Decision making using financial accounting
Prof. Arun Kumar G
Department of Management Studies
Indian Institute of Technology, Madras

Lecture - 25
Reading the Financial Statements of a Annual Report - 1

So, I am very sure that you would have attended 11.5; that is, I had to be sure right. So, yes no?

Student: Yes.

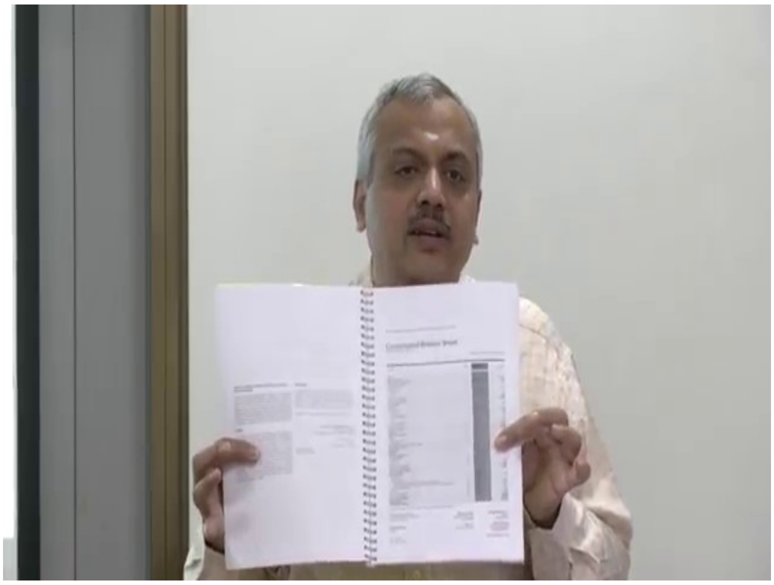
Yes, fine be the (Refer Time: 0:24) thing is so, very happy about it. Now, so that sort of completes winds upon cash flow statements. Most of it you would have gone it right, I am I am very sure you guys would have got it right understand. It is a very simple problem, but what you see more and more is only the cash ledger that is there in that 11.5 exercise so, you guys would have; now in case you still have a problem just get in touch with me or Prateek and we can send you the solutions also, not a issue at all.

Now, what we have seen is normally a very simple P & L, a very simple balance sheet excel. We are basically looking at an NTTL corporate. They will have a balance sheet, they will have P & L, they will have quarterly instead of balance sheet and P & L which they instead of a give you it all you the share stakeholder which they have not publish etcetera, but you have what is called as an annual at the end of every financial year there is a P & L and a balance sheet and the cash flow statement which is normally what is called as audited, which is verified.

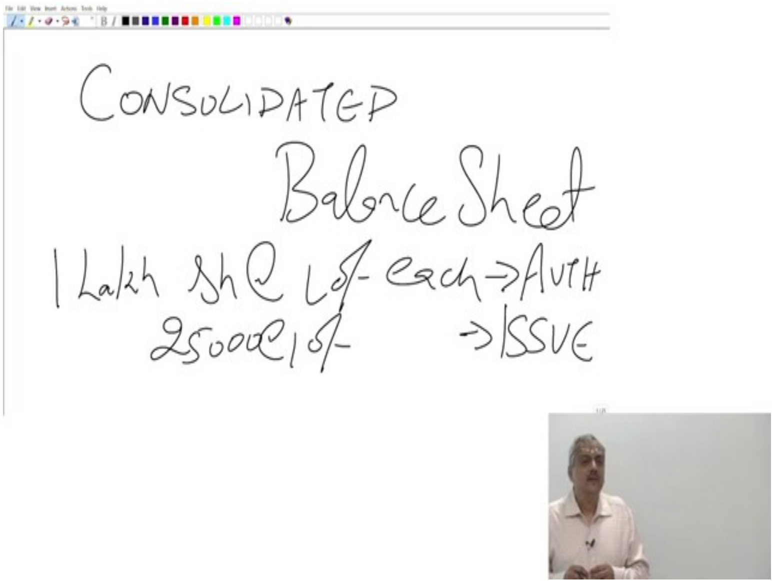
There are charted accountants, basically certificated charted accountants (Refer Time: 01:31) practicing charted accountants who basically certify, who sort of go through all the accounts out there and basically certify. That is what we call it as audited financial statement and this audited financial statement is what is published in what we call it as the annual report and circulated basically to all the stakeholders, predominantly the equity holders etcetera.

