



# INDIAN SCHOOL AL WADI AL KABIR

<b>Class: XII</b>	<b>Department: Commerce</b>
<b>Worksheet No: 2</b>	<b>Topic : ANALYSIS OF FINANCIAL STATEMENTS &amp; COMPARATIVE AND COMMON SIZE STATEMENTS (SOLUTIONS)</b>

1. The financial statements of a business enterprise include:

- (a) Balance sheet
- (b) Statement of Profit and loss account
- (c) Cash flow statement
- (d) All the above**

2. The most commonly used tools for financial analysis are:

- (a) Horizontal analysis
- (b) Vertical analysis
- (c) Ratio analysis
- (d) All the above**

3. An Annual Report is issued by a company to its:

- (a) Directors
- (b) Auditors
- (c) Shareholders**
- (d) Management

4. Balance Sheet provides information about financial position of the enterprise:

- (a) At a point in time**
- (b) Over a period of time
- (c) For a period of time
- (d) None of the above

5. Comparative statements are also known as:

- (a) Dynamic analysis
- (b) Horizontal analysis**
- (c) Vertical analysis
- (d) External analysis

6. Under which sub heading Loose tools are shown in Companies balance Sheet as per Amended Act 2013.

- A. Fixed Assets- Tangible **B. Inventories**. C. Other Current Assets. D. Cash and cash Equivalent.

7. Which one of the following is not classified as Intangible Assets while preparing Companies Balance Sheet?

A.Computer Software B.Licences & Franchise **C.Computers** D.Mining Rights.

8. Public Deposit is appears under the following heads in Balance Sheet.

	Main Heading	Sub Heading
A	Non-Current liabilities	Long Term Provision
<b>B</b>	<b>Non-current liabilities</b>	<b>Long Term borrowings</b>
C	Non-Current Liabilities	Other long term liabilities
D	Current Liabilities	Long Term Borrowings.

9. Capital Redemption Reserve is shown under following Heads in Balance Sheet as per schedule III of Companies Act 2013.

	Main Heading	Sub Heading
A	Shareholders Fund	Share capital
B	Shareholders Fund	Authorised share capital
C	Reserves and surplus	Shareholders Fund
<b>D</b>	<b>Shareholders Fund</b>	<b>Reserves and surplus</b>

10.The financial statement as per sec 2(40) of companies Act 2013 includes:

A. Statement of Profit/Loss B. Balance Sheet. C. Cash Flow Statement. **D. All of the above.**

11. Which one of the following is not a tool for financial analysis?

A. Common Size Income Statement. B. Ratio Analysis. C. Cash Flow Statement. **D. Trial Balance.**

12. Comparative Statement shows the trend and direction of financial position and operating results, this analysis is also called as

**A. Horizontal Analysis** B. Vertical Analysis. C. Both A & B D. None A & B.

13. If the Revenue from operation for 2018-19 is Rs.1,00,000 and for 2017-18 is Rs.1,25,000, Then the percentage of absolute change is

A. 20% B.25% c **C.-20%** D.-25%

14. Interest on loans given by a financial company is shown in the statement of profit and loss are:

(a) **Revenue from operations** (b) Other income (c) Other expenses (d) None of the above

15.Indicate the item which appears as Short-term Provision:

(a) Employment provident fund (b) **Provision for expenses** (c) Interest accrued but not due (d) Deferred Tax Liability.

16. Debentures redeemable after 10 years of issue are shown as:

- (a) **Long-term Borrowings** (b) Other long term liabilities (c) Short term borrowings (d) Other short term liabilities

17. Raw materials purchased is shown in the statement of profit and loss as :

- (a) Purchases of stock-in-trade (b) **Cost of Materials consumed** (c) Changes in inventories of Finished goods, work in progress and stock -in- trade (d) None of the above.

