

Vertical Financial Statements, Common size, Comparative and Trend analysis statement

Q. 1 Convert the following Balance Sheet into vertical form and calculate (1) Total Fund Employed

(2) Own Fund (3) Owed Fund (4) Fixed Assets (5) Working Capital.

Balance Sheet as on 31st March 1999

Liabilities	₹	Assets	₹
Equity Share Capital	8,00,000	Land & Building	6,00,000
Replacement Reserve	5,000	Plant & Machinery	2,00,000
Dividend Equilisation Reserve	25,000	Furniture	10,000
General Reserve	20,000	Vehicles	88,000
Profit & Loss A/c.	1,10,000	Investment (short term)	35,000
5% Debenture	1,50,000	Stock	1,00,000
Public deposits	30,000	Debtors	1,22,000
Creditors	45,000	Less : RBD	12,000
Bills Payable	13,000	Advance Tax	46,000
Proposed Dividend	40,000	Cash at bank	18,000
Provision for Taxation	65,000	Advance to employees	6,000
		Advertisement expenditure	80,000
		Share issue expenses	10,000
	13,03,000		13,03,000

Q. 2 Rearrange the following Balance sheet of M/s. in vertical form & Calculate

- | | |
|-------------------------------------|---|
| (1) Intangible Assets | (2) Fictitious Assets |
| (3) Fixed Assets | (4) Fixed Liabilities |
| (5) Current Assets And Quick Assets | (6) Current Liabilities And Quick Liabilities |
| (7) Working Capital | (8) Net Worth (Shareholders Fund). |
| (9) Equity shareholders Fund | |

Balance Sheet as on 31.03.2002

Liabilities	₹	Assets	₹
10,000 6% Preference Shares of ₹ 10 Each	1,00,000	Goodwill	20,000
20,000 Equity shares of ₹ 10 each	2,00,000	Plant & Machinery	1,00,000
Less : Calls in Arrears	10,000	Building	2,75,000
Securities Premium	15,000	Furniture	59,000
Profit & Loss A/c	40,000	Trade Investment	10,000
		Sinking Fund Investment	40,000
		Stock	18,000

Revaluation reserve	5,000	Goods with Consignee	6,000
Sinking fund	40,000	Debtors	63,000
15% Debentures	80,000	Bills Receivable	14,000
Bank Overdraft	25,000	cash & bank	41,000
Sundry Creditors	23,000	Advance tax	10,000
Bills payable	21,000	Discount on issue of	
Outstanding expenses	5,000	Debentures	4,000
Proposed dividend	10,000	Underwriting Commission	6,000
Provision for doubtful-debts	2,000		
Provision for depreciation	1,20,000		
	6,76,000		6,76,000

Provision for depreciation includes: Plant & Machinery ₹ 30,000, Building ₹ 70,000, Furniture ₹ 20,000.

- Q. 3** You are required to present the following information suitably summarised in vertical form showing the following: (a) Proprietor's Fund (b) Gross Profit (c) Net Operating profit (d) Cost of goods sold (e) Retained Earning.

Balance Sheet as at March 31, 1999 (₹ in Thousands)

Liabilities	₹	Assets	₹
Equity share capital	500	Patents	30
Dividend Equilisation Reserve	70	Land & Building (at cost)	320
General Reserve	110	Plant & Machinery (at Cost)	650
Profit & Loss A/c	190	Cash at Bank	88
6% Debentures	250	<u>Stock</u>	
Bank Overdraft	150	Materials	90
Staff Provident Fund	80	Finished Goods	160
Creditors	210	Work-in-Progress	60
Unpaid Dividend	10		310
Proposed Dividend	60	Debtors	230
Provision for taxation	170	Less : R.D.D	8
Less: Tax paid	100		222
Provision for Depreciation	250	Bills Receivable	30
		Staff Provident Fund	80
		Investment	
		Loan Given(for 3 years)	100
		Short term Loan	30
		Deposit with Custom authorities	60
		Preliminary Expenses	30
	1,950		1,950

Profit & Loss Account for the year ending March 31st, 1999

Particulars	₹	Particulars	₹
To Opening Stock		By sales	2,000
Materials	90	By Closing Stock	
Finished Goods	120	Materials	90
Work-in-Progress	40	Finished Goods	160
	250	Work-in-Progress	60
To Purchase of Material	850		310
To Wages	280	By Profit on Sale of Investment	8
To Power	40	By Sale of Scrap	25
To Factory Expenses	110	By Miscellaneous receipts	5
To Office Salaries	80		
To Office Expenses	90		
To Selling & Distribution exp.	120		
To Advertisement	80		
To Preliminary Expenses	5		
To Debenture Interest	15		
To <u>Depreciation</u>			
Plant	60		
Factory Building	12		
	170		
To Provision for Taxation	170		
To Proposed Dividend	60		
To Balance of Profit	126		
	2,348		2,348

Q.4 Following financial statements for the year ended 31st March, 2005 are submitted to you by the accountant of Star Ltd.