They get to know about the health of the company. So, that is what, now I am going to entire annual report. Entire annual report will have director statement, will have what is that plan of the company, what is the company doing etcetera a whole lot of things. Since it is an accounting class, we will restrict to only the finance part of it. And I have culled out basically the finance part of it of Marathi Udyog out here and then pulled out in the manual. That is just pick up the page which says consolidated balance sheet, consolidated balance sheet out there. You can just pick up, they will say consolidated.

(Refer Slide Time: 02:16)



(Refer Slide Time: 02:27)



Student: What is page number?

Page number, there is no number for this, page number is 196. The font is quite small so, you going to be a little careful and not missing out any of those. So, I need to have my specs on otherwise I cannot see this; obviously, right. So, now, you basically see there is something for (Refer Time: 03:03), let us go step by step on this, there is something called as consolidated. Today is going to be a lecture, I am not going to use much of the board, it is going to be consolidated.

Now, what is this consolidated? Please note every entity can have what is called as a main entity and there could be hiving off what you call it as subsidiaries and etcetera etcetera out there. Now I will have to prepare a balance sheet and a P & L which gets audited for each of these entities out there. That is each of these subsidiary entity that I have a lot. For example, I would say I could have a main manufacturing unit. I can do a backward forward integration and I will hive it off as a separate company out there. I can hive it off as a separate company, but the main holding company can continue to exist.

Now, I can create n number of entities, like now for each of this entity I need to prepare what is called as a P & L and a balance sheet etc. Now when I say consolidated, I am sort of adding all that. You will have you can even look at what is called as a P & L and a balance sheet for each of these entities and as well as for example, this could also possibly include what is what happens is you are investment in joint ventures etcetera. You might have joint ventures for example, for many of the ancillary etcetera. So, what happens only that portion consolidated for your kind of holding, that is what we call it as consolidated balance sheet right there.

Now beyond this; attendance sheet take care of later, no problem no worry, that is not necessary today. It is a online class right so, it is a online class we do not have to online, but we are all face to face out here. Now, at the bottom of it you have a lot of aspects all listed out here. That is who is the basic auditor who has basically audited this financial statement. If you look at here is the Deloitte Haskins and Sells out here, then from this on behalf of this company that is auditing company who is the partner who is basically signing this particular that is who is certifying this particular aspect out there.

Why it is necessary? Because you got to the have the partner who is certifying these entire accounts out here, that is partners in the sense he is not going to go through everything, he was going to have your auditors and every everybody out there they are going to do it, but he is finally going to certify this whole thing, that is whatever in the financial statements out there. Why? Because he is taking responsibility.

Go back to your, Satyam what happened; even the auditors were basically in trouble, because they had certified what they were in the financial statements that are submitted by the company outside, so, the auditor and the partner whose certifies. Now can the same partner certify for time immemorial? No normally 3 years normally 2 or 3 3 years am I right? You are from Deloitte right.

Student: Yes sir.

But you do not know?

Student: 5 year sir.

5, 5 years the firm changes. Normally every 5 years the firm changes the partner. Normally as a best practice they change the partner every 3 years, not more than 3 years they try to retain a partner, but best practice is they do that, but every 5 years you got to look at a different set of auditor. Now this will be there in the main 3 pages out there, that is 196 you see the balance sheet 197 you will see consolidated statement of P & L and then 190, what I call it is 199 if you look at you will see what is called as consolidated cash flow statement, statements that are required out there right.

We will be going back and forth pages so, let me make that very clear. Now let us look at it now what happens there is a list of assets given. Let us go back to page number 196, there is a list of assets given, there is a list of what is called as equity and liabilities given out there. It is all in small font you will have to spend a little carefully you have to look at it etcetera. Now let us look at equity and liabilities. Let us not move beyond that. Let us look at equity and liabilities part of it. If I look at equity and liabilities what is it? Basically your liability portion of the balance sheet that is equity and liability this is all your equity that etcetera the whole lot of things out there.