18. From the following, identify the objective of Financial Statement Analysis:

- (a) **Inter-firm comparison** (b) Qualitative aspect ignored (c) Not free from Bias (d) Customers

19. Which tool of Financial Analysis can be used to know the reason for changes in the financial performance of an enterprise?

- (a) **Comparative Income Statement** (b) Comparative Balance Sheet (c) Common Size Income Statement (d) Common size Balance Sheet

20. Which item is assumed to be 100 while preparing Common-size Statement of Profit and Loss?

- (a) **Revenue from Operations** (b) Cost of Revenue from Operations (c) Total Income (d) Total Expenses

### BOARD QUESTIONS (4 MARKS)

1. Prepare a 'Comparative Statement of Profit & Loss with the help of the following information

<b>Particulars</b>	<b>2018-2019</b>	<b>2017- 2018</b>
Revenue from operations	50,00,000	30,00,000
Expenses	22,00,000	12,00,000
Other Incomes	3,60,000	4,00,000
Income Tax	50%	50%

Particulars	2017 - 2018 (RS.)	2018-19 (RS.)	Absolute Change CY-PY	Percentage Change
Revenue From Operations	30,00,000	50,00,000	20,00,000	66.67%
+ Other Income	4,00,000	3,60,000	(40,000)	(10%)
<b>Total Income</b>	<b>34,00,000</b>	<b>53,60,000</b>	<b>19,60,000</b>	<b>57.65%</b>
<b>Expenses</b>	<b>12,00,000</b>	<b>22,00,000</b>	<b>10,00,000</b>	<b>83.33%</b>
<b>Total Expenses</b>	<b>12,00,000</b>	<b>22,00,000</b>	<b>10,00,000</b>	<b>83.33%</b>
<b>Profit Before Tax (Total Income – Total Expenses)</b>	<b>22,00,000</b>	<b>31,60,000</b>	<b>9,60,000</b>	<b>43.64%</b>
- <b>Income Tax</b>	<b>11,00,000</b>	<b>15,80,000</b>	<b>4,80,000</b>	<b>43.64%</b>
<b>Profit After Tax</b>	<b>11,00,000</b>	<b>15,80,000</b>	<b>4,80,000</b>	<b>43.64%</b>

2. From the following information, prepare Common Size Income Statement

	31-03-19	31-03-18
Revenue from Operations (% of Other Income)	250%	250%
Other Income	4,20,000	2,40,000
Cost of Materials consumed (% of Operating Revenue)	60%	50%
Expenses (% of Material Cost)	10%	20%
Tax Rate	40%	40%

### REFRAMING THE QUESTION WITH VALUES

	31-03-19	31-03-18
Revenue from Operations (% of Other Income)	10,50,000	6,00,000
Other Income	4,20,000	2,40,000
Cost of Materials consumed (% of Operating Revenue)	6,30,000	3,00,000
Expenses (% of Material Cost)	63,000	60,000
Tax Rate	40%	40%

Particulars	2018 (RS.)	2019 (RS.)	% of RFO 2018 %	% of RFO 2019 %
Revenue From Operations	6,00,000	10,50,000	100%	100%
+ Other Income	2,40,000	4,20,000	40%	40%
<b>Total Income</b>	<b>8,40,000</b>	<b>14,70,000</b>	<b>140%</b>	<b>140%</b>
- Expenses				
(a) CRFO	3,00,000	6,30,000	50%	60%
(b) Expenses	60,000	63,000	10%	6%
<b>Total Expenses</b>	<b>3,60,000</b>	<b>6,93,000</b>	<b>60%</b>	<b>66%</b>
<b>Profit Before Tax (Total Income – Total Expenses)</b>	<b>4,80,000</b>	<b>7,77,000</b>	<b>80%</b>	<b>74%</b>
- Income Tax	1,92,000	3,10,800	32%	29.6%
<b>Profit After Tax</b>	<b>2,88,000</b>	<b>4,66,200</b>	<b>48%</b>	<b>44.4%</b>

3. With the help of the following information obtained from the books of Raj Silk Mills, Prepare a comparative income statement.