Dr.Trading and Profit and Loss Account for the year ended 31st March, 05 **Cr.**

Particulars	₹	Particulars	₹
To Opening Stock	70,000	By Sales	16,60,000
To Purchases	15,30,000	By Closing Stock	1,60,000
Less : Returns	30,000		
	15,00,000		
To Gross Profit	2,50,000		
	18,20,000		18,20,000
To Depreciation	36,000	By Gross Profit	2,50,000
To Administration Expenses	50,000	By Interest	10,000
To Selling & Distribution Exp.	24,000		
To Provision for Income - tax	40,000		

To Proposed Dividend	16,000		
To Profit Balance	94,000		
	2,60,000		2,60,000

Balance Sheet as at 31st March, 05

Liabilities	₹	Assets	₹
Share Capital	3,00,000	Goodwill	20,000
Profit and Loss Account	1,80,000	Cash in Hand	8,000
Proposed Dividend	16,000	Stock in Trade	1,60,000
Bank Overdraft	38,000	Sundry Debtors	1,78,500
Sundry Creditors	26,000	Land & Building	92,150
Provision for Depreciation	55,750	Plant & Machinery	1,28,600
Provision for Tax	40,000	Prepaid Expenses	1,500
		Expenses on Issue of Shares	7,000
		Short Term Investments	60,000
	6,55,750		6,55,750

Rearrange the above statements in a form suitable for analysis and determine Net Worth, Quick Assets, Quick Liabilities, Operating Profit and Retained Earnings.

Q.5 Balance Sheet of XYZ Ltd. as on 31-3-2003 was as follows :

Liabilities	₹	Assets	₹
Share Capital	6,50,000	Goodwill	25,000
Capital Reserve	2,500	Land	1,29,000
General Reserve	1,20,410	Premises - Leasehold	1,50,000
Contingency Reserve	42,500	Plant	2,34,395
P & L A/c	18,777	Furniture	8,575
5% Debentures	1,57,500	M.F. Liquid Scheme Units	71,400
Sundry Creditors	73,900	Stock	1,96,770
Proposed Dividend	75,000	Debtors	2,03,942
Provision for Taxation	25,000	Cash and Bank	1,21,280
		Advance Tax	23,675
		Preliminary Expenses	1,550
Total ₹	11,65,587	Total ₹	11,65,587

Re-Arrange the above Balance Sheet in a form suitable for analysis and give the following :

- | | | |
|------------------------|---------------------|--------------------------|
| (a) Current Assets | (b) Quick Assets | (c) Intangible Assets |
| (d) Fictitious Assets | (e) Fixed Assets | (f) Fixed Liabilities |
| (g) Proprietors' Funds | (h) Working Capital | (i) Total Funds Employed |
| (j) Secured Loans | (k) Owned Funds | |

Comparative statement

Q.1 From the following balance sheets presented by M/s. Deepak Ltd. Prepare comparative statement suitable for analytical purpose.

Deepak Limited

Balance sheet as on 31st March

Liabilities	2002 ₹	2003 ₹	Assets	2002 ₹	2003 ₹
Share capital	1,35,000	1,35,000	Goodwill	11,950	4,450
Reserves	20500	34000	Preliminary Expenses	2,000	500
Dividend Equalisation Reserve	10,000	10,000	Land & Building	32,400	45,000
Profit & Loss A/c	10,000	10,000	Plant & Machinery	1,13,400	85,050
15% Debentures	45,000	45,000	Furniture	-	40,500
Public Deposits	67,950	62,010	Investment	40,500	49,500
Creditors	51,640	20,920	Debtors	94,500	1,14,120
Bills Payable	15,000	-	Bank Balance	89,640	11,610
Outstanding Expenses	5,000	5,000			
Proposed Dividend	13,500	16,200			
Provision for Taxation	10,800	12,600			
Total ₹	3,84,390	3,50,730	Total ₹	3,84,390	3,50,730

Fixed Assets are shown in balance sheet at Gross Value - accumulated depreciation is 10% of gross block value and included in Reserves.