Now, when I look at the equity and liabilities, it says equity, in equity share capital whatever is the amount out there that is 1510 in million; 1510 millions is there and then that is for the current here and there is also a statement for the previous year. Every annual report that you will basically look at it will always have yearly it will always have statements for minimum 2 years.

Some companies even go up to 3 years of financial statements, but normally 2 year financial statements is what every company will have to publish, because you got to look at comparison number 1. Number 2 sometimes post audit there could be some changes also, because and that could also happen very rarely so, if that is also happen if that also happened that is also basically reflecting out there. So, normally it is basically for 2 years out there.

So, in this in this particular case it says equity share capital and then there is something called as other equity, but this does not give you any information on what is the number of shares, what is the face value of the share, etcetera etcetera out there. What is the how many shares as the company issued, what is the face value of the share; is it 1 rupees is it 10 rupees is it 5 rupees is it 100 rupees anything etcetera.

So, that is where your balance sheet asset that is 1 page statement out there does not give you a great picture. It just gives you some numbers to basically look at and it can help you raise questions. It is not a solution by itself, it can help you raise questions out there. Now what I do; there is something called as if you look at the second column out here, the first column is the particular, the second column out there is what is called as notes that is what is the word used out there.

Now some companies will use it as note, some companies will keep it as schedules. Either of it either of it they might be use. So, if you look at their schedule it says schedule number 13. Now just move to schedule number 13 which is there in one of the subsequent pages. Which page sir?

Student: 221.

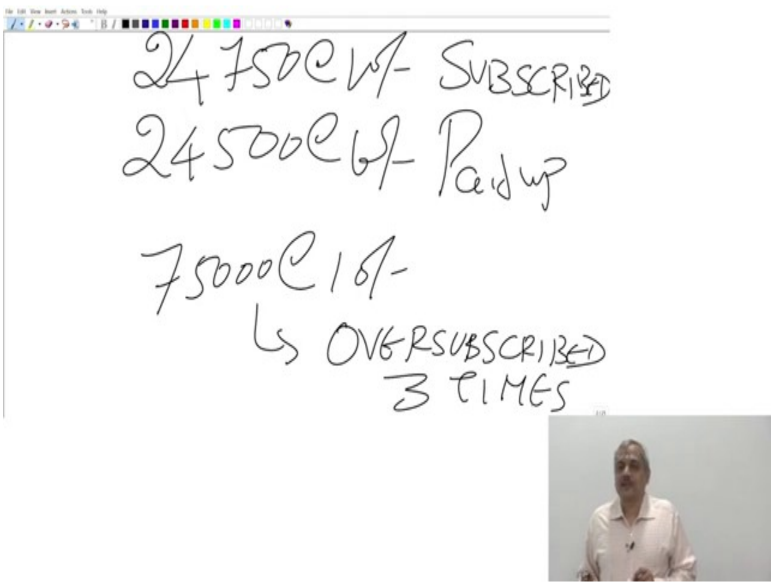
221, did now copy? That one ask him to get a copy At least for this class no ask him to get a copy, you have relevant copy right just get one copy for him as for this class allow. So, he can help me in that. Let them use that. If you look at 221, there is something called as 221, page number 221, 221; there is something called as equity share capital, there is authorized capital, there is issued capital, there is subscribed capital, there is fully paid capital, the whole lot of things it looks a little bit confusing for you.

Now, let me explain what is each of these. Now authorized capital when we say authorized capital is the amount of money or the number of shares that the company can issue in its lifetime. I repeat authorized capital is the amount of number of shares. In this particular case if I look at the authorized capital is this 3751, I mean followed by about six 0's of rupees 5 each is that is what the number of shares that this particular company can issue in its lifetime. In its lifetime yes, as of now in its lifetime; that is out of that for example, let us take a very very simple example keep looking at the chat box

Now, take a simple example. Imagine I start a company and I need about 1 lakh shares out there at 10 dollars each and that is the grow that is 1 lakh shares of 10 rupees each; that means, it is about you are talking about 10 lakhs out here. Now that is what is a requirement, I have envisaged for the company for whatever time period I can look see forward. In the sense whatever time period I think this company is going to be there as far as I can imagine, I can extrapolate I can what is called as I can foresee whatever is it this is the kind of money that I may would require. 10 lakhs is the kind of money in terms of capital I require but I do not require the entire 10 lakhs as of today. Now, this becomes what is called as they authorized capital.