Particulars	31.3.2019	31.3.2018
Revenue from operations	30,00,000	40,00,000
Cost of material consumed	20,00,000	22,00,000
Operating Expenses	10% of cost of materials consumed	10% of cost of materials consumed
Dividend Received	20,000	30,000
Tax	50%	50%

Particulars	2018 (RS.)	2019 (RS.)	Absolute Change CY-PY	Percentage Change Abs Change X100 Previous year
Revenue From Operations	40,00,000	30,00,000	(10,00,000)	(25%)
+ Other Income (Dividend Received)	30,000	20,000	(10,000)	(33.33%)
<b>Total Income</b>	<b>40,30,000</b>	<b>30,20,000</b>	<b>(10,10,000)</b>	<b>(25.25%)</b>
- Expenses				
(a) COMC/ CRFO	22,00,000	20,00,000	(2,00,000)	(9.09%)
(b) Operating Expenses	2,20,000	2,00,000	(20,000)	(9.09%)
<b>Total Expenses</b>	<b>24,20,000</b>	<b>22,00,000</b>	<b>(2,20,000)</b>	<b>(9.09%)</b>
<b>Profit Before Tax (Total Income – Total Expenses)</b>	<b>16,10,000</b>	<b>8,20,000</b>	<b>(7,90,000)</b>	<b>(49.06%)</b>
- Income Tax	8,05,000	4,10,000	(3,95,000)	(49.06%)
<b>Profit After Tax</b>	<b>8,05,000</b>	<b>4,10,000</b>	<b>(3,95,000)</b>	<b>(49.06%)</b>

4. Prepare a Comparative Statement of Profit/Loss from the following information:

Particulars	31.3.2019	31.3.2018
Revenue from Operation	3,00,000	2,00,000
Cost of Revenue from operation	1,20,000	80,000
Employee benefit expenses	15,000	10,000
Interest on Investment	20,000	30,000
Tax Rate	50%	50%

Particulars	2018 (RS.)	2019 (RS.)	Absolute Change CY-PY	Percent age Change
Revenue From Operations + Other Income (Interest on Investment)	2,00,000 30,000	3,00,000 20,000	1,00,000 (10,000)	50% (33.33%)
<b>Total Income</b>	<b>2,30,000</b>	<b>3,20,000</b>	<b>90,000</b>	<b>39.13%</b>
- Expenses				
(a) CRFO	80,000	1,20,000	40,000	50%
(b) Employee Benefit Expenses	10,000	15,000	5,000	50%
<b>Total Expenses</b>	<b>90,000</b>	<b>1,35,000</b>	<b>45,000</b>	<b>50%</b>
<b>Profit Before Tax (Total Income – Total Expenses)</b>	<b>1,40,000</b>	<b>1,85,000</b>	<b>45,000</b>	<b>32.14%</b>
- Income Tax	70,000	92,500	22,500	32.14%
<b>Profit After Tax</b>	<b>70,000</b>	<b>92,500</b>	<b>22,500</b>	<b>32.14%</b>

5. From the following information, prepare Comparative Statement of Profit and Loss for ABC Ltd.,

	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2019
Revenue from Operations	5,00,000	4,00,000
Other Income	20,000	10,000
Cost of Materials Consumed	3,00,000	2,00,000
Employee Benefit Expense	60,000	40,000
Other Expenses	40,000	30,000
Tax Rate	30%	30%

