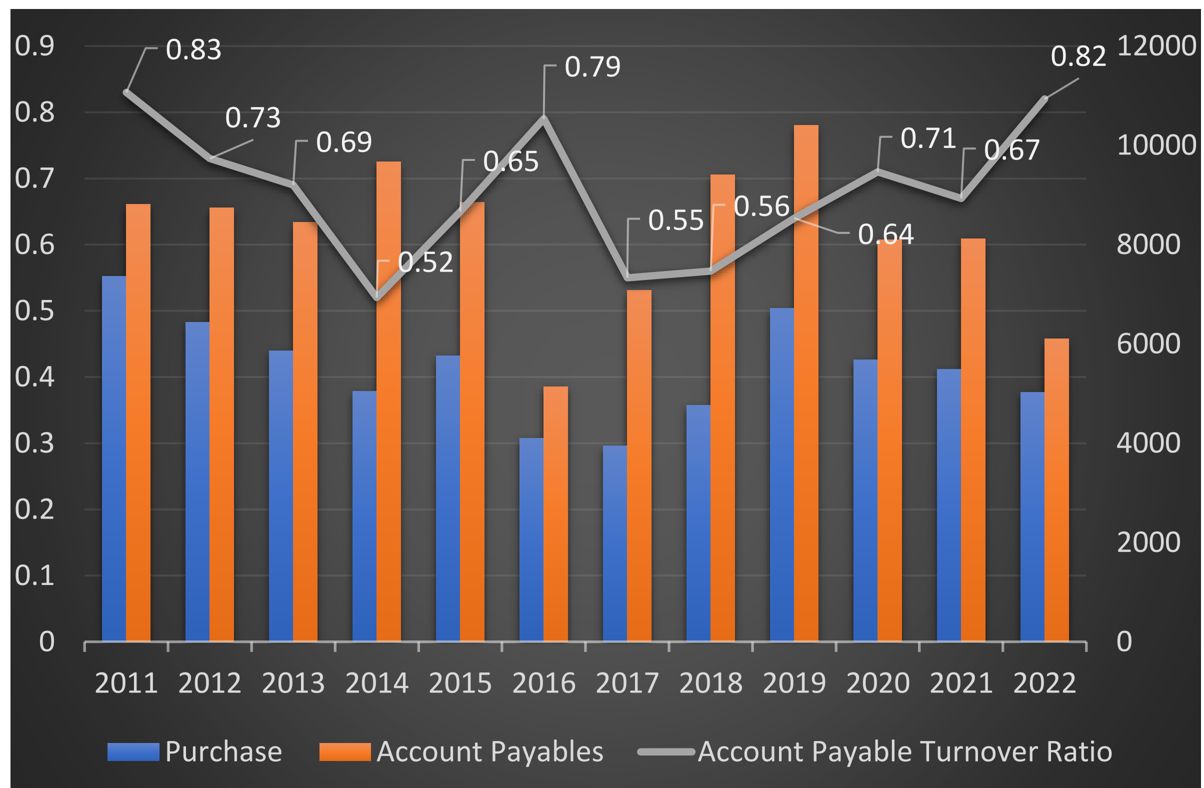

Figure 17 Account Payables Turnover Ratio
Source: Own calculation.

The Account Payable Turnover Ratio fluctuated over this time, although it mostly stayed within a set range. The variations might result from a number of things, such as modifications in supplier relationships, purchasing patterns, and economic circumstances. GST had not yet gone into effect at this time. The Account Payable Turnover Ratio decreased considerably in 2017 (from 0.798 to 0.557) with the introduction of the GST. This decline raises the possibility that Tata Motors extended its terms for making payments with suppliers or had delayed payments during the early stages of the GST's introduction. It's possible that the corporation and its suppliers were getting used to new GST-related procedures.

The accounts payable turnover ratio proportions varied in the following years (2018-2022), but they tended to rise with time. The upward trend could be a sign that Tata Motors adapted to the new GST system and became more proficient at paying its suppliers.

6.3 Profitability Analysis

Financial measurements known as profitability ratios are used to evaluate and measure a company's capacity for making a profit. Additionally, for a given time period, these skills can be evaluated using the income statement, balance sheet, shareholder's equity, or sales procedures. Additionally, the profitability ratio shows how successfully the business makes use of its resources to turn a profit and add value for its investors (Scripbox Advisors 2023).

6.3.1 Return on Equity Ratio

Figure 18 provides the information regarding the tata motors return on equity ratio.