Now I do not require the entire 10 lakhs as of today. Out of this 1 lakh shares out there I can issue 25000 shares to the public. I am issuing that is I am trying to collect as of today only 25000 shares from the public out there; that is I will issue I will say I will issue 25000 shares at 10 dollars each, that is what I call it as I issue to the public. I say public can subscribe to it.

(Refer Slide Time: 12:03)



Now, out of these 25000 shares what I have issued, what happens is I might get subscription for about 24750 shares at 10 dollars each. That is what we call it as subscribed. People subscribing to it and what is called as now; then the next aspect that comes in what we typically call it as they have subscribe to it, but they have paid part of the money or they have paid the money.

But, what happens there could be some transaction them sometimes what happens is the transactions do not go through or what happens you are not able to collect the money from them, but finally, what happens I have received money only for 24500 shares at 10 rupees each; that is what we call it as paid up capital. That is what we call it as paid up capital; that means, that is the money that I have received, that is so that means, I have issued only 24500 shares, the other 70 share 75500 shares I can issue it anytime in the future.

Now can I issue do have to issue the whole thing in one shot? No I can split it the 75000 I can issue in 7 times also at the rate of 10000 share or 15000 shares every time I issue. It is up to me depending on the need I will keep on pumping issuing the shares. So, when we say one second sir, when I say authorized itself lifetime. Now second question that comes in here is can authorized capital be changed?

Yes, because you are looking at a company which is going to be there you have envisage for the next 30 years or 40 years and this is what I see and after 30 years I am looking at further expansion then when I met go in and sort of pass the special resolution, resolution and then even extend my authorized capital, but it does not happen on a regular basis, it happens in a blue moon out there. Part of that part of that could be subscribed is sometimes you see oversubscription the entire thing is subscribed and everybody would have paid up also.

So, in the sense sometimes in this particular case you see issued, subscribed, paid up is exactly the same in all that. Right now what is relevant to us rather would does is only paid up capital, because what happens accountants you are looking at cash money is what is a paid up capital. How much have you collected, that is all money we say the paid up capital is the share capital which you will consider for all your analysis. With you on this? So far so clear; yes sir you have question.

Student: Sir this subscribed this 24750.

Student: Whereas, paid up is say 24500.

Yes sir.

Student: That is addition will be taken by the.

Not necessary, I people have subscribed. In this case, I have kept everything below what is called as your my issued capital it can be lower. I will in this particular case people have putting the applications out there, but I am not able to get the money. They have said they have what is called as they have they have they have given what is called as an instruction for money transfer. Money is not coming forth. Some where they are made an it could be anything. Now you the other aspect what you are worried now is what you totally talk about is over subscription. Now I issue 25000 shares away from this notebook or whatever manual I am going a little bit now.

Where I am talking about I issued 25000 shares which is going to continue out there, but I get applications for about 75000 shares I get applications. So, what happens it is oversubscribed 3 times. It is over subscribed 3 times out there. Then how do I do the allotment, then how do I do the allotment in this particular case. Please understand in this particular case also allotment is possible.

There are multiple ways of doing the allotment. We are not even taking about the book building route as of now, we are talking about the very simple fixed price issues out there. We are talking about fixed price issue 10 rupees, we are talking about an issue which is at par. If you are not even talking about issues which are at premium number 1, nor am I talking about any issue which is basically what do you call it as the a what a book building rule etcetera. Park yourself right here sir he has a I think there near the camera on it might be difficult.

