

Three Statements, One Story

Financial statements for managers and new analysts



Contents

	How to use this book	1
1	Why every manager needs the accounts	3
2	The P&L, line by line	12
3	The balance sheet	21
4	The cash flow statement	30
5	How the three statements fit together	39
6	The notes and the auditor's report	48
7	Group accounts, segments and one-offs	57
8	An annual report in 60 minutes	66
9	Your toolkit	74
	Sources and notes	80
	What to read next	81

How every chapter works

The idea → Why it matters → The method → A worked example
→ Your worksheet → 3-line summary

Included with this book

Printable worksheets: **Find the accounts, Profit ladder, Balance sheet map, Cash flow walk, Trace a transaction, Notes hunt, Like-for-like check, One-page summary, Reading route.** Excel files: **Company summary template (example + blank).** All in your download.

1

Why every manager needs the accounts

The accounts are the scorecard of every decision; reading them is a management skill, not an accounting one.

IN THIS CHAPTER

- Three statements, three questions
- Who reads accounts, and what they look for
- Where Indian companies publish their accounts
- The formats and the rules behind them
- Meet Vardhan Kitchenware
- Your worksheet: find the accounts

By the end, you will be able to

- Name the three statements and the question each one answers
- Find the accounts of any listed or unlisted Indian company
- See how your own job shows up in the numbers

THE IDEA

Every decision ends up in the numbers

A sales head offers dealers 90 days' credit instead of 60 to win volume. An operations manager buys extra steel before a price rise. An HR head approves a pay rise. None of them works in finance, yet each decision changes the accounts: sales and profit, money owed by dealers, stock in the warehouse, cash in the bank.

People who can read the accounts see these effects before they become problems. They notice that sales are up but dealers are paying later, or that profit rose while cash fell. People who can't read them find out at the year-end review, when it is too late to change course.

Your decision	Where it shows up
Longer credit to customers	More revenue, but higher receivables and less cash
Buying stock early	Higher inventory today, lower material cost later
A new machine	Fixed assets up, cash down; a depreciation charge every year
A bank loan	Borrowings up, cash up; an interest cost every year
A pay rise	Employee cost up, profit down, every year from now on

The point: you don't need to prepare accounts. You need to read them well enough to see how decisions, yours and others', change the business.

THE IDEA

Three statements, three questions

Each statement answers one simple question. Read together, they tell one story.

Statement	The question it answers	Covers	Key line
Profit and loss (P&L)	Did we make money?	A period, such as a year	Profit after tax
Balance sheet	What do we own and owe?	One date, such as 31 March	Total equity (net worth)
Cash flow statement	Where did the cash come from and go?	A period	Cash from operations

The P&L is a film

It shows what happened over the whole year: sales earned and costs used up, whether or not cash changed hands yet.

The balance sheet is a photo

It freezes one moment: everything the company owns and owes at the close of business on the last day of the year.

The cash flow statement is the bank passbook

It shows the actual money that came in and went out, grouped into running the business, investing in it and funding it. Profit can be shaped by estimates; cash in the bank is much harder to fake.

Indian companies also publish a **statement of changes in equity**, which shows how the owners' share moved during the year (profit added, dividends paid, new shares issued). You will meet it in Chapter 3.

THE IDEA

Who reads accounts, and what they look for

The same statements are read by very different people, each looking for different answers. Knowing who is reading helps you guess which numbers will be questioned.

Reader	Main question	Lines they check first
Banks and lenders	Will we be repaid on time?	Cash from operations, debt, interest cover
Shareholders and investors	Is the business growing in value?	Profit growth, return on capital, dividends
Suppliers	Will this customer pay us?	Cash, payables, short-term liquidity
Customers (large buyers)	Will this supplier survive a long contract?	Net worth, debt, profit trend
Management and the board	Are we on plan, and what needs fixing?	Margins, costs, working capital
Tax authorities	Is the taxable profit correct?	Revenue, expenses, related-party dealings
Job seekers and employees	Is this a stable place to work?	Sales trend, profit, debt

Try this

Before your next review meeting, ask yourself which of these readers your boss is thinking like that day. A CFO preparing for a bank meeting will ask about cash; one preparing for investors will ask about growth and margins.

THE METHOD

Where to find the accounts

In India, most companies' accounts are public. You just need to know where to look.

- 1 Listed companies:** the full annual report is on the company website (Investors section) and on the BSE and NSE websites, along with quarterly results and investor presentations.
- 2 Unlisted companies:** private and unlisted public companies file their financial statements with the Ministry of Corporate Affairs (MCA). Anyone can view them on the MCA portal for a small fee.
- 3 Quarterly results:** listed companies publish results every quarter. These are shorter, often reviewed rather than fully audited, and usually leave out the full cash flow statement.
- 4 Investor presentations and earnings calls:** management's own explanation of the numbers, with segment detail and future plans. Useful, but remember they are written to persuade.

