

Financial Accounting
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Lecture – 10
1.9 Walkthrough of Balance Sheet III

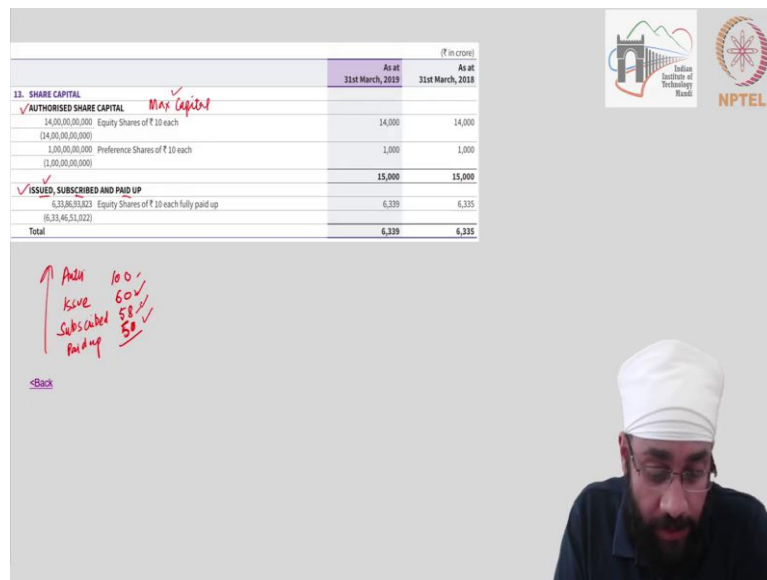
In this video, I am going to take you through the other side in the Balance Sheet which is liabilities.

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BALANCE SHEET		As at 31st March, 2019	
	Notes	As at 31st March, 2019	As at 31st March, 2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	1,14,070	1,16,873
Capital work-in-progress	1	2,24,210	1,56,541
Intangible Assets	1	8,201	5,380
Financial Assets Under Development	1	8,462	6,592
Financial Assets	1	1,71,662	1,71,342
Loans	1	15,800	17,000
Other Non-Current Assets	4	4,257	4,512
Total Non-Current Assets		6,12,852	6,59,130
CURRENT ASSETS			
Inventory	5	46,240	39,266
Financial Assets	5	38,308	33,277
Trade Receivables	5	11,110	18,460
Loans and Cash Equivalents	5	5,768	8,771
Loans	5	4,875	4,110
Other Financial Assets	10	7,771	3,568
Other Current Assets	10	11,100	10,417
Total Current Assets		1,15,272	1,28,849
Total Assets		7,28,124	7,87,979
EQUITY AND LIABILITIES			
EQUITY			
Reserve for Contingent Liabilities	11	4,100	6,100
Other Equity	11	1,38,300	1,38,110
Total Equity		1,42,400	1,44,210
LIABILITIES			
Non-current Liabilities			
Financial Liabilities	12	1,10,200	61,306
Provisions	12	2,400	2,200
Deferred Tax Liabilities (Net)	12	47,200	17,500
Other Non-Current Liabilities	12	800	200
Total Non-Current Liabilities		1,58,600	81,206
Current Liabilities			
Financial Liabilities	12	38,308	33,277
Trade Payables Due to	12	270	181
— Banks and Small Enterprises		38,038	33,096
— Other than Banks and Small Enterprises		202	181
Other Financial Liabilities	12	17,270	46,510
Other Current Liabilities	12	46,240	37,245
Provisions	12	700	100
Total Current Liabilities		1,25,826	1,50,417
Total Liabilities		1,25,826	1,50,417
Total Equity and Liabilities		7,28,124	7,87,979

So, on the liability side we saw earlier that you have equity, non-current liabilities, and current liabilities. Now, we are going to deep dive into each of these three items to get a feel of the contents within.

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The slide displays a financial statement table for 'SHARE CAPITAL' with columns for 'At 31st March, 2019' and 'At 31st March, 2018'. The table is in ₹ in crore. Handwritten red notes are present: 'Max Capital' with a checkmark next to 'AUTHORISED SHARE CAPITAL', and a vertical list of numbers: '100', '60', '58', '50' with arrows and checkmarks. A 'Back' link is visible at the bottom left. In the bottom right corner, there is a video feed of a man wearing a white turban and glasses.

	At 31st March, 2019	At 31st March, 2018
13. SHARE CAPITAL		
✓ AUTHORIZED SHARE CAPITAL <i>Max Capital ✓</i>		
14,00,00,00,000 Equity Shares of ₹ 10 each	14,000	14,000
(14,00,00,00,000)		
1,00,00,00,000 Preference Shares of ₹ 10 each	1,000	1,000
(1,00,00,00,000)		
	15,000	15,000
✓ ISSUED, SUBSCRIBED AND PAID UP		
6,33,86,93,023 Equity Shares of ₹ 10 each fully paid up	6,339	6,335
(6,33,46,51,022)		
Total	6,339	6,335

Let us look at equity share capital, point 13. When you scroll to note number 13 in the annual report, you see these details and you have something called authorized capital, issued, subscribed and paid-up capital. This nomenclature has certain meaning.

