

**Financial Accounting**  
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**Lecture – 9**  
**1.8 Walkthrough of Balance Sheet II**

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In this video, we are going to deep dive into the contents of the asset side of the balance sheet of Reliance Industries Limited.

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Notes	As at 31st March, 2019		As at 31st March, 2018	
	₹	₹	₹	₹
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	1,34,891	1,33,379		
Capital Work-in-Progress	5,08,155	93,246		
Intangible Assets	5,275	5,982		
Intangible Assets Under Development	6,462	6,592		
Financial Assets				
Investments	3,71,980	3,71,246		
Loans	1,34,806	17,090		
Other Non-Current Assets	4,817	4,512		
<b>Total Non-Current Assets</b>	<b>6,23,516</b>	<b>6,26,642</b>		
<b>CURRENT ASSETS</b>				
Inventory	39,144	39,596		
Financial Assets				
Investments	39,094	33,717		
Trade Receivables	12,110	10,466		
Cash and Cash Equivalents	5,709	5,712		
Loans	4,474	3,510		
Other Financial Assets	2,274	1,585		
Other Current Assets	11,829	10,687		
<b>Total Current Assets</b>	<b>8,83,925</b>	<b>8,86,812</b>		
<b>Total Assets</b>	<b>15,07,441</b>	<b>15,13,454</b>		
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Equity Share Capital	6,320	6,320		
Other Equity	1,91,610	1,91,610		
<b>Total Equity</b>	<b>1,98,930</b>	<b>1,98,930</b>		
<b>LIABILITIES</b>				
<b>Non-Current Liabilities</b>				
Financial Liabilities				
Borrowings	1,18,298	81,596		
Provisions	2,483	2,285		
Deferred Tax Liabilities Net	47,317	27,928		
Other Non-Current Liabilities	582	582		
<b>Total Non-Current Liabilities</b>	<b>1,68,680</b>	<b>1,12,391</b>		
<b>Current Liabilities</b>				
Financial Liabilities				
Borrowings	39,097	18,739		
Trade Payables Due to				
Wholesale and Retail Trade	295	382		
Other than Wholes and Small Enterprise	88,622	88,492		
Other Financial Liabilities	2,274	48,262		
Other Current Liabilities	46,223	37,563		
Provisions	715	512		
<b>Total Current Liabilities</b>	<b>2,82,823</b>	<b>2,90,647</b>		
<b>Total Liabilities</b>	<b>4,51,503</b>	<b>4,03,038</b>		
<b>Total Equity and Liabilities</b>	<b>15,07,441</b>	<b>15,13,454</b>		

We saw in the previous video that the asset side has non-current assets and current assets; the liability side has non-current liabilities and current liabilities. In this video we are going to look at only the asset side and deep dive into some of the items. Now, let us go to property, plant and equipment.