Best for learning

- The full annual report
- Notes to the accounts
- Auditor's report

Read with care

- Press headlines
- Highlights pages
- “Adjusted” profit figures

Tip: always download the full annual report, not just the results press release. The release shows what the company wants you to see; the report has to show the rest.

THE METHOD

The formats and the rules behind them

Indian companies don't choose their own layout. The Companies Act, 2013 (in its Schedule III) sets the format of the balance sheet and the P&L, so statements from different companies look similar and are easier to compare. Banks and insurers have their own formats set by their regulators.

Who	Accounting rules they follow (as of 2026)
Listed companies and larger unlisted ones	Indian Accounting Standards (Ind AS), which are close to the international IFRS standards
Smaller unlisted companies	The older Indian accounting standards (often called Indian GAAP)
Banks, NBFCs and insurers	Their own regulator's formats, plus Ind AS where it applies

You don't need to know the standards to read the accounts. What matters is that the same rules apply year after year, so you can compare the latest year with the one before, and one company with another in the same industry.

Four words you will see everywhere

Standalone

The accounts of one company on its own.

Consolidated

The parent plus its subsidiaries, as one group.

Audited

Checked by an independent chartered accountant firm.

Financial year

Usually 1 April to 31 March, written as FY2025–26.

EXAMPLE

Meet Vardhan Kitchenware

Vardhan Kitchenware Ltd (invented) makes pressure cookers, non-stick cookware and mixer-grinders. It sells through about 2,000 dealers and two large online marketplaces. Here is its business in Year 2 at a glance; the following chapters open up each number.

Item (₹ crore)	Year 1	Year 2	Change
Revenue from operations	440	500	+13.6%
Profit after tax	36	42	+16.7%
Total assets	360	405	+12.5%
Borrowings	85	90	+5.9%
Cash and bank	45	45	0%
Cash from operations	–	46	–

At first sight, a healthy year: sales up 13.6%, profit up even faster. But look again. Profit rose by ₹6 crore, borrowings by ₹5 crore, and cash did not move at all. A good reader immediately asks: *where did the ₹42 crore of profit go?*

Keep this question in mind

Chapters 2 to 5 answer it step by step. You will find the money in stock, in dealers' unpaid bills, in a new production line and in a dividend, and you will see why none of that is necessarily bad.

All Vardhan figures are in ₹ crore (1 crore = 100 lakh = 10 million). Year 1 is the earlier year and Year 2 the later one; annual reports print them side by side in the same way.

APPLY IT · FIND THE ACCOUNTS

Find the accounts

Pick one company to follow through this book: your employer, a customer, a supplier or a listed company you know.

1 Company name, and listed or unlisted?

2 Where did you find the latest annual report? (link or source)

3 Financial year it covers, and the date the auditor signed it

4 Standalone, consolidated, or both? Which will you use?

5 Revenue and profit after tax for the latest two years

6 One number that surprised you, and why

Example (invented): a listed paints company

Annual report from the company's Investors page; FY2025–26; auditor signed in May; both sets published, using consolidated because of overseas subsidiaries. Surprise: cash fell even though profit rose 9%.

CHAPTER 1 IN 3 LINES

What to remember

- 1 The P&L shows performance over a period, the balance sheet shows position on one date, and the cash flow shows actual money in and out.
- 2 Different readers check different lines: lenders look at cash and debt, investors at growth and returns.
- 3 Listed companies publish full annual reports; unlisted companies file theirs with the MCA.

KEY WORDS

Annual report

The yearly document with the audited statements, notes, auditor's report and management's commentary.

Schedule III

The part of the Companies Act, 2013 that sets the format of company accounts.

Consolidated accounts

A parent company and its subsidiaries reported as one group.

Common mistakes

- Reading only the press release or the highlights page
- Comparing standalone with consolidated figures
- Treating one good year as a trend

Try this week

- Download one full annual report
- Find its three statements and mark the key line in each
- Ask which reader your next meeting is written for

Quick self-check: Vardhan's profit rose by ₹6 crore but its cash did not change. Write down three places the money could have gone before you read on.

You've just read Chapter 1 of Three Statements, One Story.

The full book has 9 chapters, 9 worksheets and 86 pages. It is Book 1 of The Corporate Finance Shelf: 11 short, practical books on one subject, sold together.

STILL TO COME IN THREE STATEMENTS, ONE STORY

2 The P&L, line by line

3 The balance sheet

4 The cash flow statement

5 How the three statements fit together

6 The notes and the auditor's report

7 Group accounts, segments and one-offs

8 An annual report in 60 minutes

9 Your toolkit

THE 11 BOOKS IN THE CORPORATE FINANCE SHELF

1 Three Statements, One Story

2 Ratios That Reveal

3 Is the Profit Real?

4 Model Any Business

5 What It's Worth

6 Budgets That Hold

7 The True Cost

8 The Cash Cycle

9 Invest or Walk Away

10 Funding the Firm

11 Buy, Merge, Integrate

892

pages in the Shelf

99

worksheets

11

Excel files

₹699

for all 11 books · instant PDF download

proshelf.in

Questions? support@proshelf.in