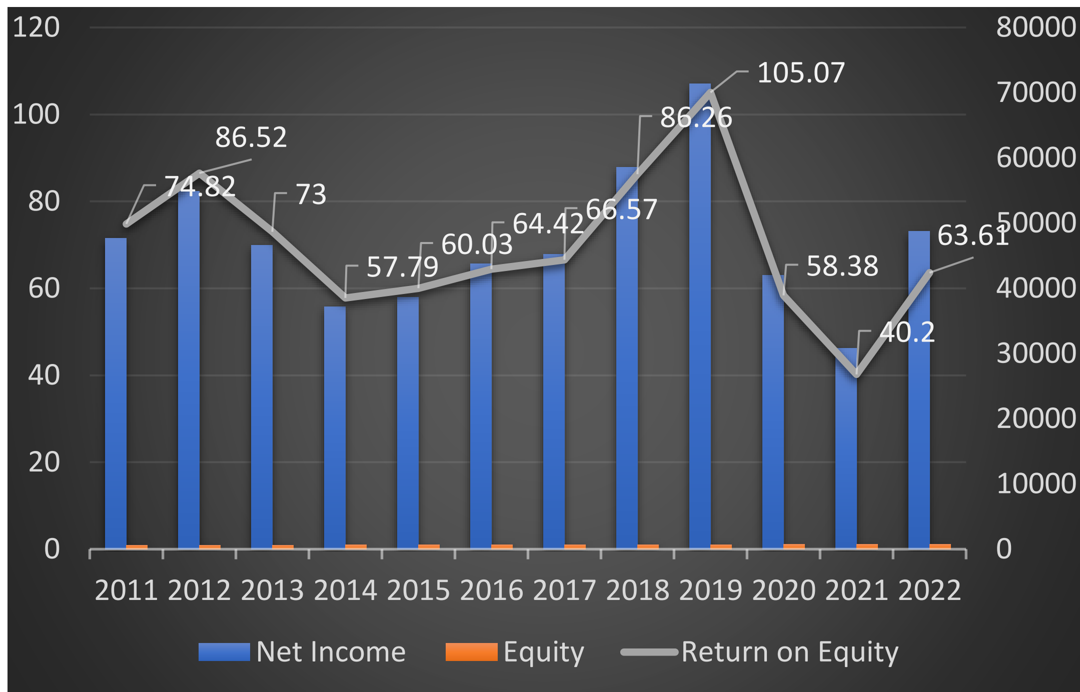

Figure 18 Return on Equity Ratio
Source: Own calculation.

Tata Motors' ROE throughout this time varied, although it consistently stayed at the highest possible level. Exceptional ROE percentages were attained as a result of the company's continual production of significant net income relative to equity. Following the introduction of GST, the ROE percentage dropped substantially in 2017 (from 66.57% to 86.26%). This decrease raises the possibility that the beginning stages of the implementation of GST presented difficulties or brought about adjustments that had an effect on the business's profitability and equity use.

The return on investment (ROE) proportions varied in the following years (2018-2022), though they largely stayed at intermediate to high levels. According to the rising trend between 2018 and 2022, Tata Motors successfully adjusted to the recently implemented GST system and increased its earnings compared to equity. The early decline in ROE following the adoption of the GST may have been caused by difficulties with the transition, including as adapting to new tax laws and procedures. As the business and its supplier network adjusted to GST over time, it probably got more adept at controlling expenses and turning a profit.

Finally, ROE assesses a business' capacity to make money from shareholders' equity. Because of developmental difficulties, the introduction of GST might have originally impacted Tata Motors' ROE. In the post-GST period, the firm most likely adjusted to the new tax structure and saw an increase in profitability relative to equity. A thorough

understanding of a company's financial condition and its capacity to adapt to changes in the market and regulatory environment may be obtained by examining ROE along with other financial statistics and other factors.

6.3.2 Return on Total Assets Ratio

Figure 19 provides the information regarding the tata motors return on total assets ratio.