Q.2 Financial position of Santhan Ltd. as at 31st March:

Liabilities	2005 ₹	2006 ₹	Assets	2005 ₹	2006 ₹
Equity share capital	2,00,000	2,50,000	Building	3,00,000	3,20,000
10% Pref. share capital	2,00,000	1,50,000	Machinery	1,50,000	1,80,000
Reserve Fund	80,000	1,00,000	Furniture	40,000	35,000
Profit & Loss A/c	1,00,000	1,50,000	Investment	1,00,000	1,50,000

12% Debentures	2,00,000	3,00,000	Stock	1,50,000	2,00,000
Creditors	1,00,000	1,20,000	Debtors	1,00,000	1,20,000
Bank Overdraft	50,000	20,000	Bank Balance	90,000	85,000

From the above information of Santhan Ltd. as at 31st March, 2005 and 2006 you are required to comment with the help of comparative statement, after rearranging in suitable form for analysis.

Q.3 The following revenue statements for the two years ended 31st March, 2009 are furnished by Jayesh.

Years ended 31 st March	2008	2009
Sales	30,00,000	32,00,000
Less: Purchase cost of goods sold	28,00,000	30,00,000
Gross Margin	2,00,000	2,00,000
Commission Income	1,00,000	3,00,000
Gross Revenue	3,00,000	5,00,000
Less: Administrative Expenses	60,000	75,000
Selling and Distribution Expenses	1,20,000	1,80,000
Finance Expenses	75,000	60,000
	2,55,000	3,15,000
Net Profit Before Taxation	45,000	1,85,000
Tax Provision	5,000	60,000
Net Profit After Taxation	40,000	1,25,000

Jayesh wants you to make a comparative analysis of the above revenue statements.

Q.4 Complete the following comparative statement.

Particulars	2003 ₹	2004 ₹	Absolute increase or decrease	Percentage increase or decrease
Sales (A)	?	?	(+)4,00,000	(+)25%
Less : <u>Cost of goods sold</u>				

Opening stock	80,000	1,20,000	?	?
Purchases	?	?	(+)2,00,000	(+)20%
Wages	2,40,000	4,40,000	?	?
Less : Closing stock	?	1,60,000	?	?
(B)	?	?	?	?
Gross profit (C = A - B)	?	?	?	?
Less : <u>Operating expenses</u>				
Office	?	?	(+)20,000	(+)20%
Selling	50,000	60,000	?	?
Finance	?	?	(+)4,500	(+)22.5%
Total (D)	?	?	?	?
Net operating profit (C - D)	?	?	?	?
Add : Non operating income	20,000	1,00,000	?	?
NPBT	?	?	?	?
Less : Provision for tax	?	?	?	?
NPAT	2,10,000	2,35,500	?	?

Q.5 Complete the following comparative statement.

Particulars	2003 ₹	2004 ₹	Absolute increase or decrease	Percentage increase or decrease
<u>SOURCES OF FUNDS</u>				
[A] <u>Shareholder's Funds</u>				
Equity share capital		1,20,000	1,20,000	-
Reserve and surplus		20,000	48,000	?
[A]	1,40,000	1,68,000	?	?
[B] <u>Borrowed Funds</u>				
10% Debentures [B]	?	?	?	?
Total [A+B]	1,60,000	?	?	?
<u>APPLICATION OF FUNDS</u>				
[A] Fixed Assets	?	?	?	(+)75%
[B] Working Capital :				
<u>Current Assets</u>				
Stock	?	?	(-)10,000	(-)20%
Debtors	?	56,000	?	?
Cash	?	24,000	?	(-)20%

	.....(i)	?	?	(-)20,000	?
Less	<u>Current</u>				
:	<u>Liabilities</u>				
	Creditors	.....(ii)	?	-	-
		[B] [(i) - (ii)]	80,000	?	?
Total	[A+B]		?	?	?

Common size Statement

Q.1 "Oceana Ltd." provides you following Balance sheets. Rearrange them in Vertical Form and Prepare "Common-size statements" and offer your comments.