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Description	Gross Block			Depreciation, Amortisation and Depletion			Net Block	
	At 01-04-2020	Additions	Adjustments	At 01-04-2020	For the Year	Deductions	At 01-04-2020	At 01-04-2021
<b>PROPERTY, PLANT AND EQUIPMENT</b>								
<b>Non Assets</b>								
Leasehold Land	19,510	2	19	1,296	227	1	1,562	18,151
Freehold Land	38,054	92	3	-	-	-	-	37,943
Buildings	14,422	2,238	7	3,974	899	1	6,822	16,700
Plant and Machinery	2,29,009	9,152	421	2,29,381	96,391	381	1,04,941	1,24,739
Electrical Installations	6,322	513	104	6,739	1,387	87	3,772	2,999
Equipment	5,741	44	362	5,423	2,619	589	3,424	2,298
Furniture and Fixtures	658	57	3	712	513	35	545	187
Vehicles	167	38	36	369	499	43	35	429
Ships	458	1	7	463	319	33	7	322
Aircrafts and Helicopters	46	-	-	46	37	1	38	8
<b>Sub-Total</b>	<b>3,04,253</b>	<b>12,137</b>	<b>962</b>	<b>3,15,428</b>	<b>1,12,388</b>	<b>9,812</b>	<b>874</b>	<b>1,29,544</b>
<b>Capital Assets</b>								
Plant and Machinery	118	-	-	118	396	1	307	11
Ships	10	-	-	10	18	-	-	18
<b>Sub-Total</b>	<b>128</b>	<b>-</b>	<b>-</b>	<b>128</b>	<b>414</b>	<b>1</b>	<b>-</b>	<b>29</b>
<b>Total (A)</b>	<b>3,04,381</b>	<b>12,137</b>	<b>962</b>	<b>3,15,556</b>	<b>1,12,792</b>	<b>9,813</b>	<b>874</b>	<b>1,29,573</b>
<b>INTANGIBLE ASSETS</b>								
Technical Knowhow Fees	4,420	138	-	4,558	2,769	163	-	2,810
Software	1,013	43	13	1,069	857	48	13	988
Development Rights	43,151	150	-	43,301	38,852	1,412	-	35,217
Others	812	52	-	864	812	39	-	450
<b>Total (B)</b>	<b>49,406</b>	<b>283</b>	<b>13</b>	<b>49,702</b>	<b>39,468</b>	<b>1,499</b>	<b>13</b>	<b>46,989</b>
<b>Total (A+B)</b>	<b>3,53,787</b>	<b>12,420</b>	<b>975</b>	<b>3,65,258</b>	<b>1,52,260</b>	<b>11,312</b>	<b>887</b>	<b>1,76,562</b>
<b>Previous Year</b>	<b>3,37,352</b>	<b>96,253</b>	<b>296</b>	<b>3,53,899</b>	<b>1,42,074</b>	<b>9,885</b>	<b>534</b>	<b>1,25,244</b>
<b>CAPITAL WORK-IN-PROGRESS</b>								
<b>INTANGIBLE ASSETS UNDER DEVELOPMENT</b>								

So, when you scroll down in the annual report, you will go to note number 1 which gives you the details regarding property, plant, equipment, work in progress, intangible assets; what are all these things and here you have a list. In the list you see three broad sections; you will have something called gross block, you have depreciation, you have net block. What does this mean?

Now, we have our own assets, we have leased assets. The property, plant and equipment, these are tangible assets and you have the intangible assets also. So, it is a 2 by 3 matrix in a way. For tangible assets, you have been given different categories of lands- leasehold, freehold- do not worry about those, we need to keep things simple for this course by just understanding the contents, being able to read it and then we can go to advanced things later in the course.

You have a gross block, which really means the cost at which you purchase a given asset. And then there is something called a reduction in the value of the asset over a period of time because you use it, the asset has wear and tear or the market value goes down. So, for different reasons the value of an asset goes down and then you have a final net number. So, that is how this table is arranged, and they tell you the cost of the land which was purchased during the year or even before that year and then you have the depreciation on that land during the year and the final

number which is shown in the balance sheet. Understand that there are four different columns within that but the underlying principle is that an asset which is purchased has a long-term life. Let us say this is an asset and this has a long term life. Long-term life simply means that it is going to help you generate a revenue every year, year on year, atleast for a few years. Now, what is going to happen every year? Let us say financial year 1 and this is the value of the asset. During this first year, you use this asset to generate revenue and -let us say you just for representation purposes- you use this much part of the asset. Next year, you have only this much asset available to be used and then in financial year 2, you use again a certain part of the asset towards generating revenue and then in the following year you have only this much. So, this component is called depreciation and we will again talk more about it further in the course.

So, all we want to understand from this note 1 in the annual report of RIL is that, there is a gross block which means, in the beginning I had this much and then depreciation is given in the second block, which is this amount plus this amount total depreciation. And finally, this is the net amount which is being shown in the last column and hence in the balance sheet.

Let us go back to the balance sheet. The next item I want to look at is investments made by Reliance Industries Limited.



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		(₹ in crore)	
		As at 31st March, 2019	As at 31st March, 2018
<b>3. LOANS - NON-CURRENT (UNSECURED AND CONSIDERED GOOD)</b>			
✓ Deposits with Related Parties (Refer Note 31(V))		822	847
✓ Loans and advances to Related parties (Refer Note 31(V))		30,152	16,002
✓ Other Loans and Advances *		832	850
<b>Total</b>		<b>31,806</b>	<b>17,699</b>

\* Other Loans and Advances includes primarily fair value of interest free deposits.