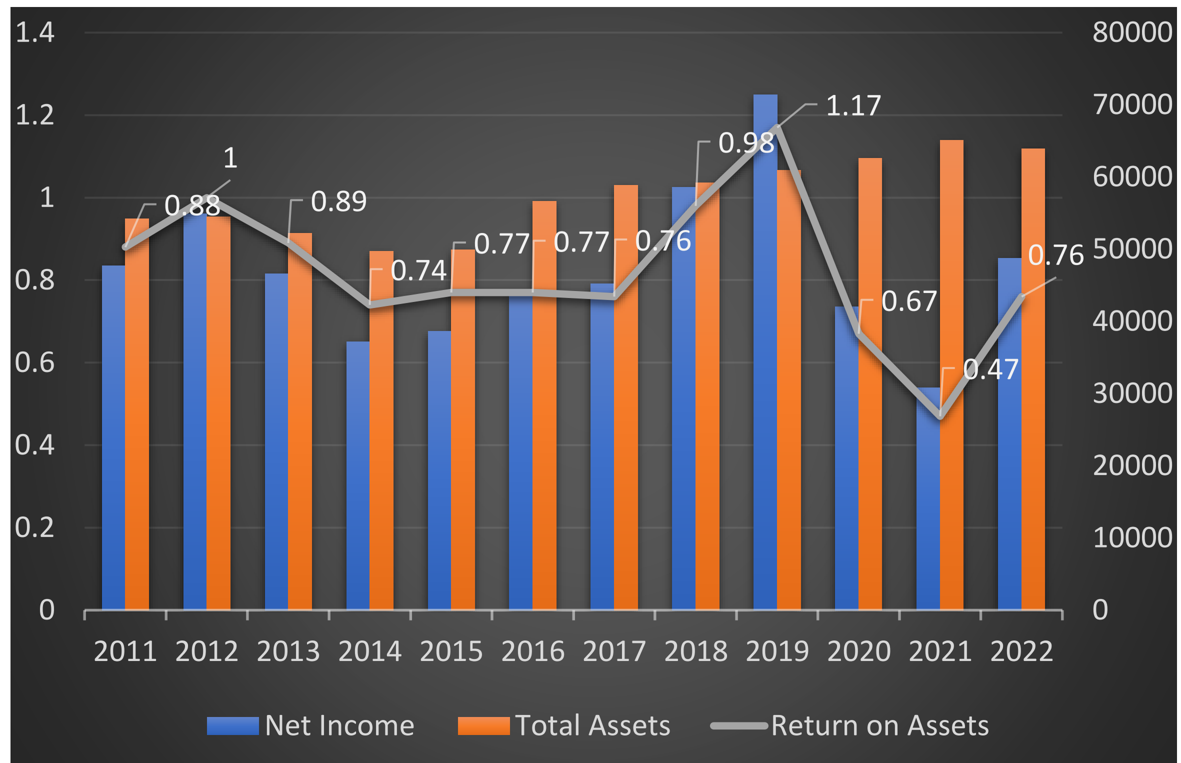

Figure 19 Return on Total Asset Ratio
Source: Own calculation.

Tata Motors is relatively effective in leveraging its assets to create profits during this time since its ROA often stayed within a particular range. Before the introduction of the GST, the corporation continuously produced profits in relation to its total assets. After GST went into effect in 2017, the ROA proportion decreased somewhat (from 0.772 to 0.989). This drop shows that the business's financial performance in relation to its financial assets may have been impacted by difficulties or modifications that occurred during the GST implementation's earlier stage.

The ROA percent varied in the following periods (2018-2022), although they largely stayed within an established range. Tata Motors appears to have adjusted its operations to the new GST system and increased its financial viability in relation to wealth, as seen by the steady increase from 2018 to 2019. The initial decline in ROA following the adoption of the GST may have been caused by difficulties with adjusting or changes to the

changing tax structure. When the business and its suppliers adjusted to GST over time, it probably got more adept at controlling costs, making a profit, and making good use of its resources.

In conclusion, ROA evaluates a business' capacity to turn profits using all of its assets. Tata Motors' ROA could have initial suffered from the introduction of GST as a result of technical difficulties, but the firm probably adjusted to the revised tax structure and saw an improvement in revenue compared to capital in the years that followed after the introduction of GST. A complete understanding of the financial health of an organization and its capacity to deal with legislative changes like GST may be obtained by analyzing ROA along with other financial parameters and taking the influence of outside factors into account.

6.3.3 Gross Profit Margin Ratio

Figure 20 provides the information regarding the tata motors gross profit margin ratio.

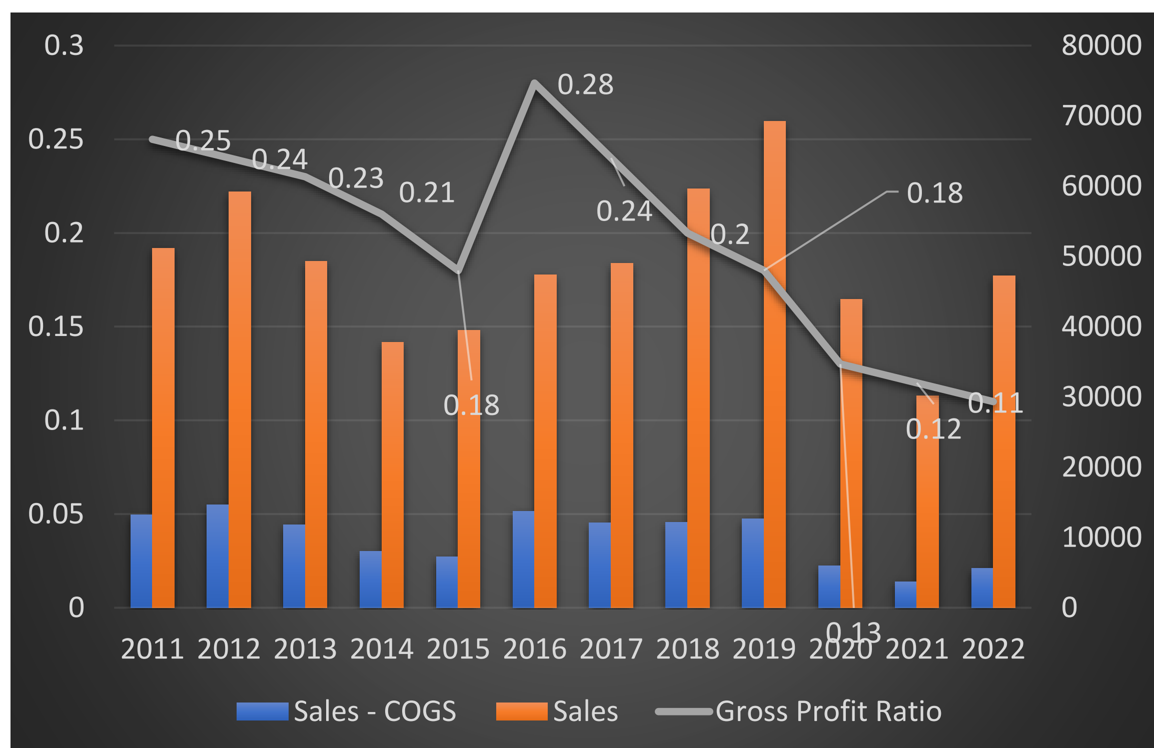

Figure 20 Gross Profit Margin Ratio
Source: Own calculation.