Particulars	2018 (RS.)	2019 (RS.)	Absolute Change CY-PY	Percentage Change
Revenue From Operations	5,00,000	4,00,000	(1,00,000)	(20%)
+ Other Income	20,000	10,000	(10,000)	(50%)
<b>Total Income</b>	<b>5,20,000</b>	<b>4,10,000</b>	<b>(1,10,000)</b>	<b>(21.15%)</b>
- Expenses				
(a) COMC	3,00,000	2,00,000	(1,00,000)	(33.33%)
(b) Employee Benefit Expenses	60,000	40,000	(20,000)	(33.33%)
(c) Other Expenses	40,000	30,000	(10,000)	(25%)
<b>Total Expenses</b>	<b>4,00,000</b>	<b>2,70,000</b>	<b>(1,30,000)</b>	<b>(32.5%)</b>
<b>Profit Before Tax (Total Income – Total Expenses)</b>	<b>1,20,000</b>	<b>1,40,000</b>	<b>20,000</b>	<b>16.67%</b>
- Income Tax	36,000	42,000	6,000	16.67%
<b>Profit After Tax</b>	<b>84,000</b>	<b>98,000</b>	<b>14,000</b>	<b>16.67%</b>

6. Prepare a Comparative Statement of Profit and Loss from the following.

Particulars	Note No	2019	2018
Revenue from operations		1,00,000	1,30,000
Cost of material consumed		80,000	84,000
Dividend received		10,000	4,000
Income Tax @50%			



### Solution : 6

Particulars	2018 (RS.)	2019 (RS.)	Absolute Change CY-PY	Percentage Change
Revenue From Operations	1,30,000	1,00,000	(30,000)	(23%)
+ Other Income (Dividend Received)	4,000	10,000	6,000	150%
<b>Total Income</b>	<b>1,34,000</b>	<b>1,10,000</b>	<b>(24,000)</b>	<b>(17.91%)</b>
- Expenses				
(a) COMC	84,000	80,000	(4,000)	(4.76%)
<b>Total Expenses</b>	<b>84,000</b>	<b>80,000</b>	<b>(4,000)</b>	<b>(4.76%)</b>
<b>Profit Before Tax (Total Income – Total Expenses)</b>	<b>50,000</b>	<b>30,000</b>	<b>(20,000)</b>	<b>(40%)</b>
- Income Tax	25,000	15,000	(10,000)	(40)%
<b>Profit After Tax</b>	<b>25,000</b>	<b>15,000</b>	<b>(10,000)</b>	<b>(40)%</b>

7. Prepare a Comparative Income Statement from the following:

Particulars	2019	2018
Revenue from Operation	90000	70,000
Cost of Rev. from operation	40,000	30,000
Other income	10% of revenue	30% of revenue
Administrative expenses	15,000	12,000
Tax rate	50%	40%

Particulars	2018 (RS.)	2019 (RS.)	Absolute Change CY-PY	Percentage Change
Revenue From Operations	70,000	90,000	20,000	28.57%
+ Other Income	21,000	9,000	(12,000)	(57.14%)
<b>Total Income</b>	<b>91,000</b>	<b>99,000</b>	<b>8,000</b>	<b>8.79%</b>
- Expenses				
(a) CRFO	30,000	40,000	10,000	33.33%
(b) Other Expenses (Administrative expenses)	12,000	15,000	3,000	25%
<b>Total Expenses</b>	<b>42,000</b>	<b>55,000</b>	<b>13,000</b>	<b>30.95%</b>
<b>Profit Before Tax (Total Income – Total Expenses)</b>	<b>49,000</b>	<b>44,000</b>	<b>(5,000)</b>	<b>(10.20%)</b>
- Income Tax	19,600	22,000	2,400	12.24%
<b>Profit After Tax</b>	<b>29,400</b>	<b>22,000</b>	<b>(7,400)</b>	<b>(25.17%)</b>

8. From the following information, prepare a Comparative Income Statement

Particulars	2018	2019
Revenue from operations	10,00,000	12,50,000
Cost of material consumed	5,00,000	6,50,000
Interest on investments @ Rs. 30,000		
Rate of Income Tax	50%	50%

