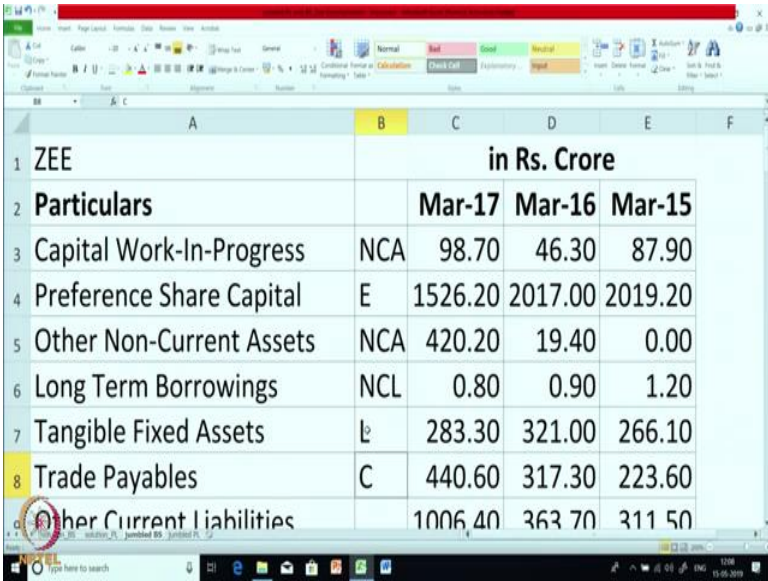


Financial Accounting
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Lecture – 26
Zee Case: Balance Sheet

Namaste. In our last session we were trying to solve a case from Zee TV. We have already prepared the profit and loss account and now we were in the process of preparing the balance sheet. Last time also I had told, but once again I am reminding here, it is expected that you sit with the print out take that particular sheet and try to solve the case along with me, then prepare the balance sheet in your own notebook and check with the balance sheet as shown in the video.

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ZEE		in Rs. Crore		
Particulars		Mar-17	Mar-16	Mar-15
Capital Work-In-Progress	NCA	98.70	46.30	87.90
Preference Share Capital	E	1526.20	2017.00	2019.20
Other Non-Current Assets	NCA	420.20	19.40	0.00
Long Term Borrowings	NCL	0.80	0.90	1.20
Tangible Fixed Assets	E	283.30	321.00	266.10
Trade Payables	C	440.60	317.30	223.60
Other Current Liabilities		1006.40	363.70	311.50

Just to take you back we will look at the profit and loss account, we started with this P and L, we put it in a proper format like this. This was our answer for profit and loss account and various questions which were asked which include total operating revenue total revenue and so on; they were calculated in the solution.

Today we are going to continue with our solution of balance sheet and we will try to calculate debt equity ratio based on our calculations ok, so let us continue. So, we had only done three items the first item was capital WIP marked as NCA, preference share capital is E that is equity and other noncurrent assets is NCA that is Non Current Asset.

Long term borrowings, this is NCL or Non Current Liability because it is long term it is noncurrent, tangible fixed asset NCA, trade payables; this is ACL current liability.

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	A	B	C	D	E	F
6 Long Term Borrowings	NCL	0.80	0.90	1.20		
7 Tangible Fixed Assets	NCA	283.30	321.00	266.10		
8 Trade Payables	CL	440.60	317.30	223.60		
9 Other Current Liabilities	CL	1006.40	363.70	311.50		
10 Short Term Provisions	CL	2.60	407.90	435.10		
11 Contingent Liabilities	NA	1589.00	2489.80	2703.40		
12 Reserves and Surplus	E	4325.60	2926.40	2472.30		
13 Current Investments Quoted Mark		307.50	40.00	124.50		
14 Contingent Assets		1144.00	1745.00	547.00		

Other current liabilities as the name suggest, they are under the head CL, short term provisions we have discussed provisions earlier since they are short term in nature they are also a part of CL. Contingent liabilities they should not be part of balance sheet, they will only come as a foot note; so we will put it as NA. Reserves and surplus, this is a part of equity, so E this is a very tricky item; I will just show you in full.