The percentages of Tata Motors' revenue margin varied over this time, however they often stayed within a fixed range. Before the introduction of GST, the firm continuously made a gross profit in relation to its revenues. The gross revenue ratio dropped significantly in 2017 (from about 25% to 13%) with the introduction of the GST. This

considerable decline raises the possibility that the business's ability to retain a comparable percentage of gross profit had been limited by the early phase of GST implementation, which may have presented difficulties or other adjustments. GST most likely altered the expense framework, assessment, or supply chain, which has an effect on the price of items sold.

The gross profit margin ratios varied in the following years (2018-2022), although they largely stayed around a particular range. According to the rising trend between 2018 and 2022, Tata Motors successfully adapted to the recently implemented GST system and increased its gross revenue in relation to sales. After the adoption of the GST, the initial decline in the gross profit margin may have been caused by difficulties with the transition or adaptations to the new tax structure.

The capacity of a business to make a profit through its revenue after deducting the cost of items sold is assessed by the gross profit margin. Due to transitional difficulties, the introduction of GST may have originally impacted Tata Motors' gross profit margin; however, when the firm had adjusted to the current tax system, gross profitably as a percentage of sales increased in the years that followed.

6.4 Leverage Analysis

Leverage ratios are used to quantify debt on the financial side. By displaying an entity's debt as a ratio in relation to another financial indicator, such as equity or earnings, it helps put the debt into greater context. An entity's financial health may be ascertained with the use of a leverage ratio. Elevated leverage ratios may suggest that a business is financing its activities with unwarranted debt. This may alert a potential investor to the company's potential for debt default and insolvency (DiLallo 2023).

6.4.1 Fixed Interest Coverage Ratio

Figure 21 provides the information regarding the tata motors interest coverage ratio.

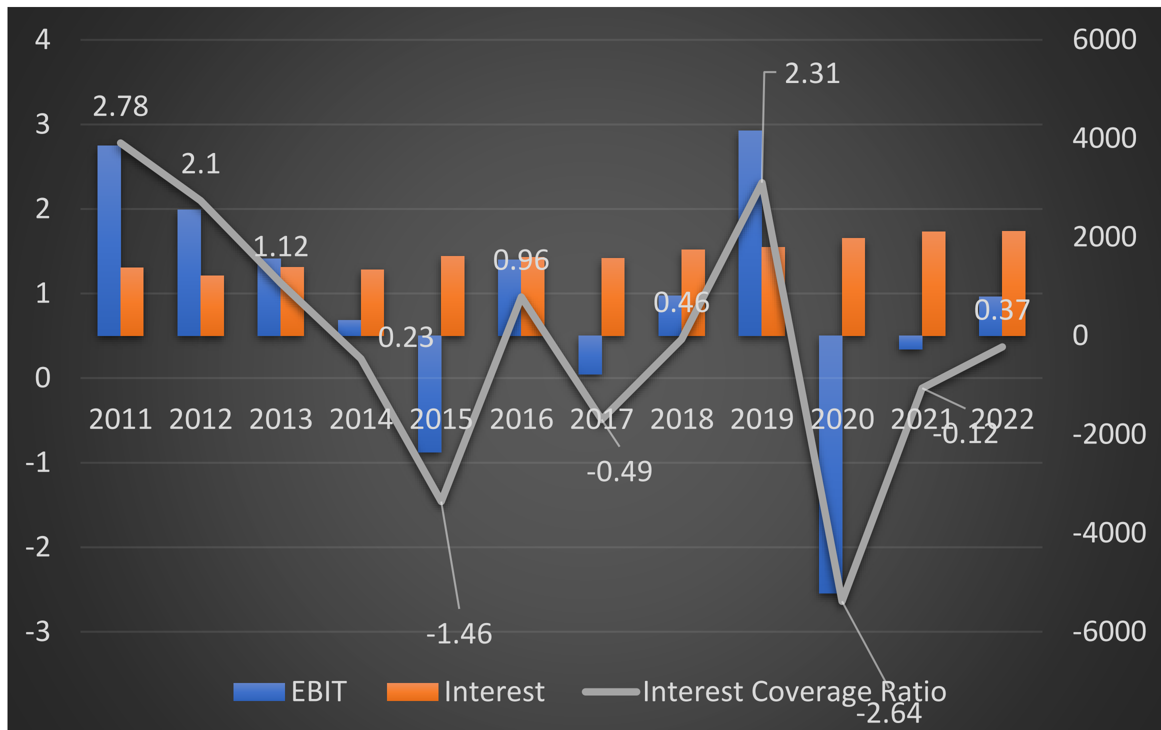

Figure 21 Interest Coverage Ratio
Source: Own calculation.

