International Journal of Web of Multidisciplinary Studies
(Peer-Reviewed, Open Access, Fully Refereed International Journal)
website: *https://ijwos.com*
Volume 03, Issue 11,November 2026
OPEN ACCESS
E-ISSN : 3049-2424
DOI: https://doi.org/10.71366/ijwos

Identifying and Escalating a Tax-Audit Trigger: An Internship Case Study of Accounting and Tax Compliance at H.R. Suresh & Co.

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Article Info

Article History:
Published: 07 Nov 2026

Publication Issue:
Volume 03, Issue 11
November 2026

Page Number:
121-123

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Abstract:
Accounting, taxation and audit are closely linked, and a compliance obligation can surface only when the figures are finally computed. This case study examines a real-life accounting and tax compliance problem encountered during an internship at H.R. Suresh & Co. while handling the accounts of a small jewellery business. The assignment began as accounting work in Tally, including the audit and clearance of suspense-account entries. During the subsequent tax computation in Winman, the client's income was found to exceed ₹3 crore, which meant that an audit was required. The discovery interrupted the planned workflow of accounting and tax computation, and the matter was transferred to a senior employee. The paper describes the background and nature of the work performed, the challenges faced and how they were resolved, and the skills developed. It concludes that keeping proper accounting records, assessing compliance requirements early, carrying out a preliminary review before tax computation, and escalating to senior staff at the right time make such tasks more efficient and reliable.

Keywords: Accounting, Statutory Audit, Income Tax Compliance, Tally Prime, Winman, Suspense Account, Bank Reconciliation, Escalation

1. Introduction

The case illustrates a real life accounting and tax compliance problem that I faced during my internship at H.R. Suresh & Co. with a small jewellery business' accounts. The assignment was initially to take care of accounting work in Tally, which included the audit and clearance of suspense-account entries. But in the following tax computation process in Winman, the client's income was found to be more than ₹3 crore and the software revealed that the client's income was taxable, he needed an audit. This resulted in a tax computation process related conflict, as the work would not be able to be progressed through the tax computation process without further professional work. The problem had an impact on the workflow, as it caused an interruption in the workflow, which was supposed to be a stream of accounting and tax computation, and it was transferred to the senior employee.

The case highlights the need to keep proper accounting records, to assess the compliance requirements early and to have an effective escalation process in place within an accounting firm. Similar tasks can be done more efficiently and reliably by performing a preliminary review prior to tax computation, handling of suspense accounts and involving senior employees at the right time. So far as I can see, as a new member of the team, the experience was a useful practical one in terms of problem solving in a professional environment. I learned how important it is to know how to identify a problem and communicate it clearly and seek the appropriate guidance as a professional skill. This experience also gave me an appreciation of the relationship of bookkeeping, taxation and audit and how professional judgment plays a crucial role when dealing with accounting information which results in further compliance obligations.

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2. Background of the Case

During my internship at H.R. Suresh & Co. I gained hands-on experience in audit, Income Tax filing and accounting. The internship helped me understand how accounting and taxation concepts are applied in business situations. I was involved in audit assignments relating to Kapsi Electricals / Kapsi Electrical Power Products Pvt. Ltd. and Santhosh Buildwell Infra Pvt. Ltd. I also worked with accounting and tax software such as Tally Prime and Winman along with Excel for reconciliation and verification.

3. Nature of Work Performed

As part of statutory audit work I checked bank statements, bank reconciliation statements, purchases, sales, invoices, vouchers, fixed assets, ledgers, journal entries and supporting documents. I also verified payments and compared the client's books of accounts with the available financial records. These activities helped me understand the importance of documentation and accuracy in audit work.

In accounting work I used Tally Prime to record purchase, sales and journal entries, update ledgers and perform bank reconciliation. I also checked the trial balance, Profit and Loss Account and Balance Sheet. Excel was used to compare figures, reconcile differences and cross-check the accuracy of accounting and tax-related information.

4. Challenges Faced and How I Resolved Them

One of the challenges I faced was the mismatch between client records, bank statements and tax information. Sometimes the figures in the ledger did not match the bank statement or the details shown in tax documents. To solve this problem I compared the records line by line, checked the related invoices and vouchers and discussed transactions with my seniors. This helped me identify errors and understand the reason for differences.

Another challenge was the unavailability of documents from clients. In some cases invoices, bank statements or other supporting documents were missing. This made the audit and tax filing process difficult. I prepared a checklist of required documents, identified the pending items and followed up for the missing information. This helped me organise the work and avoid delays.

Initially I found it difficult to use Tally Prime and Winman with live client data because I had mainly learned the concepts theoretically. I overcame this difficulty by practising entries, observing the work done by team members and asking questions whenever I had doubts. I also rechecked the entries and used Excel to cross-verify the figures. Gradually I became more comfortable and confident in using the software.

Since it was my practical exposure to statutory audit I was initially unsure about what documents and transactions had to be verified. I learned to follow a checking procedure by comparing the bank statement, ledger, invoice and voucher. Whenever I found a transaction I clarified it with my seniors before proceeding. Managing assignments and completing them within deadlines was another challenge. I handled this by prioritising the work based on urgency, availability of documents and the need for review. I also made sure to recheck my work before submission.

5. Skills and Professional Development

During the internship I developed technical and professional skills. I improved my knowledge of accounting principles, statutory audit procedures and Income Tax filing. Working with Tally Prime, Winman and Excel helped me understand the use of accounting software and the importance of accurate financial records.

The internship also improved my attention to detail, communication and time management skills. I learned how to coordinate with clients and senior team members, ask questions when needed, and complete assigned work within deadlines. By handling real client data I became more responsible and confident in performing accounting, audit and taxation-related activities.

6. Outcome and Conclusion

The internship helped me improve my knowledge of auditing, accounting and taxation. I learned bank reconciliation, vouching, ledger verification, Income Tax filing and financial statements preparation. I have also upgraded my skills in Tally Prime, Winman and Excel. The challenges I faced taught me the importance of accuracy, proper documentation, time management, communication, and verification. Overall the internship helped me to connect classroom learning with work and build my confidence in handling finance and accounting related assignments.

References

1. H.R. Suresh & Co. website