

"A man is
great by
deeds, not by
birth"

-Chanakya

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INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Case Study

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The Case of the Unidentified Companies from India

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If you were coming from gems and jewellery sector or airline industry, you visualize the major asset, major source of funds, major source of revenue, major expense and major activity of that particular sector or industry. This case study enables you in linking your existing knowledge of a particular industry to the financial statements of that particular industry. You will be able to learn analysis of financial statements using your existing general knowledge of the industries.

Generally, balance sheet captures assets and sources of funds, income statement captures revenues and expenses, and income statement presents all cash inflows and outflows. The balance sheets of nine companies from nine different industries in percentage form are presented in Table-2. In percentage form of balance sheet, each item of balance is presented as a percentage of total assets. For example, if cash and bank is 5 percent, it means cash and bank balance is 5 percent of total assets of the company. Presenting balance sheet in this form for analysis is called “common-size balance sheet”. This is one of the most traditional and frequently used techniques of financial statements analysis.

A few selected financial indicators based on income statement and balance sheet of these companies are also presented in Table-2. These selected indicators are:

- a. Current Ratio: Current assets divided by current liabilities
- b. Quick Ratio: Quick assets divided by current liabilities
- c. Total Assets Turnover: Sales revenue divided by total assets
- d. Inventory Turnover: Sales revenue divided by inventory
- e. Accounts Receivables Collection Days: 360 days divided by accounts receivables turnover
- f. Inventory holding Days: 360 days divided by inventory turnover

List of nine companies from different industries are given below in Table 1. These nine industries are selected such way that there is significant difference in the way the business activities are performed and hence, there is significance difference between financial statements of these industries.

Table 1: List of Nine Industries

• Stock Broking Sector (Capital Market Intermediary)
• Information Technology Industry
• Non-Banking Finance Companies Sector
• Pharmaceutical Industry
• Online Travel Agency Industry
• Jewellery Industry (Retail)
• Hotel Industry
• Retail Sector (Super Market)
• Aerospace and Defence Manufacturing Industry

Using common-size balance sheet and select financial indicators, you try to match these nine industries given in Table-1 with the nine companies given in the Table -2. You may also identify major three uniqueness of each of these industries in financial statements.

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