Liabilities	31-3-03 (₹)	Assets	31-3-03 (₹)
14% Pref. share capital	1,50,000	Goodwill	32,500
Equity share capital	1,28,000	Plant	2,29,000
Dividend Equalization		Factory Building	80,700
Reserve	35,000	Trade Investments	80,200
Capital Reserve	48,000	Short Term	
10% Debentures	1,80,000	Investments	47,700
Creditors	75,000	Debtors	95,500
Bills Payables	27,500	Stock	68,300
Tax provision	35,500	Cash / Bank	45,000
Total ₹	6,79,000	Total ₹	6,79,000

Q.2 From the following Profit & Loss A/c information for the year ending 2004 & 2005, prepare common-size statement. Arrange information in Vertical Form suitable for analysis.

Particulars	2004 (₹)	2005 (₹)
Sales	10,00,000	15,00,000
Closing stock	2,50,000	3,00,000
Opening stock	1,50,000	2,50,000
Purchases	3,00,000	4,50,000
Wages	2,00,000	3,00,000
Manufacturing Expenses	1,00,000	1,50,000
Administrative Expenses	50,000	50,000
Selling & Distribution Expenses	50,000	75,000
Loss on Sale of Furniture	25,000	-
Interest on Debentures	10,000	10,000
Profit on Sale of Shares	50,000	-

Q.3 Complete the following Common size Income Statement.

Particulars	₹	₹
Gross Sales	9,90,000	?
Less : Sales Return	?	10
Net Sales	?	?
Less : Cost of Sales	?	40
Gross Profit	?	?
Less : Operating Expenses		
a) Administrative Expenses	?	?
b) Finance Expenses	?	2

c) Selling & Distribution Expenses	.....	.....	72,000	?
Operating Net Profit	.....	.....	?	?
Add: Non Operating Income	.....	.....	45,000	?
Less : Non Operating Expenses	.....	.....	?	15
Net Profit Before Tax	.....	.....	?	30

Trend analysis

Q.1 Following are the balance sheets of Mr. X on 31st December. You are required to comment on balance sheets with the help of Trend Analysis.

ASSETS	2000 (₹)	2001 (₹)	2002 (₹)
Fixed Assets (A)	50,000	70,000	80,000
Cost - less Depreciation			
Current Assets (B)			
Stock	1,50,000	1,80,000	2,00,000
Debtors	2,25,000	2,70,000	3,45,000
Cash / Bank	50,000	50,000	50,000
Loans & Advances	75,000	1,00,000	1,25,000
	5,00,000	6,00,000	7,20,000
Total (A + B)	5,50,000	6,70,000	8,00,000
LIABILITIES			
Capital	2,50,000	4,00,000	5,50,000
Loan Funds	1,50,000	1,00,000	50,000
Creditors	1,50,000	1,70,000	2,00,000
	5,50,000	6,70,000	8,00,000

Q.2 You are required to comment on the following Income statements with the help of trend analysis.

	2002 (₹)	2003 (₹)	2004 (₹)
Sales	3,00,000	3,60,000	4,32,000
Less : Cost of Sales	1,92,000	2,28,000	2,76,000

Less : Tax at 50% of PBT	?	?	?	?	?	?	?	?
Profit after Tax (PAT)	?	?	?	?	?	?	?	?
Less : Dividend	3	30	?	90	?	?	?	?
Net Earning	?	?	?	?	410	?	?	?

Objectives:

- 1 Balance sheet is a
 - (a) Statement of Assets & Liabilities
 - (b) Statement of operating results
 - (c) Statement of Working Capital
 - (d) None of the above
- 2 Income statement is a
 - (a) Statement of working results
 - (b) Statement of Sources of fund
 - (c) Statement of Cash Flow
 - (d) Fund from operation
- 3 Face value of a share is
 - (a) Issue price of a share
 - (b) Book value of a share
 - (c) Market value of a share
 - (d) Fixed denomination of a share mentioned in the M/A
- 4 Authorised Capital is
 - (a) Minimum capital the company can raise
 - (b) Maximum capital that can be raised as per the Memorandum of Association
 - (c) Optimum capital that can be raised
 - (d) Needed capital
- 5 Securities Premium can be used for
 - (a) Issue of fully paid bonus Shares
 - (b) Issue of rights shares
 - (c) payment of dividend
 - (d) Issue of partly paid bonus shares
- 6 General reserve is created out of
 - (a) Profit
 - (b) Income
 - (c) Expenditure
 - (d) Dividend received
- 7 Point out from the following which is not a secured loan
 - (a) Public Deposits
 - (b) Mortgage loan
 - (c) Bank Overdraft on hypothecation of stock charge
 - (d) Debentures issue on floating charge
- 8 Fixed assets should be disclosed in Balance sheet at
 - (a) Cost
 - (b) Market value
 - (c) Cost or market value whichever is more
 - (d) Cost or market value which is less
- 9 Live Stock is a
 - (a) Current asset
 - (b) Fictitious asset
 - (c) Fixed asset
 - (d) none of the above
- 10 patents and copyrights is an
 - (a) Intangible Asset
 - (b) Movable Asset

