

Financial Statement Analysis

PART 1

Objective Questions

• Multiple Choice Questions

1. Which of the following is not a tool of financial analysis?

- (a) Comparative income statement
- (b) Comparative position statement
- (c) Statement of profit and loss
- (d) Cash flow statement

Ans. (c) Statement of profit and loss or income statement is one of the financial statements of a company and shows the company's revenues and expenses during a particular period.

2. Which of the following is not an objective of comparative statement analysis?

- (a) To compare with other firms and industrial data
- (b) To judge the financial instability
- (c) To help in forecasting and planning
- (d) Understand complex data in simplified manner

Ans. (b) It helps to judge the financial stability of the enterprise.

3. In comparative statements, percentage change can be calculated with the help of which of the following formula?

- (a) $\frac{\text{Absolute Change} \times 100}{\text{Amount of Previous Year}}$
- (b) $\frac{\text{Absolute Change} \times 100}{\text{Amount of Current Year}}$
- (c) $\frac{\text{Absolute Change} \times 100}{\text{Amount of Total Profit}}$
- (d) None of these

Ans. (a) $\frac{\text{Absolute Change} \times 100}{\text{Amount of Previous Year}}$

4. Long-term borrowings of a firm on 31st March, 2021 was ₹ 5,00,000 and ₹ 8,00,000 on 31st March, 2022. What will be the absolute change and percentage change in comparative balance sheet?

- (a) ₹ 4,00,000, 80% respectively
- (b) ₹ 3,00,000, 60% respectively
- (c) ₹ 5,00,000, 35% respectively
- (d) ₹ 8,00,000, 25% respectively

Ans. (b) Absolute Change = 8,00,000 – 5,00,000 = ₹ 3,00,000

$$\begin{aligned}\text{Percentage Change} &= \frac{\text{Change} \times 100}{\text{Previous Years Balance}} \\ &= \frac{3,00,000 \times 100}{5,00,000} = 60\%\end{aligned}$$

5. In common size balance sheet,

- (a) amount of share capital is taken as 100
- (b) amount of current liabilities is taken as 100
- (c) amount of total assets is taken as 100
- (d) None of these

Ans. (c) Common size balance sheet shows the percentage relation of each asset/liability to total assets/total liabilities including capital. In this, total assets or total equity and liabilities are taken as 100.

6. Revenue from operations on 31st March, 2020 was ₹ 15,00,000 and on 31st March, 2019 was ₹12,00,000, then what will be the percentage change in revenue from operations?

(a) 50% (b) 62% (c) 45% (d) 25%

Ans. (d) Absolute Change = 15,00,000 – 12,00,000 = ₹ 3,00,000

$$\text{Percentage Change} = \frac{\text{Absolute Change} \times 100}{\text{Previous Year Figures}} = \frac{3,00,000 \times 100}{12,00,000} = 25\%$$

7. Cost of material consumed was ₹ 6,00,000 in 2019-20 and total revenue from operations was ₹ 10,00,000, then percentage of cost of material consumed to total revenue from operations is

(a) 60% (b) 30% (c) 25% (d) 18%

Ans. (a) Percentage of Cost of Material Consumed to Total Revenue from Operations

$$= \frac{\text{Cost of Material Consumed} \times 100}{\text{Total Revenue from Operations}} = \left(\frac{6,00,000 \times 100}{10,00,000} \right) = 60\%$$

8. Tangible assets are ₹ 4,00,000 on 31st March, 2019 and intangible assets are ₹ 2,00,000. Total assets of the firm are ₹ 10,00,000, then what will be the percentage of tangible assets to total assets?

