

## INTRODUCTION:

The end product of the financial accounting is a set of financial statements. Some of these statements are statutory and some are not. These financial statements relate to a specific date or cover a specific period viz. month, quarter, annual. In the Indian context, the balance sheet, the income statement (profit & loss account), and cash flow statement are considered to be the statutory financial statements, though many companies have started including other statements for the economic value added (EVA), human resource accounting etc. in their annual reports. In this chapter we will concentrate on balance sheet. To examine the content of the balance sheet we will look at the financial statements of NALCO.

Balance sheet reflects the financial picture of an organisation as it stood on a particular date. It shows the assets owned by a company and its corresponding sources on a particular date. Balance sheet answers the following questions:

- What properties (**Assets**) are owned by the company ?
- What percentage of assets are being financed by the outsiders' money (**Liabilities**)?
- What percentage of assets are being financed by the owners' money (**Networth or Shareholders fund or Equity**) ?

In the standard accounting model, the balance sheet can be represented by using the accounting equation i.e.

$$\text{Assets} = \text{Shareholders' Funds} + \text{Liabilities}$$

Table 6.1 shows the condensed balance sheet of NALCO as on 31<sup>st</sup> March 2006.

Table 6.1			
Balance Sheet of NALCO as on 31st March, 06 (Rs. In crores)			
<b>Sources</b>		<b>Assets</b>	
Shareholders' Funds	6534	Fixed Assets	4176
Long Term Loan	0	Investments	0
Current Liabilities	940	Current Assets	3298
<b>Total</b>	<b>7474</b>	<b>Total</b>	<b>7473</b>

Source: Annual Report of NALCO

Table 6.2 shows the above balance sheet in the form of the accounting equation.

Table 6.2		
Accounting Equation as on 31st March 2006		
Assets =	Owners's Fund +	Liabilities
7473	6534	940

Source: Annual Report of NALCO

Though the statutory requirement is that a company is required to prepare the balance sheet at the end of the year, but it can be prepared after every transaction or every day, at end of the week, at the end of the month, at the end of the quarter, or any other day. It is prepared on the basis of Generally Accepted Accounting Principles (GAAP, as discussed in the previous section).