

Chapter 2: TOOLS FOR FINANCIAL STATEMENTS ANALYSIS

1. Comparative Financial Statements

(1)

Format of Comparative Balance Sheet Comparative Balance Sheet as at 2012 and 2013

Particulars	Note No.	2011-12 (₹)	2012-13 (₹)	Absolute Change (Increase/ Decrease)	Percentage (increase/ Decrease)
1.		2.	3.	4	5
		A	B	(B-A)=C	$\frac{C}{A} \times 100 = D$
I. EQUITY AND LIABILITIES					
1. Shareholders funds					
(a) Share capital		--	--	--	--
(b) Reserves and Surplus		--	--	--	--
2. Non-Current Liabilities					
(a) Long-term borrowings		--	--	--	--
(b) Long-term provisions		--	--	--	--

3. Current Liabilities					
(a) Short-term borrowings		--	--	--	--
(b) Trade payables		--	--	--	--
(c) Other current liabilities		--	--	--	--
(d) Short-term provisions		--	--	--	--
Total		--	--	--	--
II. ASSETS					
1. Non-Current Assets					
(a) Fixed Assets		--	--	--	--
(i) Tangible assets		--	--	--	--
(ii) Intangible assets		--	--	--	--
(b) Non-current investments		--	--	--	--
(c) Long-term loans and advances		--	--	--	--
2. Current Assets					
(a) Current investments		--	--	--	--
(b) Inventories		--	--	--	--
(c) Trade receivables		--	--	--	--
(d) Cash and cash equivalents		--	--	--	--
(e) Short-term loans and advances		--	--	--	--
(f) Other current assets		--	--	--	--
Total		--	--	--	--

(2)

Format of Comparative Statement of Profit & Loss
Comparative Statement of Profit & Loss for the years ended 31st March 2012 & 2013

Particulars	Note No.	2011-12	2012-13	Absolute Change (Increase or Decrease)	Percentage change (Increase or Decrease)
1		2	3	4	5
		A	B	(B-A)=C	$\frac{C}{A} \times 100 = D$
i. Revenue from Operations		---	---	----	---
ii. Other Income		---	---	----	---
iii. Total Revenue (i+ii)		---	---	----	---

iv.	Expenses				
	Cost of Materials Consumed		---	---	---
	Purchases of Stock-in-Trade		---	---	---
	Changes in inventories of Finished Goods				
	Work-in-Progress and Stock-in-Trade		---	---	---
	Employees Benefits Expenses		---	---	---
	Finance Costs		---	---	---
	Depreciation and Amortization Expenses		---	---	---
	Other Expenses		---	---	---
	Total Expenses		---	---	---
v.	Profit before Tax (iii – iv)		---	---	---
vi.	Tax				
vii.	Profit after tax (v – vi)				

(3)

Format of Common – Size Statement of Profit & Loss
Common Size Statement of Profit & Loss for the year ended 31st March 2013

Particulars	Note No.	Absolute Amount		Percentage of Revenue from Operations
		2012-13		2012-13
i. Revenue from Operations			---	100
ii. Other Income			---	---
iii. Total Revenue (I + ii)			---	---
iv. Expenses				
Cost of Materials Consumed			---	---
Purchases of Stock-in-Trade			---	---
Changes in inventories of Finished Goods				
Work-in-Progress and Stock-in-Trade			---	---
Employees Benefits Expenses			---	---
Finance Costs			---	---
Depreciation and Amortization Expenses			---	---
Other Expenses			---	---
Total Expenses			---	---
v. Profit before Tax (iii – iv)			---	---
vi. Tax			---	---
vii. Profit after tax (v – vi)			---	---

(4)

Format of Common – Size Balance Sheet
Common Size Balance Sheet as at 31st March 2013

Particulars	Note No.	Absolute Amount		Percentage of Balance Sheet Total
		2012-13		2012-13
I. Equity and Liabilities				
1. Shareholders funds				
(a) Share capital			--	--

(b) Reserves and Surplus		--	--
2. Non-Current Liabilities			
(a) Long-term borrowings		--	--
(b) Long-term provisions		--	--
3. Current Liabilities			
(a) Short-term borrowings		--	--
(b) Trade payables		--	--
(c) Other current liabilities		--	--
(d) Short-term provisions		--	--
Total		--	100
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible assets		--	--
(ii) Intangible assets		--	--
(b) Non-current investments		--	--
(c) Long-term loans and advances			
(2) CURRENT ASSETS		--	--
(a) Current investments			
(b) Inventories		--	--
(c) Trade receivables		--	--
(d) Cash and cash equivalents		--	--
(e) Short-term loans and advances		--	--
(f) Other current assets			
Total		--	100

