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PGPBL0101

Continuous Assignment – 5

Please interlink your company's "Balance Sheet" with its "Profit & Loss Statement" as is being shared using examples of (HPCL / Ultra Tech Cement that are generic – your submission has to be specific to your company's numbers only). Just writing your observations is good enough (no need to draw lines and such stuff). Analyse within 350 words

Income Statement	**FY 2019**	**FY 2018**
Total Revenue	2,096.78	1,869.77
Cost of Goods Sold	486.53	513.09
Gross Profit	1,610.25	1,356.68
Other Expenses	222.7	289.09
EBDTA	1,387.55	1,067.59
Depreciation & Amortization	12.85	9.36
PBT	1,374.70	1,058.23
Tax Expense	444.1	346.94
Profit after Tax	930.60	711.29

Balance Sheet	**FY 2019**	**FY 2018**
Asset		
Non-Current Assets	125.96	286.99
Cash and Bank	31.99	2.06
Trade Receivables	102.86	102.98
Investments	2934.96	2057.74
Other Financial Assets	27.98	22.37
Total	**3223.75**	**2472.14**
Liabilities		
Trade Payables	113.05	178.23
Tax and Other Liabilities	39.98	40
Equity	3070.72	2253.91
Total	**3223.75**	**2472.14**

1. Linking Cash and Bank with Revenue: There contains 1 week worth of collection from the Revenue in the Bank, which could have been Invested, to generate marginally better returns.

2. Trade Receivable shows there seems to an average credit period on the sales at 15 days in FY 2019 and 21 days in FY 2018. The current position seems appropriate as the transactions are done online and with the volume of transactions, collections at the rate of twice a month is adequate.

3. Tax Expense and Tax Liabilities: The final provision of Tax expense for the final month is pending which is reflected in the current liabilities and matches with the overall tax expense.

4. Profit After Tax and Equity: The Transfer of Retained earnings after tax prior to adjustments of extra ordinary and other adjustments to the Equity Capital section can be seen.

5. Linking Cost of Goods Sold and Trade Payables: The Trade Payables are kept at 3-4 months credit and that is consistent between both the periods, allowing better control of Cashflow and better provisions for fluctuations in trade receivable collections. Fees and other commission expenses are paid after 80-90 days, to have better control of the cash flow system.

6. Linking Depreciation and Non-Current Assets: Depreciation is recorded on all fixed assets, where the Fixed asset value reduces, and the expense is recorded in the profit and loss statement.

2. Solve case 7.4, page 466 (need to write rationale also, within 350 words)

Company	Firm Name	Reason
A	Ram Bhelpuriwala	He has high inventory and small set of receivables along with only 20% Fixed assets. The Fixed Asset could be for the Bhelpuri handcart and 10% receivables could be for regular customers who would pay in a few days. Since he would be purchasing cooking materials in Bulk, he must be having credit with vendors which shows the reason why it is at 40%
B	Ram Gubbarewala	He has high inventory and No Cash receivables which shows he collects money for his Balloons. His Fixed assets is only 15%, which could be the value of his cycle and the high current liabilities could be credit from the vendor of the balloons
C	Ram Tuitionwala	He has Fixed assets at 13%, which could be minor fixtures for the tuition room or the room itself and very little inventory, could be paper and stationary items. He has receivables at 85%, as most parents are assumed to pay for the tuitions at the end of the month.
D	Ram Rasoinwala	He has only a small record of Inventory which could be vegetables for cooking that could expire in a day and predominantly invested in Fixed assets, for Kitchen equipment. He also has unearned revenue which could be advance from customers for birthdays and marriages
E	Ram Jhulewala	He has invested his capital on the Merry Go Round Machine and there is no Unearned revenue as there is direct cash collection and no receivables. He must have also taken a loan for paying the Merry Go Round.
F	Ram Vanwala	He has Invested significant amount of his capital on the Fixed asset which is the Van and 40% is unearned Revenue, as some of the parents pay advance and some pay end of the month, so the unearned revenue of 40% signifies the same.
G	Ram Cycle-Mechanic	He has fixed assets, which could be tools which may last for more than one year and invetories such as tyres and screws which can be seen at 25%. He also has 10% receivables for regular customers and 20% Long term loan for any compressed air machines.
H	Ram Library-wala	A Library, usually charges based on a membership and hence there must be unearned revenue as it can be seen of 85%.

Company	Firm Name	Reason
A	Ram Raddiwala	He buys newspapers from households and sells it to wholesalers, where the margins are thin and he has no other expenses.
B	Ram Saloonwala	He has a high Gross Profit but, he has more operating expenses, probably from other operating expense of running a roadside saloon including rent. Depreciation of Furniture and fixtures can also be captured at 35%.
C	Ram Doodhwala	He has a fixed cost of Milk purchase and he has other operating expenses for delivery, which can be seen.
D	Ram Panwala	He has a minimum cost of purchase of cigarettles, beedis and also sells pan, which gives him better margins and fixed assets would not be high, which is noticed by the depreciation cost only at 5%
E	Ram Dalal	He has 40% Gross Profit from doing the brokerage services and very little other operating expense and as he is operating a service, very little Fixed asset investment is required. Hence depreciation can be seen at 1%.
F	Ram Chakkiwala	He has invested in machinery and it can be noted that the depreciation of the Grinder machine would be a major expense. The grinding process is simple and can be seen by the relatively less value of COGS and Operating expense.
G	Ram Rickshaw-wala	He has very little COGS to account and it can be seen at 5%, and with the service he is providing, the depreciation fo the 3-cycle rickshaw will also be less as the life is long. Another reason is 30% operating costs, assumed on repairs.
H	Ram Dosa-wala	He has relatively high COGS owing to raw material of food items and its average in the food industry to show high Gross profit. The Stove and other equipment have caused depreciation to be at 15% and Interest on loan for the equipments at 30%