(a) 48% (b) 50% (c) 40% (d) 32%

Ans. (c) Percentage of Tangible Assets = $\frac{\text{Tangible Assets}}{\text{Total Assets}} \times 100 = \frac{4,00,000 \times 100}{10,00,000} = 40\%$

9. Which item is assumed to be 100 while preparing common size statement of profit and loss?

(a) Total income (b) Cost of revenue from operations
(c) Revenue from operations (d) None of these

Ans. (c) Revenue from operations

10. Match the following.

Column I	Column II
A. Common size balance sheet	(i) Compare the assets and liabilities of current year with that of previous year
B. Comparative balance sheet	(ii) Depicts the percentage relation of each assets/liability to total assets/total of equity and liabilities
C. Common size income statement	(iii) Revenue from operations is assumed to be equal to 100 and other values of revenue and expenses are expressed as percentage of revenue from operations

Codes

A	B	C	A	B	C	
(a)	(i)	(ii)	(b)	(ii)	(i)	(iii)
(c)	(i)	(iii)	(d)	(ii)	(i)	(iii)

Ans. (d) (ii) (i) (iii)

11. If shareholders' fund of Grow Ltd. was ₹ 4,00,000 in 31st December, 2019 and ₹ 5,00,000 in 31st December, 2020, then what is the percentage change in shareholders' fund?

(a) 10% (b) 25% (c) 30% (d) Data insufficient

Ans. (b) Absolute change = 5,00,000 – 4,00,000 = ₹ 1,00,000

$$\text{Percentage Change} = (\text{Absolute Change/Previous Year}) \times 100 \\ = (1,00,000 / 4,00,000) \times 100 = 25\%$$

12. If shareholders' fund of XYZ Ltd. was ₹ 10,00,000, long-term borrowings was ₹ 1,40,000 and trade payable was ₹ 3,60,000, then what will be the percentage of shareholders' fund to the total liabilities side of balance sheet?

(a) 70% (b) 33.33% (c) 66.66% (d) Data insufficient

Ans. (c) Total liabilities = 10,00,000 + 1,40,000 + 3,60,000 = ₹ 15,00,000

Shareholders' fund = ₹ 10,00,000

$$\text{Percentage} = (\text{Shareholders' Fund/Total Assets}) \times 100 = 10,00,000 / 15,00,000 \times 100 = 66.66\%$$

• Assertion-Reasoning MCQs

Direction (Q. Nos. 1 to 3) There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
 (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is true

1. **Assertion (A)** Financial statement analysis studies the relationship among financial facts and figures.
Reason (R) It helps in identifying the strength and weakness of the firm.

Ans. (c) It does not help in identifying the strength and weakness of the firm.

2. **Assertion (A)** Both horizontal and vertical analysis are complementary in nature.
Reason (R) Horizontal analysis is used for intra-firm comparison and vertical analysis is used for inter-firm comparison.

Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

3. **Assertion (A)** If share capital is ₹ 9,00,000 and reserve and surplus is ₹ 2,00,000, then shareholders' funds will be ₹ 11,00,000.

Reason (R) Total revenue (gross sales) is the summation of cash sales and credit sales.

Ans. (b) Shareholders' fund is the summation of share capital and reserve and surplus.

• Case Based MCQs

1. **Direction** Read the following case study and answer the question no. (i) to (iv) on the basis of the same.

The motto of 'Pharma Ltd' a company engaged in the manufacturing of low-cost generic medicines, is 'Healthy India'. Its management and employees are hardworking, honest and motivated. The net profit of the company doubled during the year ended 31st March, 2019. Encouraged by its performance, the company decided to pay bonus to all employees at double the rate than last year. Following is the comparative statement of profit and loss of the company for the years ended 31st March, 2018 and 2019.

Pharma Ltd			
Comparative Statement of Profit and Loss for the year ended 31st March, 2018 and 2019			
Particulars	Note No.	2017-18 (₹)	2018-19 (₹)
Revenue from Operations		20,00,000	30,00,000
(-) Employees Benefit Expenses		(12,00,000)	(14,00,000)
Profit before Tax		8,00,000	16,00,000
(-) Tax at 25% Rate		(2,00,000)	(4,00,000)
Profit after Tax		6,00,000	12,00,000

- (i) The financial condition of company from 2017-2018 to 2018-19 has
 (a) improved (b) worsen (c) No change (d) None of these

Ans. (a) Earned more profit than last year.

- (ii) All except has same percentage of change.
 (a) revenue from operations (b) profit after tax (c) tax (d) profit before tax

Ans. (a) All have been changed by 100% but revenue from operations has changed by 50%.

- (iii) Tax liability by
 (a) decreased, ₹ 4,00,000 (b) decreased, ₹ 2,00,000 (c) increased, ₹ 4,00,000 (d) increased, ₹ 2,00,000

Ans. (d) Tax liability increased from ₹ 2,00,000 to ₹ 4,00,000.