Now we are looking at there is over subscription which is about 3 times in this particular case. Now there are multiple ways of allotment. I am very sure people who are already investing in equity would have understood the would have known this, but let me repeat. One of the way is very simple way I just draw lots and then allot it. Second I do what is called as a pro rata basis that is it is 3 times oversubscribed for every application what is called as I will give them one third of what they have applied; that means, everybody gets a shares out there. I can do it what we call it as pro rata or I can just do simple lot basis.

Either of it I can basically adapt in the process out there. There are other ways book building etcetera etcetera let us not even get it into it as of now yeah. In this particular case if you look at now coming back to the manual page number 221, if you look at a equity share capital there is the authorized capital there is you should paid a fully paid up capital and this is the money that is your company is eligible to collect about 18755 million out there in the authorized capital, but as of now you are collected only 1510, 18755 is a huge what we called a million, out to that you have collected only partly out of it and any time the company can what is called as issue do a private placement.

They may not even issue to your general public, they can actually do a private placement. Private placement in the sense I can negotiate with a large investor and basically increase my share capitals, give sell the shares and collect the money from him that is what we call it as private placement out there. These are all I am putting it very crude form for you guys to understand. I am not even getting into that technical definitions of all these things; yes sir.

Student: Sir here in this case 75000 share by issued at the rate of (Refer Time: 18:47) each.

Yes sir.

Student: Let us say the authorized capital is already (Refer Time: 18:52).

Authorized capital (Refer Time: 18:54).

Student: If the over subscription is 3 times?

Student: Can the company go back and try to issue (Refer Time: 19:00) share for the?

At this stage what you have normally issued is basically these all these number before you issue there are regulators who will sort of approve what is called as your what is it you require. Even you cannot do it you cannot amend it at that stage maybe you can issue it again later 1 year. When you got over subscription does not mean anyway I have got the money I will use it.

Does not work that way, because you are money what you receive is also based on the plan for your investment now, because if I receive whereas, when I require 25000 that is 25000 into 10 whereas, when I am receiving 75000 into 10; that means, I have an extra 5 lakhs out there and ideal money does not grow so, you do not do it.

Student: There is some (Refer Time: 19:43).

Of course, yes there are regulations because you are sort of you sort of take an approval for going for an IPO, what is the quantum of IPO you are going through and you cannot just go back and amend it that does not it is not allowed, yes please.

Student: Sir we shall be asking is preference shares also part of this authorized capital.

Preference share is not part of this authorized capital sir. Preference share is different this is only we are talking only about equity and equity at every shot.

Student: Sir.

Yeah.

Student: Authorized capital is (Refer Time: 20:12) are do the company or (Refer Time: 20:13).

It is by the company sir. You decide based on the prime what you envisage. For example, if you look at the Asian Paints balance sheet, go back and look at the Asian Paints balance sheet if you look at the Asian Paints balance sheet, you can just Google and see their authorized capital they have already reached their authorized capital because when they started in the garage they did not envisage such huge kind of growth out there. They have already reached their authorized capital.

Now will they go back and expand their authorized capital? Well they have to some stage or the other. That is why some of them are just holding on to Asian Paints out there, because their reserves and surplus is much more than they issued paid up capital itself. So, idea is the day on which you are going to enhance the authorized capital, this reserve and surplus will become? Will become partly?

Student: Will become (Refer Time: 21:05) shareholders and all.

Bonus you shifted to bonus right, that is what will basically happen that is what people are holding on waiting, but you do not know when it is going to happen. So, that is not even get into circulating that; I am not giving any tip out here.

Student: Sir doubt.

Yeah sure.

Student: If you increase the authorized capital do we need to relive both the fund from surplus and reserve?

You know there is no authorized capital you are not doing anything authorized capital is just a number. There is no cash out there right. It is only authorized we are allowed.

Student: Do you need to have that fund?

No, you do not have to, because you can increase the authorized capital; that is you have envisage the plan you are able to put up a special resolution that is a long run process. That is not a such easy process. It happens once in a blue moon.

Student: But regulate rules question.

Regulate that is what you have to pass the resolution, you have get it approved I mean there is a whole lot of legal process out there. I am not even getting into that.

Student: Whether it has to be justified.

