

ACCOUNTANCY CLASS-12

TOPIC: TOOLS OF FINANCIAL STATEMENT ANALYSIS

SUB TOPIC: COMPARATIVE AND COMMON SIZE STATEMENTS

STEP 1: Revise the formats of the financial statements of a company discussed in the previous class, i.e.

1. Balance sheet of a company
2. Statement of profit and loss of a company

STEP 2: Follow the steps given in the power point presentation to understand the basics of “comparative and common size statements” and Note down these basics in your register.

SLIDE NO. 1 TO 17: Comparative statements

SLIDE NO. 18 TO 28: Common size statements

STEP 3: Watch the following videos on YOUTUBE to understand how to solve a question of comparative and common size statement.

Comparative statements

<https://www.youtube.com/watch?v=RImWa5XiJBA&feature=youtu.be>

Common size statements

<https://www.youtube.com/watch?v=K84UhoJTiw>

STEP 4: Solve the following illustrations from the book T.S. Grewal in the register:

Topic	Illustration no.
Comparative balance sheet	3, 4

Comparative statement of profit and loss	6,7,8,11
Common size balance sheet	18,19
Common size statement of profit and loss	14,15

STEP 5: Solve the following questions from the back exercise of the book T.S. Grewal:

Practical questions: Q 4, 20, 27

Evaluation questions (related to missing figures): Q 1,2, 3, 4

Also, attempt the following assignment after solving the illustrations and above mentioned questions:

MCQs -COMPARATIVE & COMMON – SIZE STATEMENTS

- The most commonly used tools for financial analysis are:
 - Comparative Statements
 - Common Size Statements
 - Accounting Ratios
 - All of the above

- Which of the following is the objective of comparative statements?
 - To make the data simpler and understandable
 - To indicate the trend
 - To help in forecasting
 - All of the above

- Comparative Balance Sheet :
 - Provides a summarized view of the operations of the firm
 - Presents the financial position of the firm
 - Presents the change in various items of balance sheet
 - None of the above

- Comparative Statement of Profit and Loss provides information about:

- (A) Rate of increase or decrease in revenue from operations
 - (B) Rate of increase or decrease in cost of revenue from operations
 - (C) Rate of increase or decrease in net profit
 - (D) All of the above
5. Fixed Assets of a company increased from Rs.3,00,000 to Rs.4,00,000. What is the percentage of change?
- (A) 25%
 - (B) 33.3%
 - (C) 20%
 - (D) 40%
6. A company's current liabilities decreased from Rs.4,00,000 to Rs.3,00,000. What is the percentage of change?
- (A) 25%
 - (B) 33.3%
 - (C) 20%
 - (D) 40%
7. A company's working capital is Rs.10 Lakh (Negative balance) in the year 2018. It became Rs.15 Lakh (positive balance) in the year 2019. What is the percentage of change?
- (A) 150%
 - (B) 100%
 - (C) 250%
 - (D) 50%
8. Revenue from Operations Rs.4,00,000; Cost of Revenue from Operations 60% of Revenue from Operations; Operating expenses Rs.30,000 and rate of income tax is 40%. What will be the amount of profit after tax?
- (A) Rs.64,000
 - (B) Rs.78,000
 - (C) Rs.52,000
 - (D) Rs.96,000

9. Main objective of Common Size statement is:

- (A) To present the changes in various items
- (B) To provide for a common base for comparison
- (C) To establish relationship between various items
- (D) All of the Above

10. Main objective of Common Size Balance Sheet is:

- (A) To establish relationship between revenue from operations and other items of statement of profit and loss
- (B) To present changes in assets and liabilities
- (C) To present changes in various items of income and expenses
- (D) All of the above

11. Common Size Statements are prepared

- (A) In the form of ratios
- (B) In the form of Percentages
- (C) In both of the above
- (D) None of the above

12. Which of the following is untrue:

- (A) Common size Balance Sheet
- (B) Common size Statement of Profit and Loss
- (C) Common size Cash Flow Statement
- (D) None of the above

13. Main objective of Common Size Statement of Profit and Loss is :

- (A) To present changes in assets and liabilities
- (B) To judge the financial soundness
- (C) To establish relationship between revenue from operations and other items of statement of Profit and Loss.
- (D) All of the above

14. In the statement of Profit and Loss of a Common Size Statement:

- (A) Figure of net revenue from operations is assumed to be equal to 100
- (B) Figure of gross profit is assumed to be equal to 100

- (C) Figure of net profit is assumed to be equal to 100
- (D) Figure of assets is assumed to be equal to 100

15. In the Balance Sheet of a Common size Statement:

- (A) Figure of current liabilities is assumed to be 100
- (B) Figure of fixed assets is assumed to be 100
- (C) Figure of total assets is assumed to be 100
- (D) Figure of share capital is assumed to be 100

16. Total assets of a firm are Rs.20,00,000 and its fixed assets are Rs.8,00,000. What will be the percentage of fixed assets on total assets?

- (A) 60%
- (B) 40%
- (C) 29%
- (D) 71%

17. If total assets of a firm are Rs.8,20,000 and its fixed assets are Rs.5,90,400, what will be the percentage of current assets on total assets?

- (A) 42%
- (B) 58%
- (C) 28%
- (D) 72%

18. If net revenue from operations of a firm are Rs.1,20,000; cost of revenue from operations is Rs.66,000 and operating expenses are Rs.21,600, what will be the percentage of operating income on net revenue from operations ?

- (A) 55%
- (B) 45%
- (C) 73%
- (D) 27%

PRACTICAL QUESTIONS-COMPARATIVE & COMMON – SIZE STATEMENTS

(Note: in board exam, these questions carry weightage of 4 marks each)

Q1. From the following particulars of Statement of Profit and Loss of Star Ltd., for the year ended 31st March, 2018 and 2019, prepare:

a) Comparative Statement of Profit or Loss.

b) Common size Statement of Profit or Loss.

Particulars	2018-19 (Rs.)	2017-18 (Rs.)
Revenue from Operations	20,00,000	16,00,000
Employees Benefit Expenses	10,00,000	8,00,000
Other Expenses	1,00,000	2,00,000
Tax Rate 40%		

Q2. From the following information, prepare a comparative statement of profit and loss:

Particulars	Note no.	31.3.2017	31.3.2016
Revenue from operations		RS 24,00,000	RS18,00,000
Other income (% of revenue from operations)		15%	25%
Expenses (% of revenue from operations)		60%	50%
Tax rate		40%	40%

Q3. Prepare a Comparative Statement of Profit & Loss of Ahmed Ltd., with the help of the following information:

	31-3-2018	31-3-2017
	Rs.	Rs.
Revenue From Operations	8,00,000	5,00,000

Purchase of Stock In Trade	4,20,000	2,40,000
Changes in Inventories	80,000	60,000
Employee Benefit Expenses	20,000	40,000
Other expenses	40,000	30,000
Income Tax	50%	40%

Q4. Fill in the missing Figures in the following Common Size Balance Sheet:

COMMON SIZE BALANCE SHEET

as at 31st March 2016 and 2017

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		2016	2017	2016	2017
I. EQUITY AND LAIBILITIES		Rs.	Rs.	%	%
1) Shareholder's Fund					
a) Share Capital		12,00,000	20,00,000	30	40
b) Reserve & Surplus		4,00,000	10,00,000	----	----
2) Non-Current Liabilities		----	----	45	25
3) Current Liabilities		----	----	----	----
				100	100
II. ASSETS					
1) Non-Current Assets		----	----	60	70
2) Current Assets		----	----	----	----
				100	100