- (iv) If the tax rate is increased by 15% in 2018-19, then what will be the absolute change in profit after tax?
 (a) ₹ 6,40,000 (b) ₹ 9,60,000 (c) ₹ 3,60,000 (d) ₹ 5,00,000

Ans. (c) Profit after Tax in 2017-18 = ₹ 6,00,000 (Given)

Now, Profit after Tax in 2018-19 = 16,00,000 – 6,40,000 (16,00,000 × 40%) = ₹ 9,60,000

then, Absolute Change = 9,60,000 – 6,00,000 = ₹ 3,60,000

PART 2

Subjective Questions

• Short Answer (SA) Type Questions

1. State the objectives of preparing comparative balance sheet.

Ans. Following are the objectives of preparing comparative balance sheet

- To measure the financial position of an enterprise.
- To analyse different items of assets and liabilities in absolute rupees, i.e. balances on two or more comparative dates.
- To analyse increase or decrease in rupee amounts as well as in percentage by taking the data of previous years as base.
- To review the past financing and investing activities and their effect on the financial position of the enterprise.

2. What do you understand by the term common size statements?

Ans. These are the statements in which amounts of individual items of balance sheet and income statement (statement of profit and loss) for two or more years are written. These items are further converted into percentages to a common base. Comparison can be easily made with the percentage so calculated with the corresponding percentages in other periods and meaningful conclusions can be drawn. Common size analysis is also known as vertical analysis.

A common size statement exhibits the following information

- Absolute figures of the items appearing in financial statements of two or more years or two or more firms.
- Percentage figure of every item appearing in financial statements as a percentage of the pre-selected base item.

3. Prepare comparative statement of profit and loss from the following information.

Particulars	31st March, 2019	31st March, 2020
Revenue from Operations (Sales)	₹ 30,00,000	₹ 40,00,000
Cost of Goods Sold or Cost of Revenue from Operations	60% of Sales	55% of Sales
Paid Wages	₹ 25,000	₹ 30,000
Operating Expenses	20% of Gross Profit	25% of Gross Profit
Income Tax	40%	40%

(Delhi 2011; Modified)

Ans.

Comparative Statement of Profit and Loss for the years ended 31st March, 2019 and 2020

Particulars	31st March, 2019 (₹)	31st March, 2020 (₹)	Absolute Change (Increase or Decrease) (₹)	Percentage Change (Increase or Decrease) (%)
I. Revenue from Operations (Sales)	30,00,000	40,00,000	10,00,000	33.33
II. Expenses				
(a) Cost of Goods Sold or Cost of Revenue from Operations	18,00,000	22,00,000	4,00,000	22.22
(b) Operating Expenses	2,40,000	4,50,000	2,10,000	87.50
Total Expenses	20,40,000	26,50,000	6,10,000	29.90
III. Profit before Tax (I – II)	9,60,000	13,50,000	3,90,000	40.63
(–) Income Tax @ 40%	(3,84,000)	(5,40,000)	(1,56,000)	(40.63)
IV. Profit after Tax	5,76,000	8,10,000	2,34,000	40.63

Working Note

	2019 (₹)	2020 (₹)
Revenue from Operations	30,00,000	40,00,000
(–) Cost of Revenue from Operations	(18,00,000)	(22,00,000)
Gross Profit	12,00,000	18,00,000
Operating Expenses	2,40,000	4,50,000
	(20% of gross profit)	(25% of gross profit)

Note Wages is a direct expense. Hence, it is ignored because it is already included in the cost of goods sold or cost of revenue from operations.

4. Prepare comparative statement of profit and loss from the following information.

Particulars	31st March, 2015	31st March, 2014
Revenue from Operations	₹ 12,00,000	₹ 8,00,000
Purchase of Stock-in-trade	₹ 7,80,000	₹ 5,20,000
Change in Inventories of Stock-in-trade	₹ 40,000	₹ 80,000
Other Expenses	10% of Cost of Revenue from Operations	8% of Cost of Revenue from Operations
Tax Rate	30%	40%

(All India (C) 2016)

Ans.