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	A	B	C	D	E
6 Long Term Borrowings	NCL	0.80	0.90	1	
7 Tangible Fixed Assets	NCA	283.30	321.00	266	
8 Trade Payables	CL	440.60	317.30	223	
9 Other Current Liabilities	CL	1006.40	363.70	311	
10 Short Term Provisions	CL	2.60	407.90	435	
11 Contingent Liabilities	NA	1589.00	2489.80	2703	
12 Reserves and Surplus	E	4325.60	2926.40	2472	
13 Current Investments Quoted Market Value		307.50	40.00	124	
14 Contingent Assets		1144.00	1745.00	547.00	

Current investment quoted market value, where should we show it? Actually we do not value the investment at market value; we value it at cost, but it is just given as a extra information. So, it should not come anywhere in the balance sheet, so we will just put it as NA; these are the tricky items you should be very careful.

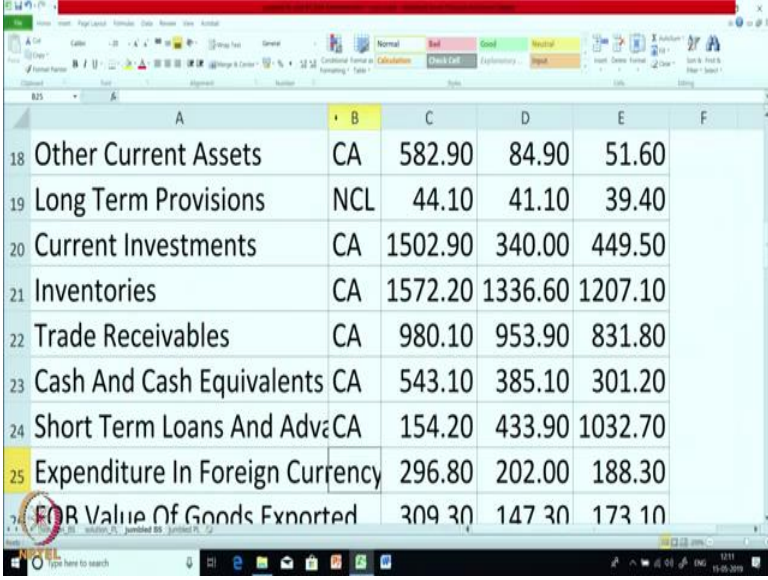
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	A	B	C	D	E	F
13	Current Investments Quoted	NA	307.50	40.00	124.50	
14	Contingent Assets	NA	1144.00	1745.00	547.00	
15	Other Fixed Assets	NCA	105.80	0.00	0.00	
16	Non-Current Investments	NCA	1136.40	1796.80	659.30	
17	Deferred Tax Assets [Net]	NCA	45.20	29.70	26.60	
18	Other Current Assets	CA	582.90	84.90	51.60	
19	Long Term Provisions	NCL	44.10	41.10	39.40	
20	Current Investments	CA	1502.90	340.00	449.50	
	Inventories		1572.20	1336.60	1207.10	

Contingent assets, again NA it is not regular item in the balance sheet. Other fixed assets NCA Noncurrent investments, NCA deferred tax assets as the name suggest it is related to tax, but it is deferred tax, so it is a noncurrent in nature, so NCA. Other current assets that is CA, long term provisions noncurrent liability, current investments CA, inventory CA, trade receivables CA.

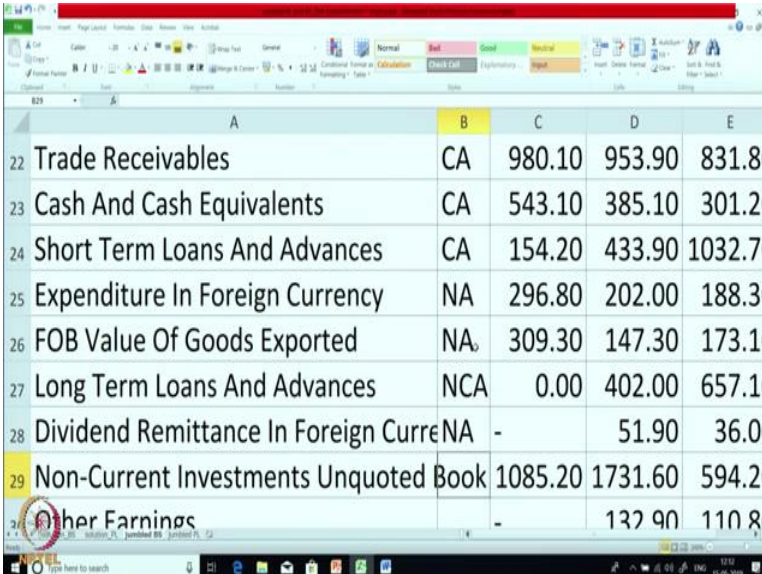
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		C	D	E
18 Other Current Assets	CA	582.90	84.90	51.60
19 Long Term Provisions	NCL	44.10	41.10	39.40
20 Current Investments	CA	1502.90	340.00	449.50
21 Inventories	CA	1572.20	1336.60	1207.10
22 Trade Receivables	CA	980.10	953.90	831.80
23 Cash And Cash Equivalents	CA	543.10	385.10	301.20
24 Short Term Loans And Advances	CA	154.20	433.90	1032.70
25 Expenditure In Foreign Currency		296.80	202.00	188.30
26 FOB Value Of Goods Exported		309.30	147.30	173.10