Tata Motors' Interest Coverage Ratios changed during this time, although they often stayed within a specific range. Before the introduction of the GST, the firm was able to comfortably afford its interest costs. After the GST was implemented in 2017, the Interest Coverage Ratio significantly decreased (moving from positive to negative numbers). This notable decline suggests that the corporation may have encountered difficulties in paying its interest charges during the early phase of the GST implementation. GST most certainly brought about changes to the expenditure framework, revenue taxes, or supply chain, which had an effect on the business's profitability and capacity to pay interest.

The Interest Coverage Ratios varied in the following years (2018-2022), although they largely stayed within a predetermined range. The upward pattern from 2018 to 2022 suggests that Tata Motors adjusted to the new GST system and increased its capacity to pay interest costs. After the adoption of the GST, the initial decline in the Interest Coverage Ratio may have been caused by difficulties with the transition or adaptations to the new tax structure.

The Interest Coverage Ratio, in summary, evaluates a company's capacity to make payments for interest on its debt. Tata Motors' Interest Coverage Ratio may have been initially impacted by the installation of GST because of transitional difficulties, but the firm most likely adjusted to the new tax system and strengthened its capacity to pay interest expenditures in the years after GST implementation.

Conclusion:

The Indian Accounting Standards (Ind AS), which are a complex system of accounting rules. These standards' goals, advantages, and restrictions were made clear, along with their benefits. While increasing openness, these regulations have presented difficulties for businesses in their implementation. The distinction between direct and indirect taxation was made in Chapter 3 as it navigated over the dark seas for the Indian tax system. A thorough overview of the tax system where Indian enterprises operate was provided by examining the benefits and drawbacks of every taxation kind.

Tata Motors Limited, the foundation of the Indian automotive sector, was presented in Chapter 4. Clarification was provided on the company's lengthy history, vision, objective, and place within the Tata Group. The foundation for additional study was laid by a SWOT analysis, which identified the company's strengths, weaknesses, opportunities, and threats.

The consequences of the Goods and Services Tax (GST) on Tata Motors have been extensively addressed in Chapter 5. Although the wider automotive industry benefited, Tata Motors found it difficult to understand the subtleties of GST adoption, which included adjusting prices and giving customers benefits, demonstrated its flexibility and resiliency.

In-depth financial analysis was covered in Chapter 7, which examined Tata Motors' financial situation using a variety of ratios. I carefully evaluated liquidity, effectiveness, profitability, leverage, and operating performance. These percentages provide a comprehensive picture of the business's operation and highlight both its advantages and its weaknesses.

Analyzing the liquidity ratio, the research showed that Tata Motors had a solid capacity to satisfy its immediate requirements and has typically established a stable financial condition over the years. However, changes in these ratios brought attention to the significance of good working capital administration.

Efficiency ratios, especially the inventory turnover ratio, receivables turnover ratio, and account payable turnover ratio, were the emphasis of Chapter 6.2. The ratios used showed how well Tata Motors managed its financial position. The necessity for simplifying inventory management procedures was prompted by a lowering inventory turnover ratio. On the other hand, rising turnover percentages for receivables and

payables suggested stronger control over credits and relationships with suppliers. Profitability ratios, such as the rate of return on equity ratio, return on total assets ratio, and profit margin ratio, were covered in depth in Chapter 6.3. These ratios were used to evaluate Tata Motors' capacity to turn a profit in relation to its expenditures and income. The investigation showed that profitability fluctuated, and significant drops were attributable to outside causes including the adoption of the Goods and Services Tax (GST) on changing market conditions. Tata Motors however showed tenacity by passing on GST advantages to customers and modifying prices to preserve competitiveness. Operating profitability was examined in Chapter 6.5, which also examined the gross profit margin ratio, operating profit margin ratio, and return on total assets. These percentages illustrated the operational efficacy and financial success of Tata Motors. Although there were variations, the business' capacity to respond to changing market circumstances was nevertheless clear, especially in pricing changes and cost-cutting measures.

Leverage ratios were examined in Chapter 6.4, with the fixed interest coverage ratio as the main subject. Even though the business showed a usually strong capacity to meet its fixed interest costs, this ratio showed instability that needed careful management of debt.

In conclusion, a complex picture of Tata Motors' economic achievement has emerged through the thorough examination of financial measures. The company's advantages in operational effectiveness, managing liquidity, and a track record of profitability were contrasted against the difficulties presented by outside variables like the adoption of GST and market trends. Tata Motors' reactions to these difficulties, such as price reductions and customer-focused tactics, highlight its dedication to providing value and preserving competitiveness. Tata Motors and other firms navigating comparable financial situations can benefit greatly from the insights learnt from this investigation. The interdependent association between financial ratios, financial management, and outside factors stays crucial as the corporate environment changes. This thesis offers insightful perspectives and opportunities for more study, adding to the body of knowledge in these fields.