Comparative Statement of Profit and Loss
for the year ended 31st March, 2015

Particulars	2014 (₹)	2015 (₹)	Absolute Change (Increase or Decrease) (₹)	Percentage Change (Increase or Decrease) (%)
I. Revenue from Operations	8,00,000	12,00,000	4,00,000	50.00
II. Expenses				
Purchases of Stock-in-trade	5,20,000	7,80,000	2,60,000	50.00
Changes in Inventories of Stock-in-trade	80,000	40,000	(40,000)	(50.00)
Other Expenses	48,000	82,000	34,000	70.83
Total Expenses	6,48,000	9,02,000	2,54,000	39.20
III. Profit before Tax (I – II)	1,52,000	2,98,000	1,46,000	96.05
(–) Tax	(60,800)	(89,400)	(28,600)	(47.04)
IV. Profit after Tax	91,200	2,08,600	1,17,400	128.73

Working Note

	2014 (₹)	2015 (₹)
Purchases of Stock-in-trade	5,20,000	7,80,000
Changes in Inventories of Stock-in-trade	80,000	40,000
Cost of Revenue from Operations	<u>6,00,000</u>	<u>8,20,000</u>
Other Expenses	48,000	82,000
	(8% of cost of revenue)	(10% of cost of revenue from operations)

5. From the following particulars obtained from the books of Mark Ltd., prepare a comparative statement of profit and loss. (CBSE 2020)

Particulars	Note No.	2017-18 (₹)	2016-17 (₹)
Revenue from Operations		50,00,000	40,00,000
Purchase of Stock-in-trade		40,00,000	30,00,000
Change in Inventory		10,00,000	8,00,000
Other Expenses		5,00,000	4,00,000
Other Incomes		2,50,000	2,00,000

Ans.

Comparative Statement of Profit and Loss
for the year ended 31st March, 2017 and 2018

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)	Absolute Increase/ Decrease (₹)	Percentage Increase/ Decrease (%)
I. Revenue from Operations	40,00,000	50,00,000	10,00,000	25
(+) Other Income	2,00,000	2,50,000	50,000	25
Total Revenue	42,00,000	52,50,000	10,50,000	25

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)	Absolute Increase/ Decrease (₹)	Percentage Increase/ Decrease (%)
II. Expenses				
Purchase of Stock-in-trade	30,00,000	40,00,000	10,00,000	33.3
Change in Inventory	8,00,000	10,00,000	2,00,000	25
Other Expenses	4,00,000	5,00,000	1,00,000	25
Total Expenses	42,00,000	55,00,000	13,00,000	30.95
Profit after Tax (I – II)	—	(2,50,000)	(2,50,000)	—

6. Prepare a comparative statement of profit and loss from the following information extracted from the statement of profit and loss for the year ended 31st March, 2017 and 2018. (CBSE 2019)

Particulars	2017-18	2016-17
Revenue from Operations	₹ 12,00,000	₹ 10,00,000
Other Income (% of Revenue from Operations)	25%	25%
Employee Benefit Expenses (% of Total Revenue)	40%	30%
Tax Rate	40%	40%

Ans.

Comparative Statement of Profit and Loss
for the year ended 31st March, 2017 and 2018

Particulars	2016-17 (₹)	2017-18 (₹)	Absolute Change (₹)	Percentage Change (%)
I. Revenue from Operations	10,00,000	12,00,000	2,00,000	20
II. Other Income	2,50,000	3,00,000	50,000	20
III. Total Revenue (I + II)	12,50,000	15,00,000	2,50,000	20
IV. Expenses Employee Benefit Expenses	3,75,000	6,00,000	2,25,000	60
V. Profit before Tax (III – IV)	8,75,000	9,00,000	25,000	2.86
(–) Tax @ 40%	(3,50,000)	(3,60,000)	(10,000)	(2.86)
VI. Profit after Tax	5,25,000	5,40,000	15,000	2.86

7. From the following Balance Sheets of Vinayak Ltd. as at 31st March, 2019, prepare a comparative balance sheet. (CBSE 2020)