*Loan Given*  
*- Secured → Collateral*  
*✓ Unsecured → NO collateral*

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So, when you click on the investments, you have note number 2 and this note shows you details of investments, and mind you this ran into multiple pages. If you have the annual report with you right now, you would see.

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Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Units	Amount	Units	Amount
<b>INVESTMENTS - NON-CURRENT</b>				
<b>INVESTMENTS MEASURED AT AMORTISED COST</b>				
In Preference Shares of Associate Company				
Unquoted, fully paid-up				
9% Non-Cumulative Redeemable Preference Shares of East-West Pipeline Limited of ₹ 10 each			50,00,000	1,547
				<b>3,842</b>
In Debentures of Other Companies				
Unquoted, fully paid-up				
9% Non-cumulative Debentures of Jio Digital Fibre Private Limited of ₹ 10 lakh each	453,430	45,342		
9% Non-cumulative Debentures of Reliance Infrastructure Private Limited of ₹ 10 lakh each	2,14,300	21,430		
In Government Securities				
Unquoted				
6 Years National Savings Certificate (Registered with Sales Tax Department and Other Government Authorities) of ₹ 1,00,000 (Previous Year ₹ 1,00,000)				
<b>Total of investments measured at Amortised Cost</b>		<b>66,778</b>		<b>3,842</b>
<b>INVESTMENTS MEASURED AT COST</b>				
In Equity Shares of Associate Companies				
Quoted, fully paid-up				
Reliance Industrial Infrastructure Limited of ₹ 10 each	68,60,004	68	68,60,004	68
Unquoted, fully paid-up				
Capitol Chemicals Park Terminal Company Limited of ₹ 1 each	64,29,20,000	64	64,29,20,000	64
Indian Vaccines Corporation Limited of ₹ 10 each	62,63,125	1	62,63,125	1
Jainagar (SDF) Co. & Power Private Limited (Formerly Reliance Utilities and Power Private Limited) Class 'B' Shares of ₹ 1 each	52,00,000	-	52,00,000	-
(₹ 46,40,000; Previous Year ₹ 46,40,000)				
Reliance Europe Limited of Sterling Pound 1 each	11,08,000	4	11,08,000	4
In Equity Shares of Joint Venture Companies				
Unquoted, fully paid-up				
Jio Payments Bank Limited of ₹ 10 each	10,24,00,000	102	9,24,00,000	92
Ravi Project Managers Private Limited of ₹ 10 each	5,00,000	1	-	-

There are so many different types of investments that this company has done in different investment options. You have preference shares of associate companies, debentures of other companies, government securities, equity shares of other companies, joint venture companies. Again, you know there is some advanced terminology here, I do not want to get into that.

But we need to understand that, Reliance Industries Limited has invested their money in government schemes or in other companies which is possible for any artificial legal person, a company to do. So, there you go, this is the details of investments made by Reliance Industries. We can also look at the details of loans here.





The loans are non-current loans. There are two categories of loans- secured and unsecured. Now, these are the assets we are talking about. So, loans given to, let us say employees, secured means that there is collateral. Collateral meaning if the employee does not pay back the loan, you can sell off his property, you have the paperwork for that and the legal process has been done. Unsecured means that there is no security, there is no collateral. In case the loan does not come back to Reliance Industries Limited, it cannot do anything; it cannot recover that amount, right. So, just a couple of terminologies which I thought I could clarify. Again deposits with related parties; related parties are associate companies of Reliance Industries and Reliance has hundreds of companies under its wing. So, it is a very complex company; I have possibly taken the largest company in India, so it is very complicated in that sense.

Then you have other loans and advances. So, you know some details are given here; sometimes these are obvious, sometimes we have to further look through the financial report, the annual report to understand what is this and that.

