CHAPTER 9

Case hints: The text below case is not a suggested solution. But, these hints will help you in having a rich discussion and a richer learning experience.

CHAPTER 9
Case 1 : Kevat Equipments Limited

This case situation is created based on a real company i.e., Revathi Equipments Limited.

Revathi Equipments Limited is an old company into the drilling equipment business for mining industry. It was a joint venture between an Indian promoter (Abhishek Dalmia, also known as the Renaissance group) and a USA partner, namely, Chicago Pneumatics. Till 2001, the foreign partner was the managing partner of the company. In 2002, Chicago Phenmatic Co was bought out by its competitor Atlas Copco., a Swedish Group of Europe. In 2002, Copco decided to quit this business globally and hence sold their stake off to the Indian Promoters. In other words, from 2002 onwards the company has been managed by Abhishek Dalmia group.

This background detail is essential to understand the case events and discussion. A reader should thoroughly understand the ‘notes to accounts’ and then attempt adjusting the company’s profit & loss account. He should also understand the perspective of the stakeholders involved i.e., the management and the union leaders.

CHAPTER 9
Case 2: Intangibles at Marico Industries Limited

We came across Marico Industries in Chapter 8 for a bonus debenture issue. We revisit Marico Industries in this case. Companies adjust their balance sheet items after approval from the courts. A reading of accounting standards related to intangible assets should help in solving the case.

CHAPTER 9
Case 3: Hatsun Agro Changes its Accounting Policies

This case is related to a change in the accounting policies of the company and the relevant accounting standards. While the figures are relatively small for the company but the case looks at the issues related to compliance of the accounting standards.

CHAPTER 9
Case 4: Financial Restructuring at Tata Motors

Tata Motors was earlier known as Tata Engineering and Locomotive Company (TELCO). The company has been doing very well right from its start. It went into very bad times in 2001 and made a big loss of more than Rs 500 crores (first time in its history). Due to this, the company was hiding impairment in its assets. As soon as things started looking up, the company started cleaning its balance sheet.

This captures the issues involved in a company deciding to clean up its balance sheet.

CHAPTER 9
Case 5: Global Trust Bank First Indications

One can start writing the solution by drawing a time line and explaining the events. We present the same below:

GTB: Events Time Line

➔ March 2002: Financial Year Closes

➔ June 2002: Global Trust Bank finalizes its financial statements and shows a profit of Rs 40 crores. External Auditors also approve the same (with no qualifications).

➔ September 2002: RBI's inspection report questions the annual numbers and states the actual networth of the bank being negative.

➔ October – December 2002: RBI writes to ICAI about the quality of auditors and also asks ICAI to take stringent action against them (suspend their membership).

➔ December 2002 - January 2003: The new auditors take over

A good understanding of the relevant financial standards would help in solving the case.

CHAPTER 9
Case 6: TVS Finance and its Contingent Liabilities

Financial services companies and banks have to deal with a large number of contingent liabilities. This case deals with contingent liabilities of TVS Finance, the finance arm of TVS Iyengar Group. We suggest you to revisit the relevant accounting standards in chapter 9 while solving this case. The glossary section of the book also would be quite helpful.

CHAPTER 9
Case 7: Provisions and Contingencies at ICICI Bank

This case will help you all to understand the difference between balance sheet & non balance sheet item. You will also see from this practical example how a non balance sheet item is becoming a balance sheet item, based on different conditions which are imposed on this case. You are requested to study the Provision & Contingent Liability portion thoroughly before you approach this case (and even the previous case i.e., case 6). Also, make full use of the glossary section.

One of the objectives of the case is to tell you that the actual finance world has got a large number of jargons. The new terms which have been introduced in this chapter will be tough for you. We assure you that a few of the terms would not be easy for even managers working in the banking industry (please try that out). At this point, it may be tough for you to understand as some of these terms you will learn in your Financial Management class and your advanced courses in Finance. It gives you the format used by banks, the terms used in the banks and the issues involved in the banking industry with respect to contingent liabilities. Spending time over the case and deciphering the terms used will also give you confidence in attending finance company interviews for good managerial positions (by making you understand the areas to concentrate on in future).

CHAPTER 9
Case 8: Arcelor Mittal : a Giant in Steel Industry

Negative goodwill can be defined as the gain occurring when the price paid for an acquisition is less than the fair value of its net assets. This can occur on participating in a distresses sale. You are requested to read the amortization of intangible asset portion of appendix-B (IFRS), before you approach this case study. You can also do browse through the web resources on IFRS -3 for getting a better understanding on 'negative goodwill'.

Try to compare & contrast this with our Indian accounting standards.

This being the last document as part of reader(s) web based resources. We would like to thank you for using our book and would take this opportunity to wish you the best in your endeavors.

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