Balance Sheet
as at 31st March, 2019

	Particulars	Note No.	31st March, 2019 (₹)	31st March, 2018 (₹)
I.	EQUITY AND LIABILITIES			
	1. Shareholders' Funds			
	(i) Share Capital		21,00,000	20,00,000
	(ii) Reserves and Surplus		2,30,000	2,00,000
	2. Non-current Liabilities			
	Long-term Borrowing		5,60,000	2,00,000
	3. Current Liabilities			
	Trade Payables		2,80,000	1,00,000
	Total		31,70,000	25,00,000

	Particulars	Note No.	31st March, 2019 (₹)	31st March, 2018 (₹)
II.	ASSETS			
	1. Non-current Assets			
	Fixed Assets			
	(i) Tangible Assets		21,00,000	20,00,000
	(ii) Intangible Assets		3,00,000	2,00,000
	2. Current Assets			
	(i) Inventories		5,60,000	2,00,000
	(ii) Cash and Cash Equivalents		2,10,000	1,00,000
	Total		31,70,000	25,00,000

Ans.

Comparative Balance Sheet

Particulars	2018 (₹) (A)	2019 (₹) (B)	Absolute Change (C = B – A)	Percentage Change ($D = \frac{C}{A} \times 100$)
I. EQUITY AND LIABILITIES				
1. Shareholders' fund				
(i) Equity Share Capital	20,00,000	21,00,000	1,00,000	5
(ii) Reserve and Surplus	2,00,000	2,30,000	30,000	15
2. Non-current Liabilities				
(i) Long-term Borrowing	2,00,000	5,60,000	3,60,000	180
3. Current Liabilities				
Trade Payables	1,00,000	2,80,000	1,80,000	180
Total	25,00,000	31,70,000	6,70,000	26.8
II. ASSETS				
1. Non-current Assets				
Fixed Assets				
(i) Tangible	20,00,000	21,00,000	1,00,000	5
(ii) Intangible	2,00,000	3,00,000	1,00,000	50
2. Current Assets				
(i) Inventories	2,00,000	5,60,000	3,60,000	180
(ii) Cash and Cash Equivalents	1,00,000	2,10,000	1,10,000	110
Total	25,00,000	31,70,000	6,70,000	26.8

8. Following particulars are obtained from the books of Aakash Ltd.

Particulars	Note No.	31st March, 2017 (₹)	31st March, 2016 (₹)
Revenue from Operations		20,00,000	12,50,000
Purchase of Stock-in-trade		16,80,000	9,25,000
Change in Inventories		1,00,000	75,000
Other Expenses		60,000	50,000
Other Income		80,000	25,000

You are required to prepare a common size statement of profit and loss.

Ans.

Common Size Statement of Profit & Loss
for the year ended 31st March, 2016 and 2017

Particulars	Note No.	Absolute Amount		% of Revenue from Operations	
		2015-16 (₹)	2016-17 (₹)	2015-16	2015-17
I. Revenue from Operations		12,50,000	20,00,000	100	100
II. Other Income		25,000	80,000	2	4
III. Total Revenue (I + II)		12,75,000	20,80,000	102	104
IV. Expenses					
Purchase of Stock-in-trade		9,25,000	16,80,000	74	84
Changes in Inventories		75,000	(1,00,000)	6	(5)
Other Expenses		50,000	60,000	4	3
Total Expenses		19,50,000	16,40,000	84	82
V. Profit before Tax (III-IV)		2,25,000	4,40,000	18	22

9. From the following balance sheet of Swaraj Ltd., as at 31st March, 2019, prepare a common size balance sheet. (CBSE 2020)

Balance Sheet
as at 31st March, 2019

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2018 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(i) Share Capital		34,00,000	30,00,000
(ii) Reserves and Surplus		10,00,000	10,00,000
2. Non-current Liabilities			
Long-term Borrowings		5,00,000	3,00,000
3. Current Liabilities			
Trade Payables		1,00,000	7,00,000
Total		50,00,000	50,00,000
II. ASSETS			
1. Non-current Assets			
Fixed Assets			
Tangible Assets		36,00,000	28,00,000
2. Current Assets			
(i) Inventories		13,00,000	20,00,000
(ii) Cash and Cash Equivalents		1,00,000	2,00,000
Total		50,00,000	50,00,000

Ans.