- (c) Intangible Fixed Asset (d) Fictitious Assets
- 11 Goodwill is an
 (a) Intangible Asset (b) Fixed Asset
 (c) Intangible fixed asset having realizable value (d) Fictitious Assets
- 12 Land and Building is a
 (a) Fixed tangible movable Asset (b) Fixed intangible movable assets
 (b) Intangible asset (d) Fixed intangible Immovable assets
- 13 Capital work in progress is disclosed under
 (a) Fixed asset (b) Current assets
 (c) Capital (d) Intangible assets
- 14 Accumulated depreciation is
 (a) Shown under provision (b) Shown under secured Loans
 (c) Deducted from cost of fixed assets (d) Ignored
- 15 Underwriting commission is a
 (a) Tangible assets (b) Intangible assets (c) Fixed assets (d) Fictitious assets
- 16 Stock is a.....
 (a) Current asset (b) Quick asset (c) Fixed asset (d) Fictitious asset
- 17 Bank overdraft is not a.....
 (a) Quick Liability (b) Current Liability (c) Urgent Liability (d) Liability
- 18 Gross profit is
 (a) Excess of sales over total cost (b) Excess of sales cost of goods sold
 (c) Excess of sales over purchase (d) Excess of sales over cost of materials
- 19 Operating profit is.....
 (a) Gross profit plus operating income
 (b) Gross profit less operating expenses plus income
 (c) Gross profit less Non-operating expenses
 (d) Gross profit plus operating losses
- 20 Bills payable is a.....
 (a) quick liability (b) Long term liability
 (c) Fixed liability (d) Non-current liability
- 21 Provision for taxation is a charge against.....
 (a) Profit (b) Income (c) Retained earnings (d) None of the above
- 22 Staff salary is an.....
 (a) Operating expenditure (b) Operating Income
 (b) Non Operating Expenditure (d) Capital Expenditure

- 23 Fixed assets are ₹ 10,00,000, Current assets are ₹ 5,00,000, Current Liabilities are ₹ 1,00,000. There is no investment Capital employed will be.
(a) ₹ 8,00,000 (b) ₹ 14,00,000 (c) ₹ 9,00,000 (d) ₹ 6,00,000
- 24 Current Liabilities include creditors ₹ 4,00,000. Bills payable ₹ 2,00,000. Expenses payable ₹ 50,000. Bank OD ₹ 2,00,000 Quick liabilities will be
(a) ₹ 3,00,000 (b) ₹ 3,50,000 (c) ₹ 6,50,000 (d) ₹ 2,00,000
- 25 Assets include premises ₹ 10,00,000, Machinery ₹ 5,00,000, Furniture ₹ 2,00,000. Live stock ₹ 1,00,000. Goodwill ₹ 2,00,000 Underwriting commission ₹ 50,000. Find out the fixed tangible Immovable assets.
(a) ₹ 10,00,000 (b) ₹ 15,00,000 (c) ₹ 3,00,000 (d) ₹ 17,00,000

Q.2 Fill in the blanks:

- 1) shows financial position of a firm.
- 2) A/c shows result of activities conducted during the year.
- 3) of a share is called its face value.
- 4) is mentioned in Memorandum of Association under capital clause.
- 5) Calls in advance should be shown in Balance sheet on side.
- 6) Calls in arrears should be from subscribed capital.
- 7) Securities premium should be disclosed under
- 8) Debentures carry fixed rate of
- 9) Public deposits should be shown under
- 10) Provision for depreciation should be deducted from
- 11) Trade mark and goodwill is an asset.