Authorized share capital is the maximum capital and by capital I mean the investment coming in from the shareholders. This is the maximum capital that a company is allowed to raise. It can be increased from time to time, but you have to pay a fee in order to increase the share capital. This is one of the restrictions on the company form of business. Out of the total maximum capital that you can raise from public, you are going to issue a certain percentage at a given time. So, let us say out of the authorized capital of 100, you decide to issue only 60 to the public at a given time. We are going to raise 60 rupees from the public and it is again possible that when you issue these shares to the public not all the shares are subscribed for. There is a process that you have to follow to issue shares that is beyond the scope of this course. Thus, by following that process the public subscribes for your capital. So, subscribed capital can be let us say 58; two is the amount which remained unsubscribed. Finally, paid up capital means that after 58 rupees had been subscribed for, the total amount for the investment may not be received and you ended up receiving only 50 out of the 58. So, that is the hierarchy of this terminology of capital.

In this case issued, subscribed, and paid-up capital all three are equal; meaning, all the shares that were issued were subscribed for and the company has received money for those shares from the public. So, that is the terminology in the share capital.

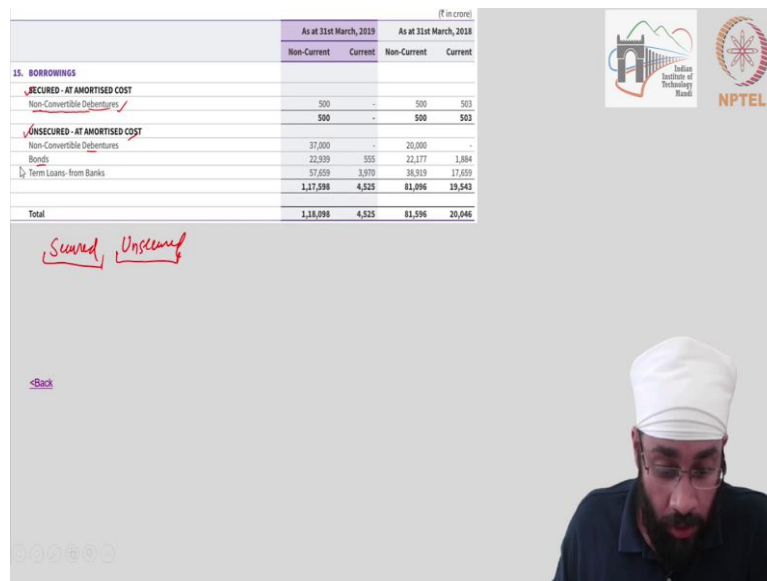
Let us go back and deep dive into the borrowings under non-current liabilities.

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	(₹ in crore)			
	As at 31st March, 2019		As at 31st March, 2018	
	Non-Current	Current	Non-Current	Current
15. BORROWINGS				
✓ SECURED - AT AMORTISED COST				
Non-Convertible Debentures	500	-	500	503
	500	-	500	503
✓ UNSECURED - AT AMORTISED COST				
Non-Convertible Debentures	37,000	-	20,000	-
Bonds	22,939	555	22,177	1,884
Term Loans- from Banks	57,659	3,070	38,919	17,659
	1,17,698	4,625	81,096	19,543
Total	1,18,098	4,625	81,596	20,046

Secured, Unsecured

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In note number 15, you have secured and unsecured borrowings; again, I clarified the concept of secured versus unsecured. If Reliance does not pay the secured liabilities then some property of Reliance Industries Limited is going to be taken over by the bank or if any other source from where the loan has been taken. They will take over that particular asset, sell it off and recover the money. Unsecured on the other hand means, the creditors cannot do anything if reliance does not pay back that amount.

Under the secured, you have non-convertible debentures; this is some advanced terminology-convertible, non-convertible. It basically means, convertibility into equity shares at some time in future, but again I do not want to get into that because it is beyond the scope of the course. All we need to understand is that there are long-term loans that the company has and some are secured while others are unsecured.

Again, there are debentures, there are bonds. Debenture and bonds, in simple language, is the money that you raise from general public in the form of a loan rather than raising from a bank.

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	(₹ in crore)	
	As at 31st March, 2019	As at 31st March, 2018
19. BORROWINGS - CURRENT		
✓ SECURED - AT AMORTISED COST		
Working Capital Loans		
From Banks		
Ruppee Loans	8,603	1,653
From Others		
Ruppee Loans	6,128	-
	14,731	1,653
✓ UNSECURED - AT AMORTISED COST		
Other Loans and Advances		
From Banks		
Foreign Currency Loans	5,482	12
Ruppee Loans	1,000	-
From Others		
Commercial Paper *	17,894	13,574
	24,376	13,586
Total	39,097	15,239



Let us go back and now we are going to look at current liabilities and we will look at the borrowings under current liabilities: this is note number 19.

You have the same categorization and if you go to different companies' annual reports, financial statements, you will see similar categorization. We have secured borrowings and unsecured borrowings from banks in foreign currency and Indian currency.

These details can vary from company to company, but a certain nomenclature, certain way of breaking down these things and presenting these things has been prescribed under the Companies Act. There is a format which is issued using which all the companies need to prepare their financial statements.

So, that is it. This is what I wanted to discuss in this video. You now know the contents of the balance sheet in detail as well. We have not discussed some advanced items, but the idea is that that the discussion on asset, liability, income and expenses in the first module of the course has now equipped you to look through, to browse through the annual report, the financial reports of a company and understand it. You now know the broad level categorizations under these terms as well and you know how to find the details under each of these terms also. I will see you in the next video.