

1) **COMPARATIVE FINANCIAL STATEMENT ANALYSIS:**

Comparative financial statements are prepared by arranging financial data of two or more financial years in two side by side columns.

In other words, **Any financial statement that reports and comparison of data of two or more consecutive accounting periods are known as comparative financial statements.**

According to **A.F. Foulke**, "comparative financial statements are statements of the financial position of a business so designed as to provide time prospective to the consideration of various elements of financial position embodied in such statements."

Such statements established relationship between items that appear on the same row of a comparative financial statement. It discloses changes in items of financial statements over the time in both rupees and percentage form.

In short, comparative financial statements are prepared by arranging financial data of two or more financial years in two side by side columns. Then comparative studies are made between numerical figures of two or more years, **increase or decrease in numerical figures and their changes in terms of percentages.** Not only the comparison of the figures of two periods but also the relationship between balance sheet and income statement helps in the detailed study of financial position and operative results. Thus comparative statements explain the changes in various accounting figures and ascertain the liquidity, solvency and profitability.

Practical problems on Comparative Financial Statement analysis

Problem No: 1.

From the following information prepare comparative Income Statement of the concern.

Particulars	2016	2017
Net Sales	392500	450000
Cost of sales	225000	250000
General and Administrative expenses	35000	36000
Selling expenses	40000	45000
Interest paid	12500	15000
Income tax	35000	40000

Solution:

Comparative Income Statement

Particulars	2016	2017	Increase or decrease in Amount	Increase or decrease in Percentage
I Continuing Operations				
A Revenue from operations	392500	450000	+57500	+14.65
Total revenue (A)	392500	450000	+57500	+14.65
B Expenses				
Cost of sales	225000	250000	+25000	+11.11
Finance cost	12500	15000	+2500	+20.00
Other expenses	75000	81000	+6000	+8.00
Total expenses (B)	312500	346000	+33500	+10.72
Profit before tax (A-B)	80000	104000	+24000	+30.00
Less: Income tax	35000	40000	5000	+14.29
Profit after tax	45000	64000	+19000	+42.22%

The following are the statement of Assets and Liabilities of a concern as on 31-12-2016 and 2017.

Particulars	2016		2017	
	Amount	Amount	Amount	Amount
I Equity and Liabilities				
1. Shareholders fund				
Share capital	600000		800000	
Reserves & Surplus	140000	740000	236000	1036000
2. Non-Current liabilities				
Long term borrowings		300000		200000
3. Current liabilities				
Trade Payables	150000		198000	
Short term provisions	164000	314000	200000	398000
Total		1354000		1634000
II Assets				
1. Non-Current Assts				
(a) Fixed Assets				
Tangible Assets	560000		740000	
Intangible Assets	230000	790000	180000	920000
2. Current Assets				
Inventories	154000		218000	
Trade receivable	360000		460000	
Cash and Cash equivalents	50000	564000	36000	714000
Total		1354000		1634000

Notes to Accounts

		2016	2017
Note 1 Share Capital		<u>600000</u>	<u>800000</u>
	Share Capital	<u>600000</u>	<u>800000</u>
Note 2 Reserves and Surplus			
General resurve		80000	140000
Profit and Loss		<u>60000</u>	<u>96000</u>
	Reserves and Surplus	<u>140000</u>	<u>236000</u>
Note 3 Long term Borrowings			
6% Debentures		<u>300000</u>	<u>200000</u>
	Long term Borrowings	<u>300000</u>	<u>200000</u>
Note 4 Trade Payable			
Sundry Creditors		110000	166000
Bills Payable		<u>40000</u>	<u>32000</u>
	Trade Payable	<u>150000</u>	<u>198000</u>
Note 5 Short term Provisions			
Provision for taxation		80000	100000
Proposed dividend		<u>84000</u>	<u>100000</u>
	Short term Provisions	<u>164000</u>	<u>200000</u>
Note 6 Tangible Assets			
Machinery		160000	400000
Building		<u>400000</u>	<u>340000</u>
	Tangible Assets	<u>560000</u>	<u>740000</u>
Note 7 Intangible Assets			
Goodwill		<u>230000</u>	<u>180000</u>
	Intangible Assets	<u>230000</u>	<u>180000</u>

Note 8	Inventories		154000	218000
	Stock			
		Inventories	<u>154000</u>	<u>218000</u>
Note 9	Trade Receivable			
	Sundry Debtors		320000	400000
	Bills receivable		40000	60000
		Trade Receivable	<u>360000</u>	<u>460000</u>
Note 10	Cash and Cash Equivalents			
	Cash		50000	36000
		Cash and Cash Equivalents	<u>50000</u>	<u>36000</u>

Prepare a comparative statement of Assets and Liabilities concern and comment on the financial position of the concern.