Swaraj Ltd
Common Size Balance Sheet
as at 31st March, 2018 and 2019

Particulars	Note No.	31st March, 2018 (₹)	31st March, 2019 (₹)	% of Balance Sheet Total	
				31st March, 2018	31st March, 2019
EQUITY AND LIABILITIES					
1. Shareholders' Funds					
(i) Share Capital		30,00,000	34,00,000	60	68
(ii) Reserves and Surplus		10,00,000	10,00,000	20	20
2. Non-current Liabilities					
Long-term Borrowings		3,00,000	5,00,000	6	10

Particulars	Note No.	31st March, 2018 (₹)	31st March, 2019 (₹)	% of Balance Sheet Total	
				31st March, 2018	31st March, 2019
3. Current Liabilities					
Trade Payables		7,00,000	1,00,000	14	2
Total		50,00,000	50,00,000	100	100
ASSETS					
1. Non-current Assets					
Fixed Assets					
Tangible Assets		28,00,000	36,00,000	56	72
2. Current Assets					
(i) Inventories		20,00,000	13,00,000	40	26
(ii) Cash and Cash Equivalents		2,00,000	1,00,000	4	2
Total		50,00,000	50,00,000	100	100

10. Prepare a common size balance sheet of KJ Ltd from the following information (CBSE 2018)

Particulars	Note No.	31st March, 2017 (₹)	31st March, 2016 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds		8,00,000	4,00,000
2. Non-current Liabilities		5,00,000	2,00,000
3. Current Liabilities		3,00,000	2,00,000
Total		16,00,000	8,00,000
II. ASSETS			
1. Non-current Assets		10,00,000	5,00,000
2. Current Assets		6,00,000	3,00,000
Total		16,00,000	8,00,000

Ans.

Common Size Balance Sheet
as at 31st March, 2016 and 2017

Particulars	Absolute Amount		% of Balance Sheet 2016	% of Balance Sheet 2017
	2016 (₹)	2017 (₹)		
I. EQUITY AND LIABILITIES				
1. Shareholder's Funds	4,00,000	8,00,000	50	50
2. Non-current Liabilities	2,00,000	5,00,000	25	31.25
3. Current Liabilities	2,00,000	3,00,000	25	18.75
Total	8,00,000	16,00,000	100	100
II. ASSETS				
1. Non-current Assets	5,00,000	10,00,000	62.5	62.5
2. Current Assets	3,00,000	6,00,000	37.5	37.5
Total	8,00,000	16,00,000	100	100

• Long Answer (LA) Type Questions

1. Prepare comparative income statement of Sai Ltd from the following statement of profit and loss.

Particulars	Note No.	31st March, 2017 (₹)	31st March, 2018 (₹)
I. Income			
Revenue from Operations (Net sales)		50,00,000	60,00,000
Other Income		80,000	80,000
Total		50,80,000	60,80,000
II. Expenses			
Cost of Materials Consumed		30,00,000	36,00,000
Changes in Inventories of Finished Goods and Work-in-progress		20,000	(30,000)
Employees Benefit Expenses		4,80,000	4,80,000
Finance Cost		1,40,000	1,80,000
Depreciation and Amortisation		50,000	45,000
Other Expenses	1	5,32,000	6,04,000
Total		42,22,000	48,79,000
III. Profit (I – II)		8,58,000	12,01,000

Notes to Accounts

Particulars	2017 (₹)	2018 (₹)
1. Other Expenses		
Power and Fuel	72,000	80,000
Carriage Outwards	15,000	19,000
License Fee	5,000	5,000
Selling and Distribution	3,40,000	3,80,000
Provision for Tax	1,00,000	1,20,000
	5,32,000	6,04,000

Ans.