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			(₹ in crore)	
			As at	As at
			31st March, 2019	31st March, 2018
<b>4. OTHER NON-CURRENT ASSETS (UNSECURED AND CONSIDERED GOOD)</b>				
✓ Capital Advances		967		355
✓ Advance Income Tax (Net of Provisions)		1,827		1,605
✓ Other Non-Current Assets with Related Parties (Refer Note 21.00)		1,373		1,256
✓ Others		314		312
<b>Total</b>		<b>4,281</b>		<b>3,522</b>

\* Include ₹ 295 crore (Previous Year ₹ 295 crore) deposited in Gas pool account (Refer Note 12.4 (b))





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Let us go to the next item which is other non-current assets. Other non-current assets include capital advances; this is the advance money which has been given to the vendors or to different parties that you deal with. Any advance income tax which has been deposited, also filed income tax refund, you expect that money to come back to you, also appear under this head. So, this kind of thing is true for the companies as well.

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S. INVENTORIES	₹ in crore	
	As at 31st March, 2019	As at 31st March, 2018
Raw Materials (Including Material in Transit)	19,334	19,354
Work-in-Progress *	6,450	5,021
Finished Goods	13,162	10,864
Stock-in-Trade	84	68
Stores and Spares	4,816	3,871
<b>Total</b>	<b>44,246</b>	<b>39,588</b>



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Next step you have inventories, the stock of unsold goods. What does it include? It has raw material, it has work in progress, finished goods, the stock which is in the trade, ready to be sold and some other stores, and you know spare parts and so on.

So, we have details of all of the stock. So, for any company, all these details will be available on their annual report.

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Particulars	₹ in crore	
	As at 31st March, 2019	As at 31st March, 2018
<b>6. INVESTMENTS - CURRENT</b>		
<b>INVESTMENTS MEASURED AT AMORTISED COST</b>		
In Collateral Borrowing and Lending Obligation - Unquoted	-	585
<b>Total of Investments measured at Amortised Cost</b>		<b>585</b>
<b>INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)</b>		
In Fixed Maturity Plan - Quoted, fully paid up *	3,358	-
In Mutual Fund - Quoted *	8	5
In Mutual Fund - Unquoted *	23,693	21,542
<b>Total of Investments measured at Fair Value Through Other Comprehensive Income</b>	<b>27,059</b>	<b>21,547</b>
<b>INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)</b>		
In Debentures or Bonds - Quoted, fully paid up *	7,359	5,824
In Fixed Maturity Plan - Quoted, fully paid up *	-	5,309
In Government Securities - Quoted *	12,835	-
In Mutual Fund - Quoted *	-	2
In Treasury Bills - Quoted	-	1,943
In Certificate of Deposits - Quoted	373	-
In Debentures of Other Companies - Unquoted, fully paid up	11,478	-
In Mutual Fund - Unquoted *	452	18,017
<b>Total of Investments measured at Fair Value Through Profit and Loss</b>	<b>32,497</b>	<b>31,145</b>
<b>Total Investments - Current</b>	<b>59,556</b>	<b>53,277</b>
Aggregate amount of Quoted Investments	25,533	13,133
Market Value of Quoted Investments	25,533	13,133
Aggregate amount of Unquoted Investments	35,623	40,144

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Let us look at the investments, again current investments; we have looked at non-current investments before. So, the current investments again, you know this was a long list, I just cropped part of it and I am showing it here. So, the Reliance Industries are invested in different investment avenues; again government funds, private schemes, other companies and so on.

So, the idea is that you know there can be hundreds of transactions, thousands of transactions, different kinds of items, but they are going to be categorized under the same four heads: asset, liability, income, expenses. And within these there can be subcategories, you will be familiar with all of those.

So, yeah, right. So, I have gone through all the details which I wanted to. You can feel free to browse through the rest of notes as well in the annual report and you know you should get most of it at least in terms of at the surface level, what are assets, liabilities.

How these numbers are arrived at is something which we have to learn in this course as well, so that you can make sense of the data which is presented. Right now we are only looking at the left hand side, the concepts, the terms which are being used. And as we move forward, we are going to look at these numbers, how these numbers are arrived at. Alright, I will stop here. In the next video we are going to talk about the liabilities side of the balance sheet.