Illustration-1

Prepare Comparative Statement of Profit & Loss from the following:

Particulars	Note No.	31.03.2012 (₹)	31.03.2011 (₹)
Revenue from operations		15,00,000	10,00,000
Expenses		10,50,000	6,00,000
Other Income		1,80,000	2,00,000

Solution:

Comparative Statement of Profit & Loss for the year ended 31st March 2012 & 2011

Particulars	Note No.	2010-11 ₹	2011-12 ₹	Absolute Change (Increase or	Percentage change (Increase or

				Decrease) ₹	Decrease)
1		2	3	4	5
		A	B	(B-A)=C	$\frac{C}{A} \times 100 = D$
i. Revenue from Operations		10,00,000	15,00,000	5,00,000	50
ii. Other Income		2,00,000	1,80,000	(20,000)	(10)
iii. Total Revenue (i+ii)		12,00,000	16,80,000	4,80,000	40
iv. Less Expenses		6,00,000	10,50,000	4,50,000	75
Profit before Tax (iii – iv)		6,00,000	6,30,000	30,000	5

Illustration-2

From the following statement of Profit and Loss of Star Ltd. for the years ended 31st March 2011 and 2012 prepare a comparative statement of Profit & Loss

Particulars	Note No.	31.03.2012 (₹)	31.03.2011(₹)
Revenue from operations		20,00,000	16,00,000
Employee benefit expenses		10,00,000	8,00,000
Other Expenses		1,00,000	2,00,000
Tax		50%	50%

Solution:

Comparative Statement of Profit & Loss for the year ended 31st March 2012 & 2011

Particulars	Note No.	31.03.2011 ₹	31.03.2012 ₹	Absolute Change (Increase or Decrease) ₹	Percentage change (Increase or Decrease)
1		2	3	4	5
		A	B	(B-A)=C	$\frac{C}{A} \times 100 = D$
i. Revenue from Operations		16,00,000	20,00,000	4,00,000	25
ii. Less Expenses					
Employee benefit expenses		8,00,000	10,00,000	2,00,000	25
Other Expenses		2,00,000	1,00,000	(1,00,000)	(50)
iii. Total Expenses		10,00,000	11,00,000	1,00,000	10
iv. Profit before tax (i-iii)		6,00,000	9,00,000	3,00,000	50
v. Tax		3,00,000	4,50,000	1,50,000	50
vi. Profit after tax		3,00,000	4,50,000	1,50,000	50

Illustration-3

Prepare a Comparative Statement of Profit & Loss from the following details:

Particulars	Note No.	31.03.2013	31.03.2012
Revenue from operation		₹30,00,000	₹20,00,000
Other income (% of Revenue from operations)		15%	20%
Expenses (% of Revenue from operations)		60%	50%

Solution:

**Comparative Statement of Profit & Loss
for the year ended 31st March 2012 & 2011**

Particulars	Note No.	31.03.2012 ₹	31.03.2013 ₹	Absolute Change (Increase or Decrease) ₹	Percentage change (Increase or Decrease)
1		2	3	4	5
		A	B	(B-A)=C	$\frac{C}{A} \times 100 = D$
i. Revenue from Operations		20,00,000	30,00,000	10,00,000	50
ii. Other Income		4,00,000	4,50,000	50,000	12.5
iii. Total Revenue (i+ii)		24,00,000	34,50,000	10,50,000	43.75
iv. Expenses		10,00,000	18,00,000	8,00,000	80
v. Profit before Tax (iii-iv)		14,00,000	16,50,000	2,50,000	17.85

Illustration-4

**From the following Balance Sheets of Universe Ltd.,
as on 31 March 2011 & 2012 prepare a Comparative Balance Sheet**

**Universe Ltd.
Balance Sheets as at 31st March 2012 & 2011**

Particulars	Note No.	31.03.2012 ₹	31.03.2011 ₹
1.	2.	3.	4.
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital		20,00,000	15,00,000
(b) Reserves and Surplus		3,00,000	4,00,000
2. Non-Current Liabilities			
Long term borrowings		9,00,000	6,00,000
3. Current Liabilities			
Trade payables		3,00,000	2,00,000
TOTAL		35,00,000	27,00,000
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets			
(i) Tangible assets		20,00,000	15,00,000
(ii) Intangible assets		9,00,000	6,00,000
(2) CURRENT ASSETS			
(a) Inventories		3,00,000	4,00,000
(b) Cash and cash equivalents		3,00,000	2,00,000
TOTAL		35,00,000	27,00,000