It has to be obviously, obviously; obviously; one cannot just generally have a obnoxious number as what is called as the authorized capital. Not possible sir. So, equity share capital part of it very clear. Now I move to what is called as scheduled 14. The same page 222 next page. There is something called as if you look at you go back to your page number 196 often the equity share capital that is what is called as other equity. There is something called as the other equity. What is this other equity? Normally we will call it reserves and surplus; that is what I have basically told you. They call it other equity that is basically why other equity; the entire money belongs to whom.

Student: Equity shareholders.

Equity shareholders, that is all. It is the other equity. It is the some part of equity denominated in shares, some part of equity not denominated in shares, but held under various heads out there like your reserves and surplus, capital redemption reserve. They have a whole lot of things out there; general reserve, capital reserve, share premium reserve, securities premium reserve, retained earnings, cash flow, hedging reserve.

Now all these reserve, reserve is always culled out of profits. Profits belong to whom? Equity holders, when it is culled out of profit unless until otherwise utilized unless until otherwise utilized belongs to the equity holders only. Some part of the money belonging to the equity holders he is denominated in the form of shares of 5 dollars each that is what you saw the first part.

The second part not denominated in the share not denominated in number of shares, but under various heads, but belonging to the equity holders. Some balance sheets annual reports we will call it R and S reserves and surplus and they will list out the same thing. Some of them call it other equity it is just a name that is all because the money belongs to equity holders. I may be with you on this? So, far so, clear any charge.

Student: No sir.

Nothing perfectly fine how many of them are there online.

Student: 21.

21 20, that is including him.

Including Rajesh it is 21. Rajesh is not a student, no worry. Now we move on further; equity attributable to the owners of the company non controlling interest. That I am I am talking about page number 196, I am talking about page number 196. Just fold it and keep it. So, the gone keep will back and forth. I just folded they did not keep it well you got to keep going back and forth. Page number 196; if I look at page number 196 I basically see this what we call it as non-controlling interest out there. When I say non-controlling interest, it is said to that is equity attributable to the owners of the company out there. That is what we call it as schedule number 15. If I look at if I go to schedule number 15 out there which is a page number?

Student: 224.

224, the various listings out there, that is where all your head JJ impacts private limited, your etcetera and so on and so, forth out here, you will see that balance in the year share a total of a cumbrance income for the year and balance for the year that is basically you have what is called as your owner's equity in the non that is equity attributable to the owners of the company and non-controlling interest. Let us just leave that as of now, let us not get into the explanation, because that could sort of throw your other understanding out of get. We will come back to it at a later stage when we are looking in it.

Let us go to page number 196. You have total equity out there, then you have what is called as liabilities. In the liabilities you have what is called as noncurrent liabilities. First aspect is financial liabilities when you say financial liabilities some companies will denominate it as is of noncurrent liabilities or in the financial liability they will take it as long term debt, that is the word they would might they might use. In this particular case your denominator you have written it as financial liabilities. This is again what is called as the usage of the term what you use some case it is what is called as your long term debt. In this particular case it is financial liabilities.

When you look at your financial liabilities part of it in this particular case you will actually go back to your first thing is borrowing, second is provisions, third is deferred tax liability, fourth is other noncurrent liabilities. You have the 16 page schedule number 16, 18, 19, and 20. Let us go to this schedule number 16, 18, 19 and 20. Before that even if you look at page number 222 even if you look at page number 222, before that even if you look at your page number 222, we talked about other equity capital reserve, general reserve, security premium reserve everything right, when we talked about other equity.

Please note this capital reserve what does it last year, what is being added this year and what is the what is the total capital reserve this year and what is that general reserve last year, what is it added this year that entire details is there 14.1, 14.2 and 14.3 and so, on and so, forth out there till about 14.7. For each of these they have given the explanation.

What has it at the beginning what is the addition this year or deletion this particular year and what is that balance what you have and that consolidated goes into schedule number 14 out there this 14.12, 14.7 gives you that detail out there. With you on this so far? So, far you are able to get a hang of what I am communicating right? You are able to get a grip of it? Now I move on what we call it as the we are looking at schedule number 16 page number?

Student: 225.

