

## MEANING OF KEY TERMS USED IN THE CHAPTER

- |   |   |
|---|---|
| <b>1. Financial Statements</b>  | These are the final accounts prepared at the end of the accounting period and include Balance Sheet and Statement of Profit & Loss along with Notes to Accounts.  |
| <b>2. Comparative Statement</b>   | It is the statement prepared to compare individual items or components of the financial statements of two or more years of a company. The amount of each component of financial statements is placed side by side and difference is ascertained, which is shown as a percentage of the base year. |
| <b>3. Comparative Balance Sheet</b>                                     | It is the statement prepared to compare individual items or components of Balance Sheet of two or more years of a company.  |
| <b>4. Comparative Statement of Profit &amp; Loss (Income Statement)</b> | It is the statement prepared to compare individual items or components of Statement of Profit & Loss (Income Statement) of two or more years of a company.  |
| <b>5. Common-size Statement</b>   | It is the statement prepared to compare components of financial statements (Balance Sheet and Statement of Profit & Loss) of two years by converting them into percentages taking a common base.  |
| <b>6. Common-size Statement of Profit &amp; Loss (Income Statement)</b> | It is the statement prepared to compare components of Statement of Profit & Loss of two years by converting them into percentages taking a common base, <i>i.e.</i> , Revenue from Operations.  |
| <b>7. Common-size Balance Sheet</b>                                     | It is the statement prepared to compare components of Balance Sheet of two years by converting them into percentages taking a common base, <i>i.e.</i> , Total Assets or Total of Equity and Liabilities.   |

## CHAPTER SUMMARY

- **Comparative Financial Statement** is a tool of financial analysis that shows change in each item of the financial statement in both absolute amount and percentage terms, taking the item in preceding accounting period as base.

- **Objectives or Purposes of Comparative Financial Statements**

1. To know the nature of changes influencing financial position.
2. To know the weaknesses and soundness about liquidity, profitability and solvency of the enterprise.
3. To forecast and plan.
4. To know the movements of key financial statistics.

- **Tools for Comparison of Financial Statements**

1. Comparative Balance Sheet.
2. Comparative Statement of Profit & Loss (Income Statement).
3. Common-size Statement of Profit & Loss.
4. Common-size Balance Sheet.

- **Comparative Balance Sheet**

*"Comparative Balance Sheet analysis is the study of the trend of same items, group of items and computed items in two or more Balance Sheets of the same business enterprise on different dates."* —Foulka

- **Comparative Statement of Profit & Loss (Income Statement)**

Comparative Statement of Profit & Loss shows the operating results for a number of accounting periods so that changes in data in terms of money and percentage from one period to another may be known.

- **Common-size Statement of Profit & Loss (Income Statement)**

Common-size Statement of Profit & Loss is a statement in which amounts of individual items of Statement of Profit & Loss for two or more years are written. These amounts are further converted into percentage of common base which is Revenue from Operations.

- **Common-size Balance Sheet**

Common-size Balance Sheet is a statement in which amounts of individual items of Balance Sheet for two or more years are written. These amounts are further converted into percentage of a common base, which is Total Assets or Total of Equity and Liabilities of the Balance Sheet.

## FORMAT OF COMPARATIVE BALANCE SHEET

### COMPARATIVE BALANCE SHEET

as at ...

Particulars	Note No.	Previous Year ₹	Current Year ₹	Absolute Change (Increase/Decrease) ₹	Percentage Change (Increase/Decrease) %
		(A)	(B)	(C = B – A)	$\left( D = \frac{C}{A} \times 100 \right)$
<b>I. EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' Funds</b>					
(a) <i>Share Capital:</i>					
(i) Equity Share Capital		...	...	...	...
(ii) Preference Share Capital		...	...	...	...
(b) Reserves and Surplus		...	...	...	...
<b>2. Non-Current Liabilities</b>					
(a) Long-term Borrowings		...	...	...	...
(b) Long-term Provisions		...	...	...	...
<b>3. Current Liabilities</b>					
(a) Short-term Borrowings		...	...	...	...
(b) Trade Payables		...	...	...	...
(c) Other Current Liabilities		...	...	...	...
(d) Short-term Provisions		...	...	...	...
<b>Total</b>		...	...	...	...
<b>II. ASSETS</b>					
<b>1. Non-Current Assets</b>					
(a) <i>Property, Plant and Equipment and Intangible Assets:</i>					
(i) Property, Plant and Equipment		...	...	...	...
(ii) Intangible Assets		...	...	...	...
(b) Non-current Investments		...	...	...	...
(c) Long-term Loans and Advances		...	...	...	...
<b>2. Current Assets</b>					
(a) Current Investments		...	...	...	...
(b) Inventories		...	...	...	...
(c) Trade Receivables		...	...	...	...
(d) Cash and Cash Equivalents		...	...	...	...
(e) Short-term Loans and Advances		...	...	...	...
(f) Other Current Assets		...	...	...	...
<b>Total</b>		...	...	...	...