Solution :

Comparative Statement of Assets and Liabilities

Particulars	2016	2017	Increase or decrease in Amt.	Increase or decrease in Percentage
I Equity and Liabilities				
1. Shareholders funds				
Share Capital	600000	800000	+200000	+33.33
Reserves and Surplus	140000	236000	+96000	+68.57
Total Shareholders funds (A)	740000	1036000	+296000	40%
2. Non-Current Liabilities				
Long term Borrowings	300000	200000	-100000	-33.33
Total Non-current liabilities (B)	300000	200000	-100000	-33.33
3. Current Liabilities				
Trade Payable	150000	198000	+48000	+32
Short term provisions	164000	200000	+36000	+21.95
Total Current liabilities (C)	314000	392000	84000	+26.75
Total (A+B+C)	1354000	1634000	+280000	20.67
II Assets				
1. Non-Current Assets				
Tangible Assets	560000	740000	+180000	+32.14
Intangible Assets	230000	180000	-50000	-21.73
Total current liabilities	790000	920000	+130000	16.45
2. Current Assets				
Inventories	154000	218000	+64000	+41.558
Trade receivable	360000	460000	+100000	+27.78
Cash and Cash equivalents	50000	36000	-14000	+38.89
Total current Assets (B)	564000	714000	150000	+26.59
Total Assets (A-B)	1354000	1634000	+280000	20.67

Illustration : 10

Prepare comparative statements from the following data.

Statements of Profit and Loss

Particulars	Note	2016		2017	
		Amount	Amount	Amount	Amount
I Continuing operations					

1. Revenue from operations	1	-	300000	-	375000
2. Other Incomes	2	-	-	-	-
			300000		375000
3. Expenses					
Cost of Sales	3	200000		300000	
Other expenses	4	15000	215000	15000	315000
Net Profit			85000		60000

Statements of Assets and Liabilities

Particulars	Note	2016		2017	
		Amount	Amount	Amount	Amount
I Equity and Liabilities					
1. Shareholders funds					
Share Capital	1	350000	-	350000	
Reserves and Surplus	2	100000	450000	122500	472500
2. Non-Current Liabilities					
Long term Borrowings	3		50000		75000
3. Current liabilities					
Trade Payable	4	100000		137500	
Short term Provisions	5	50000	150000	75000	212500
Total			650000		760000
II Assets					
1. Non-Current Assets					
(a) Fixed Assets					
Tangible Assets	6		400000		390000
2. Current Assets					
Investments	7	100000		150000	
Cash and Cash Equivalents	8	150000	250000	220000	370000
Total			650000		760000

Notes to Accounts (Profit & Loss)

	2016	2017
Note 1 Revenue from operations		
Sales	<u>300000</u>	<u>375000</u>
	<u>300000</u>	<u>375000</u>
Note 2 Other Incomes	Nil	Nil
Note 3 Cost of Sales	<u>200000</u>	<u>300000</u>
	<u>200000</u>	<u>300000</u>
Note 4 Other expenses		
Administrative expenses	10000	10000
Selling expenses	<u>5000</u>	<u>5000</u>
	<u>15000</u>	<u>15000</u>

Notes to Accounts (Balance Sheet)

	2016	2017
Note 1 Share Capital		
Equity Capital	200000	200000
8% Preference Capital	<u>150000</u>	<u>150000</u>
Share Capital	<u>350000</u>	<u>350000</u>
Note 2 Reserves & Surplus		
Reserves	<u>100000</u>	<u>122500</u>

	Reserves & Surplus	100000	122500
Note 3	Long term Borrowings		
	7% Debentures	50000	75000
	Long term Borrowings	50000	75000
Note 4	Trade Payables		
	Bills Payable	25000	37500
	Creditors	75000	100000
	Trade Payables	100000	137500
Note 5	Short term Provisions		
	Tax Payable	50000	75000
	Short term Provisions	50000	75000
Note 6	Tangible Assets		
	Land	50000	50000
	Buildings	150000	135000
	Plant	150000	135000
	Furniture	50000	70000
	Tangible Assets	400000	390000
Note 7	Inventories		
	Stock	100000	150000
	Inventories	100000	150000
Note 8	Cash and Cash Equivalents		
	Cash	150000	220000
	Cash and Cash Equivalents	150000	220000

Solution :

Comparative Income Statement

Particulars	2016	2017	Increase or decrease in Amount	Increase or decrease in Percentage
I Continuing operations				
1. Revenue from operations	300000	375000	+75000	+25
2. Other income	-	-	-	-
Total Revenue (A)	300000	375000	+75000	+25
3. Expenses				
Cost of sales	200000	300000	+100000	+50
Other expenses	15000	15000	-	-
Total expenses (B)	215000	315000	+100000	46.51
Profit (A-B)	85000	60000	-25000	-29.41