225, now in this particular case schedule number 16 page number 225, you see that noncurrent unsecured term loans from banks, current unsecured what is called as that is look at only the non current because we are looking at only the noncurrent part of it whereas, only the non current part of it is basically listed out here in this particular case, in the in the in this number out here we are not looking at the current. Current will come back later, current will come back later.

We are looking at noncurrent non-current means which are basically long term liabilities. Now what is this short term in it just says term loans from banks. Please note when I indicate a if class 1 balance sheet is something which basically gives you all the information, but does not give you the vital informations out there. This schedule balance sheet if you look at just that page it says no it says financial liability some obnoxious number.

Now, if I look at the schedules it has split those schedules out there. It says term loans from banks. You still do not have information on from which bank, what is the amount of term loan, what is the interest rate on the term loans. It depend some companies would give those schedules those as information also in the schedules, some companies may not give because it is not mandatory to give those information also.

So, even if I look at all these, I will still not be very clear; supposing you have a very high cost loan, imagine you have a very high cost loan, your high cost loan is a you have taken a loan from somewhere where the interest rate is very very high; that means, what is happening you are liability in the future is going to be extremely high because you have already taken a loan out there and you got to pay interest in the future extremely high.

So, you do not have that information. So, if I feel that balance sheet and P & L, I can make the complete analysis and analyze the health of the company and decide, well you can do it to a certain extent only. You cannot completely get up grip over that particular company out there. This gives you pointers for you to ask questions. This gives you pointers for you to ask questions. Am I with you on this?

So, in this case it says term loan. What is the amount of term loan out there. That financial liability if you look at the schedule out here it just says financial liability borrowings out there. What borrowings? Borrowings from where? It says borrowings from banks and all these are term loans. Term loans means long term loans; to the extent of what hundred. You can always compare what does it the previous year. If you look at the what does it the previous year, previous year are 0, this year is about 100 million in this particular case. Now, that raises your antenna. (Ref Time 30:50) I have had a 100 million loan, whatever used it for? They should have been a corresponding increase in the?

Student: Fresh.

Beautiful at least in the asset somewhere you must have invested out there, let us look at it little later. I am not even looking at, analyzing all that now. I am looking at because these are the questions that basically has to come your mind out there. Am I with you on this? Now I move on further from this. There is what is called as schedule number 18, because we looked at schedule financial liabilities in this case particular case when we look at the financial liabilities out there, we look at borrowings, provisions, deferred tax, etcetera schedule 16, 18, 19, 20. I am looking at schedule 16 out there.

Now, next I go to schedule 18. I create various provisions, provisions for their employees, retirement allowance etcetera. The details of that provisions what I have created its all there in schedule 18; however, employees retirement, because that is a liability which you have got to pay. You have got to create a provision for it, because simple, in your company out of your salary, you contribute part of the amount for retirement benefit your company contributes the equal amount also for your retirement benefit; whatever you might call it PF or you might call it by different names etcetera I am not even getting into that, but there is a liability on the part of the company that they are also putting in some money on your behalf.

Now, that is all part of the liability. That is all they have creating a provision out there in the process; that is all what we call it as (Refer Time: 32:27). It just says provision for what in this particular case it says employee benefits, retirement benefits, warranty for product. Please note when you buy a Maruti you are buying it a years, years warranty out there. You are buying into with the years warranty almost and there is a damm manufacturer defect would start driving an engine just comes out manufacturing defect, then they got to make good for it they are sort of replacing or whatever they are doing let us not even get into that, now, I going to create some provision.

Now how do you make the provision? You normally make some scientific estimates out there. Now I will say my defect ratio normally I am about 99.9 percent there is no claim out there, I have a point not 1 percent claim that is the kind of claim what I have we going with the history and going back by kind of technology what to use you create a provision for that particular amount out there and say that could be part of my liability in the process. With you on this? Any questions at this stage? Today is theory again so, morning 9 o' clock I agree it is a Sunday morning it is difficult, but today is going to be theory.

Sure clear on this? I am not looking at the current part of it, then I move to schedule number 19 what we call it as your deferred tax balances. The whole lot of things are there. Now first of all let me explain what is this deferred tax. Page number 228. Now first of all let us understand what is this deferred tax what is this etcetera. Deferred is nothing, but an English word; deferred means postponing it without paying it later.