Comparative Income Statement for the years ended 31st March, 2017 and 2018

Particulars	31st March, 2017 (₹)	31st March, 2018 (₹)	Absolute Change (Increase or Decrease) (₹)	Percentage Change (Increase or Decrease) (%)
I. Revenue from Operations	50,00,000	60,00,000	10,00,000	20.00
II. Other Income	80,000	80,000	—	—
III. Total Revenue (I + II)	50,80,000	60,80,000	10,00,000	19.69
IV. Expenses				
(i) Cost of Materials Consumed	30,00,000	36,00,000	6,00,000	20.00
(ii) Changes in Inventories of Finished Goods and Work-in-progress	20,000	(30,000)	(50,000)	(250.00)
(iii) Employees Benefit Expenses	4,80,000	4,80,000	—	—
(iv) Finance Cost	1,40,000	1,80,000	40,000	28.57
(v) Depreciation and Amortisation	50,000	45,000	(5,000)	(10.00)
(vi) Other Expenses	4,32,000	4,84,000	52,000	12.04
Total Expenses	41,22,000	47,59,000	6,37,000	15.45
V. Profit before Tax (III – IV)	9,58,000	13,21,000	3,63,000	37.89
(–) Provision for Tax	(1,00,000)	(1,20,000)	(20,000)	(20.00)
VI. Profit after Tax	8,58,000	12,01,000	3,43,000	39.98

2. From the following Balance Sheet of Averse Ltd. as at 31st March, 2021 and 2020, prepare a Comparative Balance Sheet.

Balance Sheet
as at 31st March, 2021 and 2020

Particulars	Note No.	31st March, 2021 (₹)	31st March, 2020 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(i) Share Capital		40,00,000	30,00,000
(ii) Reserve and Suplus		6,00,000	8,00,000
2. Non-Current Liabilities			
Long-term Borrowings		18,00,000	12,00,000
3. Current Liabilities			
Trade Payables		6,00,000	4,00,000
Total		70,00,000	54,00,000
II. ASSETS			
1. Non-Current Assets			
(i) Fixed Assets			
(a) Tangible		40,00,000	30,00,000
(b) Intangible		18,00,000	12,00,000
2. Current Assest			
(i) Inventories		6,00,000	8,00,000
(ii) Cash and Cash Equipment		6,00,000	4,00,000
Total		70,00,000	54,00,000

Ans.

Comparative Balance Sheet
as at 31st March, 2020 and 2021

Particulars	Note No.	2020 (₹)	2021 (₹)	Absolute Change (Increase/ Decrease) (₹)	% Change (Increase/ Decrease)
I. EQUITY AND LIABILITIES					
1. Shareholders' Fund					
(i) Share Capital		30,00,000	40,00,000	10,00,000	33.33
(ii) Reserve and Surplus		8,00,000	6,00,000	(2,00,000)	(25.00)
2. Non-Current Liabilities					
(i) Long-term Borrowing		12,00,000	18,00,000	6,00,000	50.00
3. Current Liabilities					
Trade Payables		4,00,000	6,00,000	2,00,000	50.00
Total		54,00,000	70,00,000	16,00,000	29.63
II. ASSETS					
1. Non-current Assets					
Fixed Assets					
(i) Tangible		30,00,000	40,00,000	10,00,000	33.33
(ii) Intangible		12,00,000	18,00,000	6,00,000	50.00
2. Current Assets					
(i) Inventories		8,00,000	6,00,000	(2,00,000)	(25.00)
(ii) Cash and Cash Equivalents		4,00,000	6,00,000	2,00,000	50.63
Total		54,00,000	70,00,000	16,00,000	29.63

Chapter Test

Multiple Choice Questions

- Revenue from operation on 31st March, 2019 was ₹ 45,00,000 and on 31st March, 2018 was ₹ 20,00,000. What will be the absolute change and its percentage change in revenue from operations?
(a) ₹ 15,00,000, 15% (b) ₹ 20,00,000, 20% (c) ₹ 25,00,000, 25% (d) ₹ 25,00,000, 125%
- If shareholders' fund of XYZ Ltd. was ₹ 35,00,000, non-current liabilities was ₹ 11,32,500 and current liabilities was ₹ 8,17,500, then what will be the percentage of current liabilities to the total assets?
(a) 15% (b) 10% (c) 5% (d) Data insufficient
- If revenue from operations were ₹ 24,00,000 on 31st December, 2017, other income was 15% of revenue from operations, whereas revenue from operations were ₹ 18,00,000 on 31st December, 2016, other income was 25% of revenue from operations, then what will be the absolute change in the other income?
(a) ₹ 4,50,000 (b) ₹ 3,60,000 (c) ₹ 90,000 (d) ₹ 90,000
- Which of the following statements is/are correct?
(i) Cost of revenue from operations is calculated by adding cost of material consumed and change in inventories of finished goods and work-in-progress
(ii) Comparison of values of two years of the firm is known as inter-firm analysis.
Alternatives
(a) Only (i) (b) Only (ii) (c) Both (a) and (b) (d) None of these
- Cost of material consumed was ₹ 10,00,000 in 2019 and total revenue from operations was ₹ 50,00,000, then percentage of cost of material consumed to total revenue from operations was
(a) 25% (b) 20% (c) 40% (d) 50%

Short Answer (SA) Type Questions

- From the information extracted from the statement of profit and loss of Voltech Ltd. for the years ended 31st March, 2017 and 2018, prepare a comparative statement of profit and loss.