Particulars	2018 (RS.)	2019 (RS.)	Absolute Change CY-PY	Percentage Change <u>Abs Change X100</u> Previous year
Revenue From Operations	10,00,000	12,50,000	2,50,000	25%
+ Other Income (Interest on Investment)	30,000	30,000	----	-----
<b>Total Income</b>	<b>10,30,000</b>	<b>12,80,000</b>	<b>2,50,000</b>	<b>24.27%</b>
- Expenses				
(a) COMC/ CRFO	5,00,000	6,50,000	1,50,000	30%
<b>Total Expenses</b>	<b>5,00,000</b>	<b>6,50,000</b>	<b>1,50,000</b>	<b>30%</b>
<b>Profit Before Tax (Total Income – Total Expenses)</b>	<b>5,30,000</b>	<b>6,30,000</b>	<b>1,00,000</b>	<b>18.87%</b>
- Income Tax	2,65,000	3,15,000	50,000	18.87%
<b>Profit After Tax</b>	<b>2,65,000</b>	<b>3,15,000</b>	<b>50,000</b>	<b>18.87%</b>

9. Prepare a common size statement from the following for the year ended 31<sup>st</sup> March, 2019

Particulars	31 <sup>st</sup> March ,2019
Revenue from Operations	17,00,000
Cost of Material Consumed	9,20,000
Depreciation Expenses	3,40,000
Interest on Investment	90,000
Taxes Payable	@50%

Particulars	2019 (Rs.)	2019 (%)
Revenue From Operations	17,00,000	100%
+ Other Income (Interest on Investment)	90,000	5.29%
Total Income	17,90,000	105.29%
- Expenses		
(a) COMC	9,20,000	54.12%
(b) Depreciation Expenses	3,40,000	20%
Total Expenses	12,60,000	74.12%
Profit before tax (Total Income – Total Expenses)	5,30,000	31.17%
- Income Tax	2,65,000	15.59%
Profit after tax	2,65,000	15.59%

10. Prepare Common Sized Balance Sheet from the following information:

PARTICULARS	2019
Share capital	12,00,000
P& L Account	1,00,000
10% Loan	4,00,000
Other current liabilities	2,00,000
Land & Building	13,00,000
Patents	3,00,000
Trade receivables	3,00,000

PARTICULARS	2019, (Rs.)	% Change
<b>I EQUITY AND LIABILITIES</b>		
1. Shareholders' Funds		
(a) Share Capital	12,00,000	63.16%
(b) P&L A/C	1,00,000	5.26%
2. Non-Current Liabilities		
(a) 10% Loan	4,00,000	21.05%
3. Current Liabilities		
(a) Other Current Liabilities	2,00,000	10.53%
<b>Total</b>	<b>19,00,000</b>	<b>100%</b>
<b>II ASSETS</b>		
1. Non – Current Assets		
(a) Fixed Assets		
(i) Building	13,00,000	68.42%
(ii) Patents	3,00,000	15.79%
2. Current Assets		
(a) Trade Receivables	3,00,000	15.79%
<b>Total</b>	<b>38,00,000</b>	<b>100%</b>

11. Prepare Comparative Balance Sheet from the following information:

PARTICULARS	2018	2019
Share capital	20,00,000	24,00,000
General reserve	4,00,000	2,00,000
10% loan	10,00,000	8,00,000
Other current liabilities	2,00,000	4,00,000
Building	24,00,000	26,00,000
Patents	8,00,000	6,00,000
Trade receivables	4,00,000	6,00,000