In the end, the achievement of Tata Motors, as shown by this thesis, serves as an example of the tenacity and adaptation necessary in today's changing business environment. The journey through the ratios of finances has given me a greater comprehension of the financial circumstances of the organization and the strategies required to succeed in a constantly shifting economic environment.

According to my suggestion for tata motors, Tata Motors needs to keep focusing on effective working capital management. This comprises efficiently managing accounts payable, enhancing receivables collection, and optimizing inventory levels.

One method to improve liquidity is to diversify the sources of finance. Investigate the options for both long- and short-term financing to assist in balancing the business's liquidity.

It's critical to maintain flexibility and responsiveness to changes in the tax system in considering the effect of GST on liquidity. This might involve implementing necessary adjustments to procurement strategies and cash flow predictions.

Tata Motors needs to be prepared for unforeseen cash shortages with backup strategies. These plans specify what should be done in the event of a financial interruption.

Take special attention to market developments and the way they can affect liquidity. Liquidity can be impacted by outside variables including shifts in the regulatory landscape and market demand. This must be a continuous process to enable immediate modification. Tata Motors may sustain robust financial health and effectively manage business environment volatility by adhering to these recommendations and keeping a close eye on liquidity.

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APPENDIX A: Accounting Standards in India

The Indian Accounting Standards are formulated in accordance with the economic and legal environment of India as notified under section 133 of the Company Act 2013, which reflects the IFRS standards issued by the IFRS Foundation and have the copyright of the IFRS Foundation. Table A1 provides information about the Indian accounting standards.

Table A1 Indian Accounting Standards

Indian Accounting Standard Number	Name of Indian Accounting Standards	Objectives about the accounting standards
Ind AS 1	Presentation of financial statements	This standard establishes basic requirements for the presentation of financial statements, regulations for their development, and minimum requirements for their substance to maintain comparability.
Ind AS 2	Inventories accounting	Its deals with inventory accounting, for example, stock calculation, incorporations and restrictions in its expenses, disclosure demands, and so on.
Ind AS 7	Statement of cash flow	It controls funds received or spent during the working, financing, and contributing periods. It also displays any changes to the cash and financial activities of any components.
Ind AS 8	Accounting policies, changes in accounting estimates and errors	It recommends selecting and adjusting accounting procedures, as well as accounting treatments and risks.

Ind AS 10	Events after reporting period	It handles any modifying or unchanged event that occurs after reporting.
Ind AS 11	Construction contracts	This handles every changing or unchanging event that occurs as a result of reporting
Ind AS 12	Income taxes	The standard suggests income tax accounting. The primary challenge in describing yearly tasks is how to reflect current and future assessments.
Ind AS 16	Property, plant and equipment	This suggests accounting method for property, plant, and equipment (PPE), such as acceptance of assets, security of their transporting quantities, and resistance difficulties to be seen similar to them.
Ind AS 17	Leases	This standard informs landlords and leaseholders on proper accounting structures and principles.
Ind AS 19	Employee benefits	This standard suggests bookkeeping and disclosure requirements associated with representative benefits.
Ind AS 20	Accounting for government grants and disclosure of government assistance	This regulation will be used in reporting and publicizing government rewards, as well as disclosing other forms of government assistance.
Ind AS 21	The effect of change in foreign exchange rate	This standard explains how to include unexpected cash transactions and unfamiliar activities into a company's

		financial reports, as well as how to translate budget figures into exchange rate.
Ind AS 23	Borrowing costs	It provides acquiring cost based on property and equipment should form component of that asset, it also directs about which money cost should be developed, requirements for capitalizing, season of beginning and removal of capital base of obtaining costs.
Ind AS 24	Related party disclosure	This provides that any firm's financial reports contain important reveals that enable us to notice the possibility that its financial situation and profit or loss may have been affected by the availability of related collections, exchanges, and extraordinary balances.
Ind AS 27	Separate financial statements	When a corporation plans separate budget reports, this suggests bookkeeping and disclosure requirements for investments in assistants, joint ventures, and partners.
Ind AS 28	Investments in associates and joint ventures	This standard recommends expressing interests in partners and establishes requirements for the use of income approach for expressing interests in partnerships and joint ventures.
Ind AS 29	Financial reporting in hyperinflationary economics	This standard will provide a complete list of features that will define an economy as hyperinflationary, as well as

		information on working results and monetary status.
Ind AS 32	Financial instruments: presentation	This regulation establishes guidelines for introducing financial instruments as liability or assets, as well as balanced financial capital and financial liabilities.
Ind AS 33	Earnings per share	The standard establishes guiding principles for per share guarantees and representation.
Ind AS 34	Interim financial reporting	This assist with the minimal material of an interval earnings report and requirements for recognize and estimation in entire or complex accounting information for a period.
Ind AS 36	Impairment of assets	Its standard provides strategies that a firm might use to ensure that its transferring total does not exceed its recoverable cost.
Ind AS 37	Provisions, contingent liabilities and contingent assets	This ensures that proper acknowledgement procedures and estimate principles is applied to arrangements, unplanned expenditures, and unplanned assets, and the adequate representations are provided in the records to enable clients to appreciate their trend, timing, and amount.
Ind AS 38	Intangible assets	Intangible assets standard suggests intangible asset bookkeeping handling. It established the standards for the recognition of intangible assets and