Cash and cash equivalent CA, short term loans and advances; it is short term so current and these are not loans give these are not loans taken. These are loans given you can get the hint from loan and advance. So, it is an asset it will be a CA.

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		C	D	E
22 Trade Receivables	CA	980.10	953.90	831.80
23 Cash And Cash Equivalents	CA	543.10	385.10	301.20
24 Short Term Loans And Advances	CA	154.20	433.90	1032.70
25 Expenditure In Foreign Currency	NA	296.80	202.00	188.30
26 FOB Value Of Goods Exported	NA	309.30	147.30	173.10
27 Long Term Loans And Advances	NCA	0.00	402.00	657.10
28 Dividend Remittance In Foreign Currency	NA	-	51.90	36.00
29 Non-Current Investments Unquoted Book		1085.20	1731.60	594.20
30 Other Earnings		-	132.90	110.80

I will show this item in full expenditure in foreign currency this is a expense item this is not a balance sheet item, but it is given as a foot note to balance sheet. So, right now let us put it as NA it is not a regular balance sheet item, so not applicable. FOB value of goods exported. What is FOB? Free On Board; board here means ship. So, for the goods

which are exported what is a value of exports this is not a balance sheet item it is just comes as a foot note.

Long term loans and advances NCA, dividend remittance in foreign currency; that means, the dividend which is paid abroad in foreign currency. This is not regular balance sheet item; it is a foot note item. So, NA see I have not added any extra items as the items are there in the actual published balance sheet of Zee entertainment TV are reproduced here. So try to understand, try to compare with balance sheet of your own company. Because as I have said this is not a theoretical course, it should have an application for the actual companies.

Next is noncurrent investment unquoted book value, so noncurrent investments are classified into quoted and unquoted. Quoted means listed; for listed they have given market value, for unquoted they have given book value, but this is a extra information this is not a part of balance sheet, so NA.

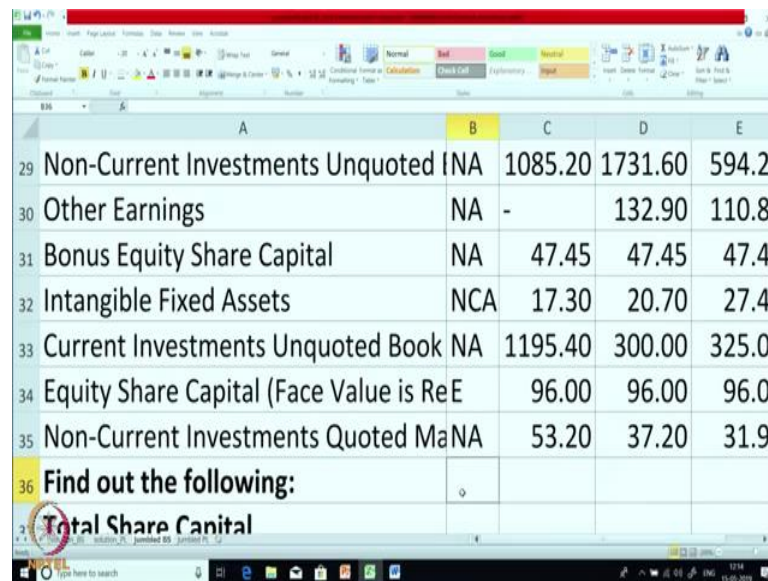
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	A	B	C	D	E
27	Long Term Loans And Advances	NCA	0.00	402.00	657.1
28	Dividend Remittance In Foreign Curre	NA	-	51.90	36.0
29	Non-Current Investments Unquoted	NA	1085.20	1731.60	594.2
30	Other Earnings	NA	-	132.90	110.8
31	Bonus Equity Share Capital	NA	47.45	47.45	47.4
32	Intangible Fixed Assets	NCA	17.30	20.70	27.4
33	Current Investments Unquoted Book	NA	1195.40	300.00	325.0
34	Equity Share Capital (Face Value is Re.1 pe	NA	96.00	96.00	96.0
35	Non-Current Investments Quoted Market	NA	53.20	37.20	31.9