Particulars	Note No.	2017-18 (₹)	2016-17 (₹)
Revenue from Operations		6,00,000	5,00,000
Cost of Materials Consumed		4,40,000	2,50,000
Other Expenses		1,50,000	1,00,000
Tax Rate		50%	50%

- From the following balance sheets of Sanchi Ltd as at 31st March, 2019, prepare a common size balance sheet.

Balance Sheets of Sanchi Ltd as at 31st March, 2019

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2018 (₹)
I. EQUITY AND LIABILITIES			
Shareholder's Funds			
1. (i) Share Capital		4,00,000	2,00,000
(ii) Reserves and Surplus		1,00,000	70,000
2. Non-current Liabilities			
Long-term Borrowings		3,00,000	4,30,000
3. Current Liabilities			
Trade Payables		2,00,000	3,00,000
Total		10,00,000	10,00,000

Particulars	Note No.	31st March, 2019 (₹)	31st March, 2018 (₹)
II. ASSETS			
1. Non-current Assets			
Fixed Assets			
Tangible Assets		6,00,000	5,00,000
Current Assets			
2.			
(i) Inventories		2,50,000	2,00,000
(ii) Cash and Cash Equivalents		1,50,000	3,00,000
Total		10,00,000	10,00,000

3. Prepare common size statement of profit and loss from the following information.

Particulars	Note No.	2017-18	2016-17
Revenue from Operations		₹ 16,00,000	₹ 8,00,000
Cost of Material Consumed (% of Revenue from Operations)		60%	50%
Operating Expenses		₹ 80,000	₹ 40,000
Income Tax Rate		40%	30%

4. From the following information extracted from the statement of profit and loss for the years ended 31st March, 2017 and 2018, prepare a comparative statement of profit and loss.

Particulars	2017-18	2016-17
Revenue from Operations	₹ 6,00,000	₹ 5,00,000
Other Incomes (% of Revenue from Operations)	20%	20%
Employee Benefit Expenses (% of Total Revenue)	40%	30%
Tax Rate	50%	50%

5. Prepare a comparative statement of profit and loss from the following information extracted from the statement of profit and loss for the years ended 31st March, 2017 and 2018.

Particulars	2017-18	2016-17
Revenue from Operations	400% of Cost of Material Consumed	300% of Cost of Material Consumed
Cost of Materials Consumed	₹ 4,40,000	₹ 4,00,000
Other Expenses	30% of Cost of Material Consumed	20% of Cost of Material Consumed
Tax Rate	50%	50%

Long Answer (LA) Type Question

1. From the following balance sheets of Sun Ltd as at 31st March, 2017 and 2018, prepare a common size balance sheet.

Particulars	Note No.	31st March, 2017 (₹)	31st March, 2018 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(i) Share Capital		30,00,000	40,00,000
(ii) Reserves and Surplus		4,00,000	6,00,000
2. Non-current Liabilities			
Long-term Borrowings		10,00,000	12,00,000
3. Current Liabilities			
Trade Payables		6,00,000	2,00,000
Total		50,00,000	60,00,000

Particulars	Note No.	31st March, 2017 (₹)	31st March, 2018 (₹)
II. ASSETS			
1. Non-current Assets			
Fixed Assets			
(i) Tangible Assets		30,00,000	40,00,000
(ii) Intangible Assets		6,00,000	2,00,000
2. Current Assets			
(i) Inventories		10,00,000	12,00,000
(ii) Cash and Cash Equivalents		4,00,000	6,00,000
Total		50,00,000	60,00,000

Answers

Multiple Choice Questions

1. (d) 2. (a) 3. (c) 4. (a) 5. (b)