**Note:** If current year's figure has decreased, show the absolute change and percentage change in brackets so as to reflect negative item.

### FORMAT OF COMPARATIVE STATEMENT OF PROFIT & LOSS

COMPARATIVE STATEMENT OF PROFIT & LOSS  
for the years ended...

Particulars	Note No.	Previous Year ₹	Current Year ₹	Absolute Change (Increase or Decrease) (₹)	Percentage Change (Increase or Decrease) (%)
		(A)	(B)	(C = B – A)	$\left(D = \frac{C}{A} \times 100\right)$
I. Revenue from Operations		...	...	...	...
II. Other Income		...	...	...	...
III. <b>Total Revenue (I + II)</b>		...	...	...	...
IV. <b>Expenses</b>					
(a) Cost of Materials Consumed		...	...	...	...
(b) Purchases of Stock-in-Trade		...	...	...	...
(c) Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade		...	...	...	...
(d) Employees Benefit Expenses		...	...	...	...
(e) Finance Costs		...	...	...	...
(f) Depreciation and Amortisation Expenses		...	...	...	...
(g) Other Expenses		...	...	...	...
<b>Total Expenses</b>		...	...	...	...
V. <b>Profit before Tax (III – IV)</b>		...	...	...	...
Less: Income Tax		...	...	...	...
VI. <b>Profit after Tax</b>		...	...	...	...

**Note:** If current year's figure has decreased, show the Absolute change and Percentage change in brackets so as to reflect negative item.

### FORMAT OF COMMON-SIZE STATEMENT OF PROFIT & LOSS (INCOME STATEMENT)

COMMON-SIZE STATEMENT OF PROFIT & LOSS  
for the years ended...

Particulars	Note No.	Absolute Amounts		Percentage of Revenue from Operations (Net Sales)	
		Previous Year ₹	Current Year ₹	Previous Year %	Current Year %
I. Revenue from Operations (Net Sales)		...	...	100	100
II. Other Income		...	...	...	...
III. <b>Total Revenue (I + II)</b>		...	...	...	...
IV. <b>Expenses</b>					
(a) Cost of Materials Consumed		...	...	...	...
(b) Purchases of Stock-in-Trade		...	...	...	...
(c) Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade		...	...	...	...
(d) Employees Benefit Expenses		...	...	...	...
(e) Finance Costs		...	...	...	...
(f) Depreciation and Amortisation Expenses		...	...	...	...
(g) Other Expenses		...	...	...	...
<b>Total Expenses</b>		...	...	...	...
V. <b>Profit before Tax (III – IV)</b>		...	...	...	...
VI. Less: Income Tax		...	...	...	...
VII. <b>Profit after Tax</b>		...	...	...	...

## FORMAT OF COMMON-SIZE BALANCE SHEET

### COMMON-SIZE BALANCE SHEET

*as at...*

Particulars	Note No.	Absolute Amounts		Percentage of Balance Sheet Total	
		Figures as at the end of Previous Year (₹)	Figures as at the end of Current Year (₹)	Previous Year %	Current Year %
<b>I. EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' Funds</b>					
(a) <i>Share Capital:</i>					
(i) Equity Share Capital		...	...	...	...
(ii) Preference Share Capital		...	...	...	...
(b) Reserves and Surplus		...	...	...	...
<b>2. Non-Current Liabilities</b>					
(a) Long-term Borrowings		...	...	...	...
(b) Long-term Provisions		...	...	...	...
<b>3. Current Liabilities</b>					
(a) Short-term Borrowings		...	...	...	...
(b) Trade Payables		...	...	...	...
(c) Other Current Liabilities		...	...	...	...
(d) Short-term Provisions		...	...	...	...
<b>Total</b>		...	...	100	100
<b>II. ASSETS</b>					
<b>1. Non-Current Assets</b>					
(a) <i>Property, Plant and Equipment and Intangible Assets:</i>					
(i) Property, Plant and Equipment		...	...	...	...
(ii) Intangible Assets		...	...	...	...
(b) Non-current Investments		...	...	...	...
(c) Long-term Loans and Advances		...	...	...	...
<b>2. Current Assets</b>					
(a) Current Investments		...	...	...	...
(b) Inventories		...	...	...	...
(c) Trade Receivables		...	...	...	...
(d) Cash and Cash Equivalents		...	...	...	...
(e) Short-term Loans and Advances		...	...	...	...
(f) Other Current Assets		...	...	...	...
<b>Total</b>		...	...	100	100

**Note:** It does not include line items of Balance Sheet, accounting treatment of which are not to be evaluated.