

Tcs financial statement analysis

[Economics](#), [Tax](#)



Major Sources of Revenue:

- a) Revenue from operations: accounts for 98% of the total revenue of the firm and consists of the revenues from the below categories
Information technology and consultancy services: contributes 97% of the total revenue from operations
Sale of equipment and software licenses contributes 3% of the total revenue from operations
- b) Other Income: accounts for approximately 2% of the total revenue of the firm and consists of the revenues from the below major categories
Interest Income: Contributes to 81.0% of the total revenue from other income
73% of the Interest income comes from Interest on Bank & Interest on long term Bonds & Debentures. 25% of the Interest income comes from Inter-Corporate deposits. Profit from Sale of mutual funds and other current Investments Contributes to 0.57% of the total revenue from other income.

Major Expenses

- a) Employee benefit expenses: consumes 35.78% of the total operations revenue and consists of the below categories
Salaries and incentives: accounts for 87.57% of the total employee benefits expense.
- b) Operations and other Expenses: consumes 32.11% of the total operations revenue and consists of the below major categories.
Overseas business expenses:- accounts for 43.4% of the total.
Operations and other Expenses Services rendered by business associates and others: - accounts for 18.42% of the total Operations

and other Expenses hardware and material costs: Software, - accounts for 11 the total Operations and other Expenses

- (c) Tax expenses: consume 7.27% of the total operations revenue
- (d) Dividend on equity shares and tax thereon for Fiscal 2014 accounts increased by 40% Year on Year (7058.2 cr scores fiscal 2014)

Major Uses of funds:

- a) Cash And Bank Balance: accounts for 21.51% of the total Non-Current Investments and Current assets. The company has increased the Cash and Bank balances significantly in fiscal 2014. Horizontal analysis on the Balance Sheet for Cash and Bank Balances shows a Year on Year growth of 113.34% for fiscal 2014.
 - b) Purchase of Fixed Assets: The Company has been investing in infrastructure development across various locations in India to meet its growing business needs. Additions to the gross block in fiscal 2014 amounted to 2,284.7 cr scores Horizontal analysis on the Balance Sheet for fixed assets shows a Year on Year growth of 28.27% for fiscal 2014.
 - c) Non-Current Investments: Company has increased the Non-Current Investments significantly in fiscal 2014. Horizontal analysis on the Balance Sheet for Non-Current Investments shows Year on Year growth of 134.97% for fiscal 2014.
 - d) Long Term Loans & Advances: accounts for 10.85% of the total Non-Current Investments and Current assets.
 - e) Short-term loans and advances: accounts for 6.2% of the total Non-Current
- Question 2: Perform a horizontal and vertical analysis on the

Balance Sheet and Profit and Loss Account and comment on any significant changes that you observe over the last 2 years.

Please refer to the attached excel sheet for arriving at the below conclusions

- a) Profit & Loss statement: Significant observations on Horizontal analysis. Net Profit After Tax for Fiscal 2014 shows a Year on Year growth of 37.70%. Net Profit After tax nearly doubled when compared with Fiscal 2012. Earnings per Share also shows consistent growth in the last few Fiscal years. Shows a Year on Year increase by 37.58% in Fiscal 2014. Finance Cost for Fiscal 2014 has decreased significantly by 20%. Tax for Fiscal 2014 has increased significantly by 51% Year on Year. Profit & Loss statement: Significant observations on Vertical analysis. Despite a significant increase in the Employee base, we find that Employee Expenses as a % of revenue remained constant around 35% in the last few Fiscal years. Total Expenses as a % of revenue remained constant around 70% in the last few Fiscal years. Total Tax as a percentage of revenue, increased from 6.37% in fiscal 2013 to 7.2%.
- b) Balance Sheet: Significant observations on Horizontal analysis. Non-Current liabilities shows a Year on Year growth of 4.64% in Fiscal 2014. Fixed assets show a Year on Year growth of 28.27% in Fiscal 2014. Current liabilities show a Year on Year growth of 34.33% in Fiscal 2014. Reserves and Surplus shows a Year on Year growth of 27.76% in Fiscal 2014. Share Capital shows a Year on Year negative growth of 33.76% in Fiscal 2014. Current assets show a Year on Year growth of 36.