PARTICULARS	2018 (Rs.)	2019,00 (Rs.)	Absolute change	% Change
<b>I EQUITY AND LIABILITIES</b>				
1. Shareholders' Funds				
(a) Share Capital	20,00,000	24,00,000	4,00,000	20%
(b) General Reserve	4,00,000	2,00,000	(2,00,000)	(50%)
2. Non-Current Liabilities				
(a) 10% Loan	10,00,000	8,00,000	(2,00,000)	(20%)
3. Current Liabilities				
(a) Other Current Liabilities	2,00,000	4,00,000	2,00,000	100%
<b>Total</b>	<b>36,00,000</b>	<b>38,00,000</b>	<b>2,00,000</b>	<b>5.56%</b>
<b>II ASSETS</b>				
1. Non – Current Assets				
(a) Fixed Assets				
(i) Building	24,00,000	26,00,000	2,00,000	8.33%
(ii) Patents	8,00,000	6,00,000	(2,00,000)	(25%)
2. Current Assets				
(a) Trade Receivables	4,00,000	6,00,000	2,00,000	50%
<b>Total</b>	<b>36,00,000</b>	<b>38,00,000</b>	<b>2,00,000</b>	<b>5.56%</b>

12. Following is the Statement of Profit and Loss of Moon India Ltd. for the year ended 31<sup>st</sup> March 2015.

Particulars	Note No.	31.3.2016	31.3.2015
Revenue from Operations		50,00,000	40,00,000
Other Incomes		2,00,000	10,00,000
Employee benefit Expenses		60% of total Revenue	50% of total Revenue
Other Expenses		10% of employee benefit expenses	20% of employee benefit expenses
Tax Rate		50%	40%

The motto of Moon India Ltd. is to produce and distribute green energy in the backward areas of India. It has also taken up a project of giving vocational training to the girls

belonging to the backward areas of Rajasthan. You are required to prepare a comparative statement of Profit and Loss of Moon India Ltd. from the given statement of Profit and Loss and also identify any two values that the company wishes to convey to the society.

ANS.

PARTICULARS	NOTE NO	2015	2016	ABS. CHANGE	% CHANGE
RFO		40,00,000	50,00,000	10,00,000	25
+ OTHER INCOME		10,00,000	2,00,000	(8,00,000)	(80)
TOTAL REVENUE		50,00,000	52,00,000	2,00,000	4
-EXPENSES					
EMP. BENEFIT EXP		25,00,000	31,20,000	6,20,000	19.87
OTHER EXP.		5,00,000	3,12,000	(2,88,000)	(57.6)
TOTAL EXPENSES		30,00,000	34,32,000	4,32,000	14.4
NET PROFIT b/4 TAX		20,00,000	19,68,000	(32,000)	(1.6)
-TAX PAID		8,00,000	9,84,000	1,84,000	23
NET PROFIT AFTER TAX		12,00,000	9,84,000	(2,16,000)	(18)

13. The motto of 'Nav Hind Pharma Limited', a company engaged in the manufacturing and distribution of Aurvedic medicines, is 'Healthy India'. Its management and employees are hardworking, honest and motivated. The net profit of the company doubled during the year ended 31.3.2014. Encouraged by its performance, the company decided to pay one month's extra salary to all its employees.

Following is the Comparative Statement of Profit and Loss of the company for the years ended 31.3.2013 and 31.3.2014 :

**Nav Hind Pharma Limited**  
**Comparative Statement of Profit and Loss**

Particulars	Note No.	2012 - 13	2013 - 14 Rs	Absolute Change Rs.	% Change
Revenue from operations		40,00,000	60,00,000	20,00,000	50
Less : Employees benefit expenses		24,00,000	28,00,000	4,00,000	16.67
Profit before tax		16,00,000	32,00,000	16,00,000	100
Tax @ 50%		8,00,000	16,00,000	8,00,000	100
Profit after tax		8,00,000	16,00,000	8,00,000	100

- (i) Calculate Net Profit Ratio for the years ending 31.3.2013 and 31.3.2014.
- (ii) Identify any two values which 'Nav Hind Pharma Limited' is trying to communicate.

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1. Net Profit Ratio =  $\frac{\text{Profit after tax} \times 100}{\text{RFO}}$

RFO

2012-13

$\frac{8,00,000}{40,00,000} \times 100$

= 20%

2013-14

$\frac{16,00,000}{60,00,000} \times 100$

= 26.67%

2. Promotion of Health care & Social responsibility towards employees.