Other earnings again they are earnings, so not a part of balance sheet give it as NA, bonus equity share capital again NA it's not a part of balance sheet, but to be given as a foot note. Intangible fixed assets, it is a part of balance sheet it is NCA. Current investment unquoted book value extra information NA, equity share capital face value rupee 1 basically this is a E, this has one more use also they have given a face value.

So we can use it for calculating number of shares. See 96 is a total value of capital each share is of 1 rupee; that means, the number of shares are also 96 crores. When we will calculate the EPS earning per share in P and L account, this number of share is an important information which we need, we can get it from this. Right now you can mark it as E because it is a part of equity.


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	A	B	C	D	E
29	Non-Current Investments Unquoted INA	1085.20	1731.60	594.20	
30	Other Earnings	NA	-	132.90	110.80
31	Bonus Equity Share Capital	NA	47.45	47.45	47.45
32	Intangible Fixed Assets	NCA	17.30	20.70	27.40
33	Current Investments Unquoted Book	NA	1195.40	300.00	325.00
34	Equity Share Capital (Face Value is Re E	96.00	96.00	96.00	
35	Non-Current Investments Quoted Ma	NA	53.20	37.20	31.90
36	Find out the following:				
37	Total Share Capital				

Noncurrent investment quoted market value; quoted means listed, but this is a extra information, so let us put NA.

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	A	B	C	D	E
34	Equity Share Capital (Face Value is Re E	96.00	96.00	96.00	
35	Non-Current Investments Quoted Ma	NA	53.20	37.20	31.90
36	Find out the following:				
37	Total Share Capital				
38	Total Shareholders Funds				
39	Total Non-Current Liabilities				
40	Total Current Liabilities				
41	Total Capital And Liabilities				
42	Total Non-Current Assets				

Now, all items are over. Based on these items you have to use all the information, prepare a proper balance sheet and calculate the following. We are going to have a same thing for our assignment as well as for the examination. So, I hope you solve it with me and similar way it will be for your assignments and final examination as well.

So, total share capital, shareholders funds, noncurrent liabilities, current liabilities and so on can be calculated. So, at this stage, I will request you to stop the video prepare the complete balance sheet, calculate these items and then continue and see in the video; I will be showing you the solution soon ok. I hope you have solved it. Now let us go to the solution.

(Refer Slide Time: 09:55)

	Mar-17	Mar-16	Mar-15
Standalone Balance Sheet			
	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Equity Share Capital	96.00	96.00	96.00
Preference Share Capital	1 526 20 2	0 017 00 2	0 019 20

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	A	B	C	D	E
SHAREHOLDER'S FUNDS					
Equity Share Capital		96.00	96.00	96.00	
Preference Share Capital		1,526.20	2,017.00	2,019.20	
Total Share Capital		1,622.20	2,113.00	2,115.20	
Reserves and Surplus		4,325.60	2,926.40	2,472.30	
Total Reserves and Surplus		4,325.60	2,926.40	2,472.30	
Total Shareholders Funds		5,947.80	5,039.40	4,587.50	
NON-CURRENT LIABILITIES					
Long Term Borrowings		0.80	0.90	1.20	

So, first part is shareholders funds which we have marked it as E under that there are two items equity share capital and preference share capital. So, we get the total share capital 1622; if you look at the amounts, you will realize that equity share capital is constant.

So, no new issue or buy back of shares, but preference share capital has come down. Why has it come down? There must be redemption of preference shares; that means, company has repaid that capital and cancelled the shares; you can see this difference right. Then reserves and surplus, you know this is accumulated profit.