Solution:

Comparative Balance Sheet as at 31st March 2011 & 2012

Particulars	Note No.	2010-11 (₹)	2011-12 (₹)	Absolute Change (Increase/ Decrease)	Percentage (increase/ Decrease)
1.		2.	3.	4	5
		A	B	(B-A)=C	$\frac{C}{A} \times 100 = D$
I. Equity and Liabilities					
1. Shareholders funds					
(a) Share capital		15,00,000	20,00,000	5,00,000	33.3%
(b) Reserves and Surplus		4,00,000	3,00,000	(1,00,000)	(25%)
2. Non-Current Liabilities					
long term borrowings		6,00,000	9,00,000	3,00,000	50%
3. Current Liabilities					
Trade payables		2,00,000	3,00,000	1,00,000	50%
Total		27,00,000	35,00,000	8,00,000	29.6%
II. ASSETS					
(1) Non-Current Assets					
(a) Fixed Assets					
(i) Tangible assets		15,00,000	20,00,000	5,00,000	33.3%
(ii) Intangible assets		6,00,000	9,00,000	3,00,000	50%
(2) CURRENT ASSETS					
(a) Inventories		4,00,000	3,00,000	(1,00,000)	(25%)
(b) Cash and cash equivalents		2,00,000	3,00,000	1,00,000	50%
Total		27,00,000	35,00,000	8,00,000	29.6%

Illustration-5

From the following Statement of Profit and Loss of Star Ltd. for the year ended 31st March 2012, prepare a Common Size Statement of Profit & Loss.

Particulars	Note No.	31.03.2012 (₹)
Revenue from operation		20,00,000
Employee benefit expenses		10,00,000
Other Expenses		1,00,000

Solution

Common Size Statement of Profit & Loss for the year ended 31st March 2012.

Particulars	Note No.	Absolute Amount ₹	Percentage of Revenue from Operations
		2011-12	2011-12
i. Revenue from Operations		20,00,000	100
ii. Employee benefits Expenses		10,00,000	50
Other Expenses		1,00,000	5

iii	Total expenses		11,00,000	55
iv	Profit before Tax (i –iii)		9,00,000	45

Illustration-6

From the following Balance Sheet of Sun Ltd., as on 31st March 2012, prepare a Common Size Balance Sheet.

Sun Ltd.
Balance Sheet as at 31st March 2012

Particulars		Note No.	31.03.2012
1.		2.	3.
I.	Equity and Liabilities		
1.	Shareholders funds		
(a)	Share capital		30,00,000
(b)	Reserves and Surplus		4,00,000
2.	Non-Current Liabilities		
	long term borrowings		10,00,000
3.	Current Liabilities		
	Trade payables		6,00,000
TOTAL			50,00,000
II.	ASSETS		
(1)	Non-Current Assets		
(a)	Fixed Assets		
(i)	Tangible assets		30,00,000
(ii)	Intangible assets		6,00,000
(2)	CURRENT ASSETS		
(a)	Inventories		10,00,000
(b)	Cash and cash equivalent		4,00,000
TOTAL			50,00,000

Solution:

Common Size Balance Sheet as at 31st March 2012

Particulars		Note No.	Absolute Amount	Percentage of Balance Sheet Total
			31.03.2012	31.03.2012
I.	Equity and Liabilities		₹	(%)
1.	Shareholders funds			
(a)	Share capital		30,00,000	66.7
(b)	Reserves and Surplus		4,00,000	10
2.	Non-Current Liabilities			
	Long term borrowings		10,00,000	20
3.	Current Liabilities			
	Trade payables		6,00,000	3.3
Total			50,00,000	100
II.	ASSETS			
(1)	Non-Current Assets			
(a)	Fixed Assets			

(i) Tangible assets		30,00,000	66.7
(ii) Intangible assets		6,00,000	3.3
(2) CURRENT ASSETS			
(a) Inventories		10,00,000	20
(b) Cash and cash equivalents		4,00,000	10
Total		50,00,000	100