That is all, very simple. Imagine away from this a discussion of this balance sheet, you are setting up a manufacturing facility in Chhattisgarh or in Arunachal Pradesh and when you are setting up a manufacturing facility in Chhattisgarh or Arunachal Pradesh what are you trying to do? I am trying to create so, what is called as the employment out there. I am trying to create what is called as there is a prosperity and growth in that particular region etcetera and etcetera etcetera.

Now there is what is called as direct employment there is also what is called as indirect employment in the process. Now to enable that or to encourage that the government gives you what is called as there could be a possibility they could just say tax holiday for 5 years. That is for first 5 year, you do not have to pay any tax. All your SCPI whatever which is there in your software technology park you have some kind of a lever around that and I do not know the exact details of it though, or they can say there is a deferred tax facility what you will have.

Deferred tax facility when I say that, first 5 years you do not pay tax, but you calculate and keep it whereas, from the 6th years to 10th year or any number what they will say you not only pay for the 6th year to the 10th year whatever tax applicable for that year, the past tax also you can pay bit by bit and clear. Perfectly all right, at least first 5 years, I do not have to pay tax and that kind of cash is there with me which is basically adds to my capital in the process out there, working capital in the process out there.

So, these are all some kind of a deferred tax benefits out there, number that is one part of it. The second part of it would also be what you call it as in the today there is a GST, GST credit etcetera what you are basically trying to get out here, because you are paying at one shot, at every shot when you are at every stage when you are paying this when you are paying the taxes out there, they could imagine a (Refer Time: 36:12) passes if the channel has about 8 different what you call stages through which it passes and at every stage you are paying tax, the amount of tax what you would pay will be much more than the cost of the product it.

So, what happens you get a credit you can basically claim it back in the process, because that kind of a tax; that is all this basically around deferred tax means anything which is basically deferred out there. So, you have the benefit and the details of it are presented out here. Anything you want to add?

Student: Nothing.

Nothing ok.

Student: Sir it means we have to pay, but in.

They have to pay, but yeah whatever it is there could be some arrangement in terms of deferred deferring that taxes out there.

Student: If I (Refer Time: 36:51) already.

Tax already means there is liability you know.

Student: Ok.

Because you have to pay only it is a liability right yeah sir.

Student: Yes sir until (Refer Time: 36:58) deferred tax assets.

Yeah we will we will come to that, we will come to that, we will come to that as we go along. As of now hold it. We will come to that when we go along in the process. I go back out here.

Student: Sir.

Yeah.

Student: Sir in deferred tax liabilities will it become a long-term liability (Refer Time: 37:18).

In a when it is sometimes what happens is depends on the time period. I say I have a 5 year tax holiday and I am going to pay it only later then, basically you are looking at long term. Short term is normally what we look at is which is within a year which is within a year. For example, I say first 3 years there is a tax holiday, you paid it from the year 7 to year 10. Naturally what happens it can become a long term in the process out there, because its more than a year. Am I right Mallika? Ok fine, now we go on I thought you are asking the doubt for a minute, but anyway good, because if you want to ask me the doubt (Refer Time: 37:56) it is only out of the class.

Now, beyond that we have what is called as total payables after borrowing. Again, I am going to page number 196. I will give you guys a break at 10 o' clock for 2-3 minutes. I know because today's class is a little try and I see a little people are a little uncomfortable, but we have to go through this because we going to understand when you are basically looking at what all you will get you many of you may not even look at finance or accounting out there, but all you will get is you will get only this bunch. You will get as manager for decision making you will get only this bunch and unless you know how to interpret this bunch there is going to be a problem.

So, let a understand how to interpret this bunch. We will learn how to work out counter calculate the P & L, how to do a cash flow statement, all that makes no sense. Basically as the manager you will get this bunch and you need to interpret this bunch and to interpret this bunch you got to know what goes into it. That is where we spend about in the last 7-8 classes we said about what goes into it now this is the main aspect what you will get as money, because as you grow in the ladder corporate ladder also when you are looking at any decision making you are looking at decision making only on this entire bunch out there.