Comparative Statement of Assets and Liabilities

Particulars	2016	2017	Increase or decrease in Amt.	Increase or decrease in Percentage
I Equity and Liabilities				
1. Shareholders funds				
Share Capital	350000	350000	-	-
Reserves and Surplus	100000	122500	+22500	+22.50
Total Shareholders funds (A)	450000	472500	+22500	+5
2. Non-Current Liabilities				
Long term Borrowings	50000	75000	+25000	+50

Total Non-current liabilities (B)	50000	75000	+25000	+50
3. Current Liabilities				
Trade Payable	100000	137500	+37500	+37.50
Short term provisions	50000	75000	+25000	+50.00
Total current liabilities (C)	150000	212500	+62500	+41.66
Total (A+B+C)	650000	760000	110000	+16.92
II Assets				
1. Non-Current Assets				
Tangible Assets	400000	390000	-10000	-25
Total Tangible Assets (A)	400000	390000	-10000	-25
2. Current Assets				
Inventories	100000	150000	50000	+50
Cash and Cash equivalents	150000	220000	70000	46.67
Total current Assets (B)	250000	370000	120000	+48
Total (A+B)	650000	760000	110000	+16.92

Illustration : 11

From the given statement of Assets and Liabilities of Bidar Ltd as on 31-12-2016 and 31-12-2017. You are required to prepare comparative statement of Assets and Liabilities and also comment.

Statements of Assets and Liabilities

Particulars	Note	2016		2017	
		Amount	Amount	Amount	Amount
I Equity and Liabilities					
1. Shareholders funds					
Share Capital	1	400000		400000	
Reserves and Surplus	2	100000	500000	125000	525000
2. Non-Current Liabilities					
Long term Liabilities	3		50000		50000
3. Current liabilities					
Trade Payable	4		150000		190000
			700000		765000
II Assets					
1. Non-Current Assets					
(a) Fixed Assets					
Tangible Assets	5		525000		535000
2. Current Assets					
Current Investments	6	40000		50000	
Inventories	7	50000		60000	
Trade receivable	8	75000		100000	
Cash and Cash equivalents	9	10000	175000	20000	230000
			700000		765000

Notes to Accounts

		2016	2017
Note 1	Share Capital		
	Equity share Capital	300000	300000
	Preference share Capital	100000	100000
	Share Capital	<u>400000</u>	<u>400000</u>

Note 2	Reserves & Surplus		<u>100000</u>	<u>125000</u>
	Reserves			
		Reserves & Surplus	<u>100000</u>	<u>125000</u>
Note 3	Long term Borrowings		<u>50000</u>	<u>50000</u>
	12% Debentures			
		Long term Borrowings	<u>50000</u>	<u>50000</u>
Note 4	Trade Payable		60000	90000
	Bills Payable		90000	100000
	Creditors		<u>150000</u>	<u>190000</u>
		Trade Payable		
Note 5	Tangible Assets		25000	20000
	Furniture		250000	200000
	Plant and Machinery		<u>250000</u>	<u>315000</u>
	Land and Building			
		Tangible Assets	<u>525000</u>	<u>535000</u>
Note 6	Current Investments		40000	50000
	Investments (Temporary)		<u>40000</u>	<u>50000</u>
		Current Investments		
Note 7	Inventories		50000	60000
	Stock		<u>50000</u>	<u>60000</u>
		Inventories		
Note 8	Trade receivable		75000	100000
	Debtors		<u>75000</u>	<u>100000</u>
		Trade receivable		
Note 9	Cash and Cash equivalents		10000	20000
	Cash		<u>10000</u>	<u>20000</u>
		Cash and Cash equivalents	<u>10000</u>	<u>20000</u>

Solution :

Bidar Ltd
Comparative Statement of Assets and Liabilities

Particulars	2016	2017	Increase or decrease in Amt.	Increase or decrease in Percentage
I Equity and Liabilities				
1. Shareholders funds				
Share Capital	400000	400000	-	-
Reserves and Surplus	100000	125000	+25000	+25.00
Total Shareholders funds (A)	500000	525000	25000	25.00
2. Non-Current Liabilities				
Long term Borrowings	50000	50000	-	-
Total Non-current liabilities (B)	50000	50000	-	-
3. Current Liabilities				
Trade Payable	150000	190000	+40000	+26.67
Total current liabilities (C)	150000	190000	+40000	+26.67
Total (A+B+C)	700000	765000	65000	9.285
II Assets				
1. Non-Current Assets				
Tangible Assets	525000	535000	+10000	+1.90
Total Tagible Assets (A)	525000	535000	+10000	+1.90
2. Current Assets				
Current Investments	40000	50000	+10000	+25

Inventories	50000	60000	+10000	+20
Trade receivable	75000	100000	+25000	+33.33
Cash and Cash equivalents	10000	20000	+10000	+100
Total current Assets (B)	175000	230000	55000	31.428
Total (A+B)	700000	765000	+65000	+9.285