1. The summarized income statement equation is: Retained earnings = Revenue - (Expenses + Dividend)

| Year | Retained Earnings [1-(2+3+4)] | = | Revenue (1) | Expenses before exceptional items, prior period items and tax (2) | Expenses from exceptional items, prior period items and tax (3) | Proposed equity dividend + Tax on proposed equity dividend (4) |
|---|---|---|---|---|---|---|
| 2015 | 1,16,52,68,051 | | 4,34,02,85,301 | 2,80,04,62,722 | 28,95,70,950 | 8,49,83,578 |
| 2014 | 80,03,90,800 | | 4,48,99,72,654 | 3,40,40,28,627 | 20,26,93,718 | 8,28,59,509 |

**All amounts in INR*

Anant Raj Ltd calculates and uses dividend amount directly while calculating the Reserves & Surplus. The data for dividends is taken from notes on Reserves and surplus.

2. Revenue and operations. 98.61 % of income. (Rs 4,840,824,599/4,908,928,439)
Other income. 1.39% of income. (Rs 68,103,840/4,908,928,439)
Cost of Sales. 55.74% of expenses. (Rs 1,769,191,055/3,173,853,319)
Financial costs. 17.21% of expenses. (Rs 546,713,363/3,173,853,319)
Other expenses. 12.82% of expenses. (Rs 406,997,599/3,173,853,319)
High Financial cost proportion reveals the capital intensive nature of the type of business in which the organization is. Also low employee benefit proportion expenses show that it is not in a people intensive business.

3. Two items missing were EBIDTA and Changes in Inventory. The absence of Changes in Inventory reflects that it is a non-manufacturing organization.
Items that were interesting are Prior period items and loss from discontinuing operations. Prior period items in this context related to income related to earlier year and provision for expenses written back. This probably suggests some errors in the preparation of financial statements earlier in form of a mathematical error or an oversight or misinterpretation of facts. Discontinuing operations reflected the write down of assets used in the closed operations and other exit barriers that may have been existent.
Also MAT credit entitlement was interesting as it reflected the minimum advance tax paid to the government as a proportion of income which was eventually adjusted as the entity surpasses 30% tax rate

4.a**Share Holding**

| Company | Reserves and Surplus (2015) | Reserves and Surplus (2014) | Increment | Profit as per P/L statement (In 2014-2015) | Difference |
|---|---|---|---|---|---|
| Raymond Ltd. | 1553 | 1475 | 78 | 116 | 38 |
| Infosys Tech. Ltd. | 50164 | 44244 | 5920 | 12373 | 6453 |

*All figures in Rs crore
The difference between the reserves and surplus increment from 2014 to 2015 and profit in year 2015 could be because of the following reasons:
1. Dividends
2. Appropriation
3. Transferred to debenture redemption reserve and other reserves
4. Other provisions

**Inference**: Infosys has transfer more than half of its profit to various other components mentioned above.

**Depreciation and Amortization**

| Company | Depreciation and Amortization (Balance Sheet 2015) | Depreciation and Amortization (Balance Sheet 2014) | Increment | Depreciation (Profit and loss statement) | Difference |
|---|---|---|---|---|---|
| Raymond Ltd. | 1832 | 1700 | 132 | 162 | 30 |
| Infosys Tech. Ltd. | 6470 | 5572 | 898 | 1017 | 119 |

*All figures in Rs crore
**Inference:** We can observe that depreciation in balance sheet and P/L are almost same with slight adjustment with retained earnings .

4 b.
Similarities

1. For CP and Raymond, sale of products would form the chunk of the revenue

Differences

2. As Bluedart does not have to pay excise duty, it directly shows net revenue unlike Raymond and Colgate which have gross revenues and then less excise duties
3. Out of the 4 companies, only Raymond is a part of joint ventures and hence has revenues from them too
4. Infosys, being a services company, has more revenue from sale of services, whereas Raymond, being a product company, has more revenue from product sale
5. Since Infosys is a software company and has clients around the world, communication expense is peculiar to its statement.
6. The employee benefit expenses for infosys is almost 75% of its expenses due to large human capital while for the rest of the companies it is 10% and below.
7. Colgate being the only FMCG company out of the 4, has advertising and sales promotion as a separate head in the income statement

4c.

| | | | |
|---|---|---|---|
| Cost of Goods Sold | 4224+9504 = 13728 | Sales Net | 26400+86400 = 112800 |
| Gross Profit | 99072 | Other income | 0 |
| Depreciation | 0 | Gross Profit | 99072 |
| Other operating expenses (Sales Promotion + research expense + Salary expense) | 1000 + 35 + 1000 = 2035 | | |
| Operating Profit | 97037 | | |
| Interest Expense | 100 | Operating Profit | 97037 |
| Profit before tax | 96937 | | |
| Income tax provision | 33927.95 | Profit before tax | 96937 |
| Net Profit after tax | 63009.05 | | |
| Withdrawals (or dividends) | 35 | Profit after tax | 62974.05 |
| Retained earnings | 62974.05 | | |

Assumptions:
a. Z= 023 and y= 10
b. 1kg each of red and green chilly given to mother-in-law for research (Due to mixture of the two) would not be salable, hence categorized as expense.
c. 1 gram of chilli adjustable in inventory, hence ignored

4d.

- FT issued Zero Coupon Convertible Bonds in 2007 and they have been a part of the balance sheet since
- Total assets have increased 51 times leading to a CAGR of 75% which can be mainly attributed to the Reserves & Surplus and Investments
- Revenues have also increased 67.25 times leading to a CAGR of 82%
- Capital Work in Progress had been almost nonexistent for the first 5 years, after which it increased to capture approximately 10.36% of the total assets
- Foreign Currency monetary item translation difference as a head was introduced directly in 2009. It was nonexistent prior to that
- If we look at the Reserves and Surplus break up, P&L has seen the highest increase of 33 times in a 2-year period
- In Sales break up, Products Sales have increased at a slower pace (CAGR of 49.6%) as compared to the services sales (CAGR of 109.6%). Sales in general have also increased at a healthy pace (CAGR of 76%)