62% in Fiscal 2014. Long Term borrowings show a Year on Year negative growth of 2.4% in Fiscal 2014. Balance Sheet: Significant observations on Vertical analysis. Cash and bank balances as a % of the total Assets excluding fixed assets increased from 12.97% Fiscal 2013 to 21.51% Fiscal 2014. Non-Current Investments as a % of the total Assets excluding fixed assets has been increasing steadily in the last few Fiscals. Short-term loans and advances as a % of the total Assets excluding fixed assets decreased from 10.81% in Fiscal 2013 to 6.42% in Fiscal 2014. Goodwill as a % of the total Assets excluding fixed assets decreased from 6.86% in Fiscal 2013 to 3.7% Fiscal 2014.

Question 3

Scrutinize the Notes to Accounts and Statement on Significant Accounting Policies and check for any deviations in accounting policy over the last year with respect to major items. An NAST There were no deviations with respect to significant accounting policies. However TCTTS adopted a new hedge accounting principle under the below category.

- a) Foreign currency forward, option and futures contracts: TCTTS enters into foreign currency forward, option and futures contracts to manage its exposure to exchange rate fluctuations, in accordance with its risk management policies. With effect from January 1, 2014, the Company has adopted hedge accounting principles in line with International Financial Reporting Standard 9 (referred to as IFFIRS), which aligns more closely with the Company's risk management policy. The change

has resulted in a reduction of ₹ 4,76 crores profit before tax in fiscal 2014.

Question 4

Cash generated from operations, post adjustments to profit before tax, has gone up from ₹ 16,436.77 crore fiscal 2013 to ₹ 21,795.4 crore fiscal 2014, registering a growth of 32.60% over the previous fiscal. Income from Interest in Interest funds invested went up by 71.22%, from ₹ 798.80 crore fiscal 2013 to ₹ 1,367.72 crore

- (a) Uses of cash in fiscal 2014. During fiscal 2014, the significant uses of cash were Acquisition of French Company Alia. ₹ 4,100 crore, Payment of Dividend & dividend tax for ₹ 5,489.54 crore, Purchase of fixed assets ₹ 7,043.63 crore, Increases in inter-corporate deposits ₹ 811.60 crore, Investment in fixed deposit. Pay Taxes amounting to ₹ 4015.80 crore, Working Capital expenditures ₹ 1,916.38 crore.
- (b) Was the cash flows from operations greater than or less than net income? Explain in detail the major reason for the differences in these 2 figures. For Fiscal 2014, by referring to the Consolidated financial statements we get the below figures: Net Cash provided by Operating activities = ₹ 14,751.41 crore, Profit for the year = ₹ 19,163.87 crore.
- (c) Unbilled Revenue - ₹ 811.60 crore, Trade Receivables - ₹ 4,015.80 crore. Was the firm able to generate enough cash from its operations to be able to pay for all its capital expenditures? For Fiscal 2014, by referring to the Consolidated financial statements we can arrive at the below table. Net Cash Provided by/Used in Fiscal 2014

Fiscal 2013 Operating activities 14, 751. 41 11, 614. 96 Investing activities (9, 667. 08) (6, 085. 66) Financing activities 5, 673. 24) (5, 729. 48) Exchange difference on the translation of foreign currency 21 5. 41 48. 5 Net (decrease)/increase in cash and cash equivalents after translation (373. 50) (152. 13) Purchase of fixed assets accounted for (3126. 15).

- (d) Did the cash flow from operations cover both the capital expenditures and payment of dividend, if any? AnNASDividend paid accounted for (5480. 7) CrScoresf the Net Cash of (5673. 24) crscoreessed in financing activities.
- (e) How did your firm invest its excess cash (if any)? Cash flow statement from Investing Activities indicates that the excess cash that remains after investing and financing is in Short-term bank deposits.