

### **Chapter 3** **Case 1 : Fashion Clothing Company**

The background of the case is quite interesting (with the promoter Mr Silkwallah marrying a consultant-cum-designer for the firm i.e., Ms Kaptawallah who later on becomes a partner of the organization). In fact, it has been created from a real-life scenario. Readers are suggested to read this case twice to understand the transactions.

While preparing the two financial statements (i.e., Balance Sheet and Income Statement) for March 31, 20X4 should not be difficult, preparing these financial statements for June 30, March 20X4 would be quite a challenge. A first time reader might get worked out. Readers are suggested to make relevant logical assumptions, go ahead and give a try to the second part of the solution.

### **Chapter 3** **Case 2 : Four Income Statements**

Readers are assumed to having a basic understanding of each of these four companies and their businesses.

A reader is suggested to look at each and every absolute item and understand reasons for its existence (and its relative importance) in the income statements of these companies. Obviously, freight related costs would assume largest importance for a logistics & courier company compared to a software development firm. If there is an item not understood properly (say, Increase/Decrease in Finished and Process Stock) – then it is suggested to browse through the relevant theoretical section (in this case it will be page 438-440(chapter-8) of the text book).

Another type of analysis would be to look at large changes in any particular item within the balance sheet (over the previous year). For example, if the dividend income for a particular company has gone up during the last one year – it is a clear indication that the company has invested a lot of money in dividend paying stocks during that accounting period.

### **Chapter 3** **Case 3 : CNBC India<sup>1</sup> - Revisited**

Readers browsing through this case would in all probability be surprised that the company has significantly improved its performance at the operating level but still ended up having a tax write back in the year 2005. Similarly, the numbers present in the case would create a few other issues (for example, what makes the margins so high for this company).

Also the year-on-year growth in almost all the figures would be puzzling. Readers are suggested to look for reasons and logic behind these large changes. The cues will come when one starts evaluating ‘item-wise’ the income statement in comparison to last year’s income statement and thinking about it.

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<sup>1</sup> Television Eighteen (TV18) is India's premier business and consumer news broadcaster and a leading media content provider. Besides that, it has, over the last decade, provided prime time television content to almost all leading satellite channels in India. It is among the fast growing media companies in India. TV18 owns studios in New Delhi and Mumbai and has a news gathering network of over 200 journalists across the country.

**Chapter 3**  
**Case 4: Converging into IFRS: Part II**

The case is intended to make the readers appreciate the international perspective of accounting norms i.e., presenting the accounting numbers by large companies (such as Infosys Technologies) using international accounting standards (such as IFRS or US GAAP) to comply with international requirements (of international investors and also other stakeholders).

You are strongly recommended to go through Appendix-B given at the end of the text book before trying to solve this case. This step will help you to get a thorough understanding of the presentation of financial statements according to IFRS standards.

The annual report of Infosys Technological Ltd. is also attached in this web based Readers Resources. You are requested to go through the portions containing the financial statements using the IFRS.

For calculating the exchange rates, try to identify the exact common figures and then you can convert them.

**Chapter 3**  
**Case 5: Ram Traders**

This case is simple, but it provides excellent insights. It will be helpful for any reader to appreciate the impact of each small transaction on the Profit & Loss account. You can take insights from Rewanchal Software (solved example) & Priyamvada Farms (problem provided in the exercise) for solving this case.