		describes how to measure the transferring amounts at which unsettling resources should be recognized.
Ind AS 40	Investment property	Investment property suggests accounting method for speculative property and corresponding liability requirements.
Ind AS 41	Agriculture	Agriculture specifies accounting policies and disclosure associated with agriculture operations.
Ind AS 101	First time adoption of Ind AS	The major purpose is to design initial financial reports in accordance with Ind as, including great data that is clear, accurate, and accessible at a reasonable cost, an acceptable at the beginning stage of bookkeeping in accordance with Ind AS.
Ind AS 102	Share based payments	Share based payments regulates the bookkeeping of attempt to give monthly transactions and the effect of such payments on profit and loss, as well as the financial reporting of components.
Ind AS 103	Business combination	It refers to transactions or other activities that fulfil the definition of a business model. This standard assists in determining the importance, accuracy, and comparability of the information that a disclosing substance provides in

		its fiscal reports regarding a company and its assets.
Ind AS 104	Insurance contracts	Insurance contracts governs financial statements for protection reductions caused by a backup plan feature.
Ind AS 105	Non- current assets held for sale and discontinued operations	This affects the representation of assets holding available to be acquired and sold, as well as the disclosure of unfinished operations.
Ind AS 106	Exploration for and evaluation of mineral resources	This standard specifies financial reporting for mineral resource exploration and assessment.
Ind AS 107	Financial instruments: Disclosures	It assumes features to provide exposures associated with financial tools that will enable clients to evaluate the importance of financial assets for the substance's cash related and operation, as well as the nature and degree of risks resulting from financial tools to which the elements is revealed during the duration and towards the end of the detailing timespan, and the components deals with those risks.
Ind AS 108	Operating segments	Operating segments provides data that enables customers of its financial statements to examine the structure and financial impacts of a business operations it performs in along with the financial environment in which it operates.

Ind AS 109	Financial instruments	Financial instruments establish requirements for financial reporting of financial assets and financial liabilities, providing essential and useful data to financial report customers for their assessment of the amounts, timing, and risk of an element's future cash flows.
Ind AS 110	Consolidated financial statements	When a corporation owns at least one business, it establishes standards for the financial statements to be presented.
Ind AS 111	Joint arrangements	Joint arrangements establish financial reporting requirements for firms with a share in jointly owned game plans.
Ind AS 112	Disclosure of interests in other entities	This regulation required a corporation to provide data that enable customers of its financial reports to understand the nature of the risk and the effect of such interest.
Ind AS 113	Fair value measurements	Fair value measurements are defined as acceptable worth, establishes a framework for calculating fair market value, and provides information on acceptable valued evaluations. Such a value estimating regulation will apply where another Ind AS demands or enables the use of acceptable worth.
Ind AS 114	Regulatory deferral accounts	It describes the financial statements standards for administration deferred account adjustment that arise when a corporation provides labor and

		commodities to clients at a cost or rate according to rate guidelines.
Ind AS 115	Revenue from contracts with customers	This provides the standards that an organization will follow in order to provide useful data to customers of financial statements on the total, time, and sensitivity of income and earnings arising from a customer agreement.

Source: Own elaboration (Desk era, 2023b), (Vedantu.com, 2023a), (toppr, 2018).

APPENDIX B: **Types of Custom Duties**

Customs taxes are generally imposed on all products coming into the nation. The second category specifies that commodities are eligible to export taxes. Import taxes are not charged on a few commodities, such as life-saving pharmaceuticals and equipment, pesticides, agricultural goods, and so on. Import taxes are further classified as follows. Table B1 provides information about the rates of customs duties.(Bank Bazaar 2022)

Table B1 Types of Customs Duties

Types of custom duty	Rates	Applicable
Basic custom duty (BCD)	0 to 100 %	On all imported items to India the actual charge is determined by: • Goods categories • How these products are produced • Where they are imported from Some commodities, like essential medicine, are free from Basic Custom Duty.
Special additional duty (SAD)	4.00%	On imported items that are equal to the regionally manufactured product covered by sales tax. Based on the entire assessable value of product.
Countervailing Duty (CVD)	0% to 12%	The commodities which obtained tax breaks or subsidies in their country of origin. This import tax prevents these items from acquiring an unfair advantage over locally manufactured goods.
Social welfare surcharge (SWS)	10%	Education cesses were replaced in 2018 to help the government's social welfare agenda.
Anti-dumping duty	As per notification	Introduced to avoid disposal, which is an illegal global trade practice in which items are sold for less than their market worth, harming local market.

Compensation cess	Depends upon product type	On products that pollute the environment like cigarettes and automobiles. This was enacted to compensate states for revenue losses caused by the introduction of the integrated goods and services tax.
Safeguard duty	As per notification	It is established by the Indian customs officials on all commodities imported into India that harm local manufactures.
Integrated Goods and services tax (IGST)	5.00%, 12%, 18% and 28%	The Integrated commodities and Services Tax (IGST), which was implemented in 2017, taxes all imported and domestic commodities at one of seven distinct rates.
Custom handling fee	1.00%	Applied in addition to any other relevant taxes.