(Refer Slide Time: 10:55)

	A	B	C	D	E
Total Shareholders Funds		5,947.80	5,039.40	4,587.50	
NON-CURRENT LIABILITIES					
Long Term Borrowings		0.80	0.90	1.20	
Long Term Provisions		44.10	41.10	39.40	
Total Non-Current Liabilities		44.90	42.00	40.60	
CURRENT LIABILITIES					
Trade Payables		440.60	317.30	223.60	
Other Current Liabilities		1006.40	363.70	311.50	
Short Term Provisions		2.60	407.90	435.10	

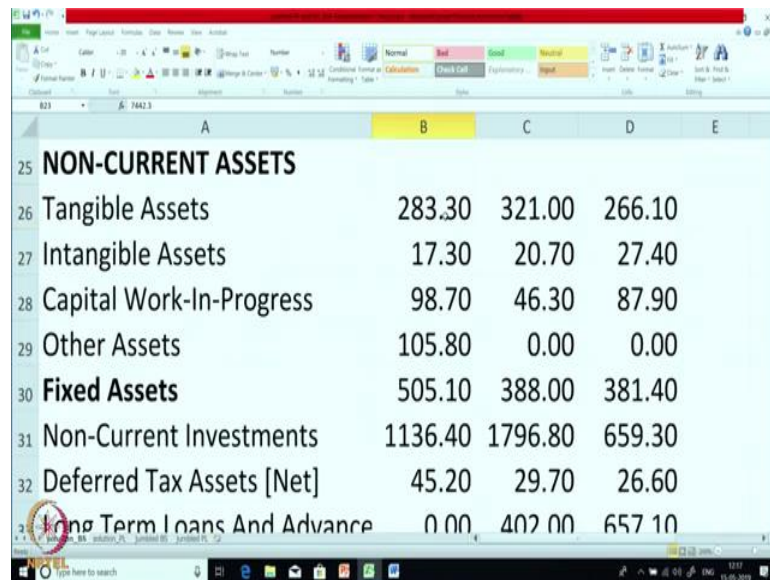
So, you get the total shareholders funds, then long term borrowings are negligible. What does it show? This is called as it zero debt company; that means, the long term debt for the company is almost 0, it is almost fully funded by shareholders funds. There is very important ratio called as debt equity ratio which we will be calculating soon. This information is useful to understand the stability of the company. Now, this for this company, it is a very good sign that they do not have any.

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	A	B	C	D	E
19 Trade Payables		440.60	317.30	223.60	
20 Other Current Liabilities		1006.40	363.70	311.50	
21 Short Term Provisions		2.60	407.90	435.10	
22 Total Current Liabilities		1449.60	1088.90	970.20	
23 Total Capital And Liabilities		7,442.30	6,170.30	5,598.30	
24 ASSETS					
25 NON-CURRENT ASSETS					
26 Tangible Assets		283.30	321.00	266.10	
27 Intangible Assets		17.30	20.70	27.40	

Loans long term provisions is a small amount, then you get current liabilities total, then total capital and liabilities.

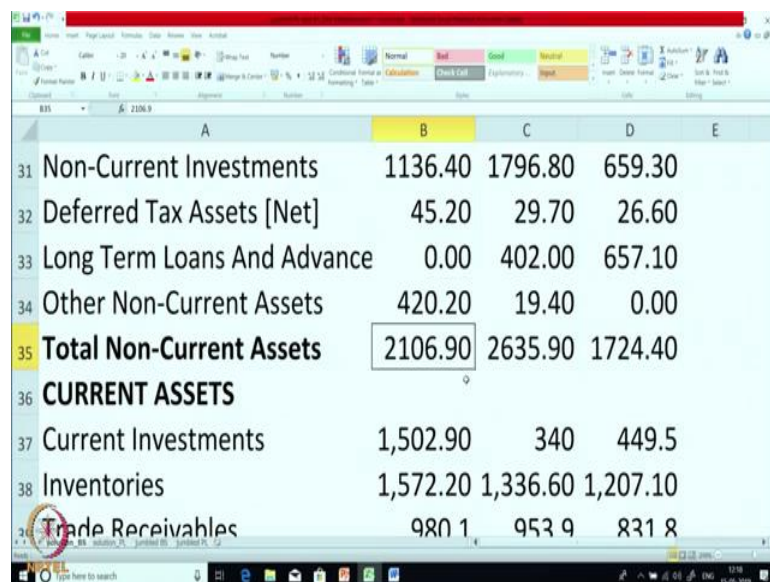
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	A	B	C	D	E
NON-CURRENT ASSETS					
Tangible Assets	283.30	321.00	266.10		
Intangible Assets	17.30	20.70	27.40		
Capital Work-In-Progress	98.70	46.30	87.90		
Other Assets	105.80	0.00	0.00		
Fixed Assets	505.10	388.00	381.40		
Non-Current Investments	1136.40	1796.80	659.30		
Deferred Tax Assets [Net]	45.20	29.70	26.60		
Long Term Loans And Advance	0.00	402.00	657.10		

Now, let us go to assets, tangible, intangible assets, working capital, work in progress other assets. Now here we calculate a sub total known as fixed assets, you can see there is a raise of fixed assets in the period mainly because of other assets.

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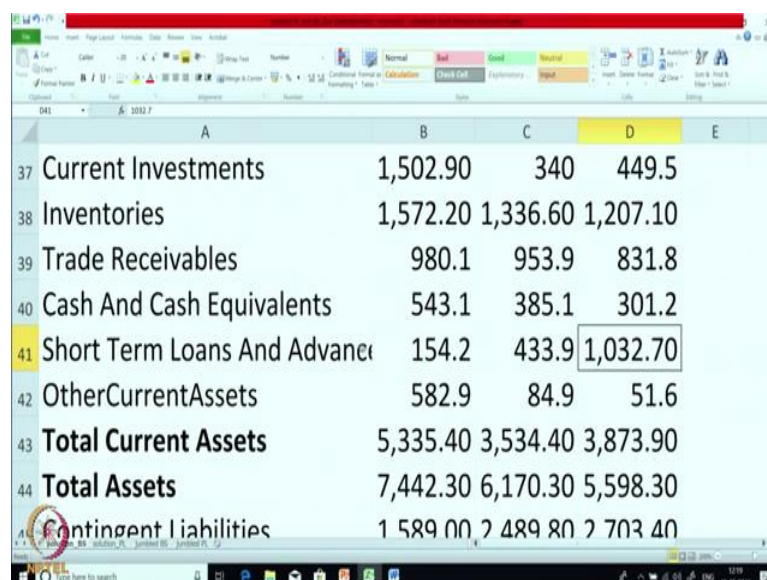


	A	B	C	D	E
Non-Current Investments	1136.40	1796.80	659.30		
Deferred Tax Assets [Net]	45.20	29.70	26.60		
Long Term Loans And Advance	0.00	402.00	657.10		
Other Non-Current Assets	420.20	19.40	0.00		
Total Non-Current Assets	2106.90	2635.90	1724.40		
CURRENT ASSETS					
Current Investments	1,502.90	340	449.5		
Inventories	1,572.20	1,336.60	1,207.10		
Trade Receivables	980.1	953.9	831.8		

Then we have got noncurrent investments, deferred tax assets, long term loans and advances have significantly gone down. So, they would have given advance to somebody either that advance has been repaid most probably; it is converted into other noncurrent assets. You can see there is a matching raise in other noncurrent asset you can see almost

19 plus 402 more or less you are going to get this amount. Are you getting? So, some amount given as advance is now getting converted into other noncurrent asset.

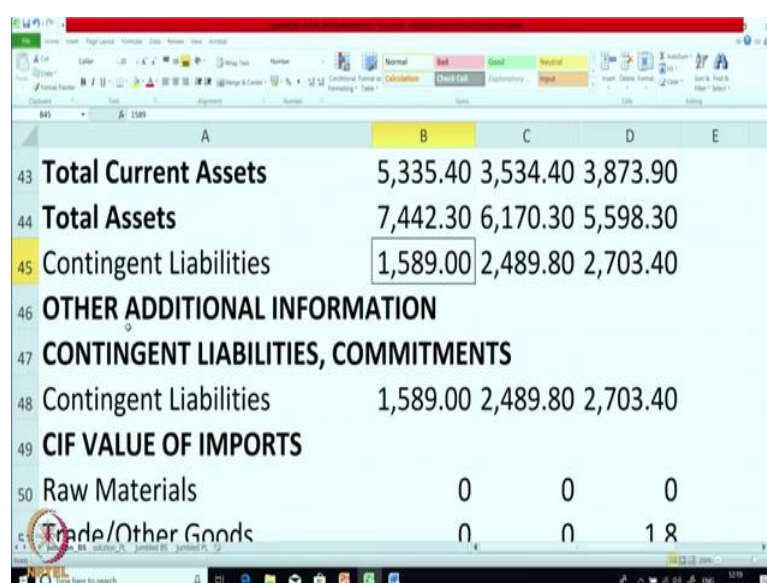
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	A	B	C	D	E
37 Current Investments		1,502.90	340	449.5	
38 Inventories		1,572.20	1,336.60	1,207.10	
39 Trade Receivables		980.1	953.9	831.8	
40 Cash And Cash Equivalents		543.1	385.1	301.2	
41 Short Term Loans And Advances		154.2	433.9	1,032.70	
42 Other Current Assets		582.9	84.9	51.6	
43 Total Current Assets		5,335.40	3,534.40	3,873.90	
44 Total Assets		7,442.30	6,170.30	5,598.30	
45 Contingent Liabilities		1,589.00	2,489.80	2,703.40	