Source: Bank Bazaar (2022).

APPENDIX C: History of TATA Group

The tata group is a global Indian business based in Mumbai, Maharashtra. Jamshedji Tata established it, and it quickly obtained worldwide recognition after partnering with major multinational corporations. Table C1 provides information about the timeline of Tata history.

Table C1 History of Tata Group

Year	TATA History
1868	Jamshedji Tata established a trade corporation with a $ 21000 capital.
1904	Jamshedji Tata died, and his son, Sir Dorabjee Tata, took over as chairman in 1904
1907	The Tata Iron and steel company, Sir Dorabjee's first venture.
1907	Tata established their first international office in London.
1909	The Indian University of Science was founded, and the first student were accepted in 1911.
1910	Tata Power was established.
1932	The birth of ATA Airlines (later Air India).
1939	Tata chemicals was founded at Madhapur.
1945	The foundation of the Tata Engineering and Transportation Company.
1954	Voltas was established.
1968	Tata Consultancy Services, India's first software services corporation, has operations in 46 countries.
1984	The firm expands through its newly formed Titan Industries company in a watch-demanding market.
1991	TELCO (now Tata Motors) entered the passenger car market in 1992 with the Tata Sierra and Tata Estate.
1991	JRD Tata resigned from Chairman, and Ratan N Tata was named as his replacement. Under his leadership the company came to be worth $100 billion.
1992	Titan introduced Raga, a new line of women's watches. Fastrack has (1998) become a renowned young brand at the same time.
1992	JRD Tata received India's greatest citizen honor, the Bharat Ratna, which is recognized for his contributions to establishing a nation this year, in addition to the UN Population Achievement.
1998	TELCO (now Tata Motors) debuted the Tata Indigo and Tata Safaris.
2003	TCS was the very first Indian software business to reach a revenue of $1 billion. It became India's largest IPO in 2004, generating approximately $1.2 billion.
2004	Tata Motors purchased Daewoo Motors heavy-duty vehicle division.
2007	Tata Steel purchased Corus metals (which is now known as Tata Steel Europe). It rose to become Europe's second- largest steelmaker.

2008	Tata Motors introduced the Tata Nano, which will make safe transportation accessible to everyone.
2014	The group launched Air Asia India, an inexpensive airline.
2015	The team follow it to Vistara and the Singapore Airlines.
2017	The Company's Board of Directors chose N. Chandrasekaran as the next Chairperson of Tata Sons.
2018	Tata Steel Corporation and Thyssen Krupp formed a historic joint venture to form a new, solid pan-European iron business.
2018	TCS was the initial listed Indian information technology firm to attain a market valuation of $100 billion.
2019	In the month of May, Tata Global beverage company and Tata Chemicals Limited launched a deal to merge their customer service businesses and become Tata Consumer Products Limited Ltd.
2019	The brand's value increased by 37% to 19.6 billion, making it the most rapidly expanding and most valued company amongst the leading 25.
2021-22	Tata Net worth rise of 9%. The board of directors for every Tata Group branded or business operates autonomously.

Source: Grow (2023b).

APPENDIX D: List of Tata Companies

The Tata Sons limited serves as the Tata group's parent company, which owns the majority of those enterprises. Tata Sons Limited acts as the recognized owner of the Tata brand and trademarks throughout India and several other nations. Table D1 provides information about the list of Tata companies(The Ceo Magazine 2019)

Table D1 List of Tata Companies

Company Name	Market Capitalization (₹ Cr)	3 Year Return (%)
Tata Consultancy Services Ltd.	1,181,654	47
Titan Company Ltd	240,253	141
Tata Motors Ltd	151,761	306
Tata Steel Ltd	131,707	198
Tata Consumer Products Ltd	78,235	379
Tata Power Company Ltd	77,008	343
Tata Lexis Ltd	56,611	1,304
Trent Ltd	51,892	220
The Indian Hotels Company Ltd	45,091	186
Tata Communications Ltd	35,222	189
Voltas Ltd	32,121	52
Tata Chemicals Ltd	29,556	95
Tata Teleservices (Maharashtra) Ltd	22,902	3,679
Tata Investment Corporation Ltd	11,064	181
Tejas Network Ltd	9,409	974
Rallis India Ltd	4,651	43
Tata Coffee Ltd	4,536	203
Tinplate Company of India Ltd	3,412	176
Tata Steel Long Products Ltd	2,812	43
Tata Metallics Ltd	2,530	66
Nelco Ltd	2,194	272
Oriental Hotels Ltd	1,235	85
Automotive Stampings and Assemblies Ltd	726	1,224

Automobile Corporation of GOA Ltd	631	91
Artson Engineering Ltd	355	190
Benare’s hotels Ltd	312	84
TRF Ltd	223	76
Tayo Rolls Ltd	98	291

Source: Living Media India Limited (2022).