So, total noncurrent assets which include fixed assets and other noncurrent assets, then current assets, you can see sharp price in the current investment; that means, company has made almost an investment of 1100 crores fresh investment which is short term in nature. There is a sharp fall in short term loans and advances as well.

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	A	B	C	D	E
43 Total Current Assets		5,335.40	3,534.40	3,873.90	
44 Total Assets		7,442.30	6,170.30	5,598.30	
45 Contingent Liabilities		1,589.00	2,489.80	2,703.40	
46 OTHER ADDITIONAL INFORMATION					
47 CONTINGENT LIABILITIES, COMMITMENTS					
48 Contingent Liabilities		1,589.00	2,489.80	2,703.40	
49 CIF VALUE OF IMPORTS					
50 Raw Materials		0	0	0	
51 Trade/Other Goods		0	0	1.8	

So, you get the total of current assets and then total assets which is total of CA NCA plus CA, at this stage contingent liabilities are given immediately below the assets.

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	A	B	C	D	E
49	CIF VALUE OF IMPORTS				
50	Raw Materials	0	0	0	
51	Trade/Other Goods	0	0	1.8	
52	Capital Goods	0	8.9	17.4	
53	EXPENDITURE IN FOREIGN EXCHANGE				
54	Expenditure In Foreign Currency	296.8	202	188.3	
55	REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS				
56	Dividend Remittance In Foreign		51.9	36	
57	EARNINGS IN FOREIGN EXCHANGE				

Now, you get other information which includes again contingent liabilities, CIF value of imports, foreign exchange earning, remittances in foreign currency, earnings in foreign exchange, the details of bonus.

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	A	B	C	D	E
55	REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS				
56	Dividend Remittance In Foreign		51.9	36	
57	EARNINGS IN FOREIGN EXCHANGE				
58	FOB Value Of Goods	309.3	147.3	173.1	
59	Other Earnings	-	132.9	110.8	
60	BONUS DETAILS				
61	Bonus Equity Share Capital	47.45	47.45	47.45	
62	NON-CURRENT INVESTMENTS				
63	Non-Current Investments Own	53.2	37.2	31.9	

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	A	B	C	D	E
61	Bonus Equity Share Capital	47.45	47.45	47.45	
62	NON-CURRENT INVESTMENTS				
63	Non-Current Investments Quo	53.2	37.2	31.9	
64	Non-Current Investments Unq	1,085.20	1,731.60	594.2	
65	CURRENT INVESTMENTS				
66	Current Investments Quoted N	307.5	40	124.5	
67	Current Investments Unquoted	1,195.40	300	325	
68					

Now, this details of bonus 47 shows that out of the capital of 97 roughly half of it 47 is coming by way of bonus which shows that the company is steadily profit making company and they have given lot of bonuses to their shareholders. Then the information is given about current and noncurrent investment their market values and book values respectively. Are you getting it? So, with this we have more or less discussed this case, I will request you to verify and once again compare the balance sheet and P and L of your company with Zee TV.

Zee TV as I told you in the beginning is a services company, yours maybe a manufacturing company. This comparison will be interesting and you can get lot of insights and I will request you to get data about various companies and try to prepare balance sheets of various types because then you can easily understand various terminologies and also start analysing the balance sheet. So, with this, we will stop here. Namaste.