

ANALYSIS OF FINANCIAL STATEMENTS.

Financial Statement

PROBLEMS;

COMPARATIVE FINANCIAL STATEMENTS

1 The information given below was taken from the financial statements of Shakthi Corporation. During 2015 the corporation has made the purchases from a new supplier.

Particulars	31-3-2013	31-3-2014
Sales	10,00,000	8,00,000
Cost of goods sold	6,00,000	4,00,000
Adm , selling and distribution expenses	2,00,000	1,40,000
Other incomes	40,000	20,000
Income Tax	1,20,000	1,40,000

You are required to prepare a condensed comparative income statement ..

2.Prepare comparative income statement with the help of the following information.

Details	2014	2015
Sales	10,00,000	16,00,000
Cost of goods sold	75% of sales	80% of sales
Indirect expenses	40% of gross profit	30% of gross profit
Income Tax	55% of profit before tax	50% of profit before tax

3. Prepare a Comparative Income Statement from the following.

Particulars	As at 31-3-2014	As at 31-3-2015
Sales	21,50,000	25,00,000
Cost of goods sold	13,00,000	14,50,000
Operating expenses		

Administrative expenses	2,10,000	1,80,000
Selling expenses	1,90,000	2,50,000
Non – operating expenses		
Interest	1,40,000	1,20,000
Income tax	1,70,000	2,30,000

4. From the following profit and loss A/C for the year ended 31-12-2011 and 31-12-2010, prepare a comparative income statements.

particulars	2010 Rs	2011 Rs	Particulars	2010 Rs	2011 Rs
To COGS	72,000	78,000	By sales	1,00,000	1,30,000
To depreciation	5,000	6,000	By dividend	20,000	10,000
To selling and - Distribution exp	8,000	12,000	By interest on – investment	10,000	
To interest on debt	15,000	14,000			
To provision for Tax	15,000	15,000			
To net profit	15,000	15,000			
	-----	-----			
	1,30,000	1,40,000		1,30,000	1,40,000

5. From the following information Prepare comparative income statement of Star Limited for the year 2015-16 and comment on the profitability of the concern.

Trading and Profit and Loss account

Particulars	31-3-16	Particulars	31-3-15	31-3-16
To opening stock	2,00,000	By sales	10,00,000	12,00,000
To purchases	5,50,000	By Closing stock	2,00,000	2,25,000
To Wages	80,000	By Incomes from investment	12,000	15,000
To salaries	64,000	By dividend received	5,000	7,500
To Rent and Taxes	40,000			
To Depreciation	60,000			
To Selling expenses	12,000 7,000			
To Discount allowed	8,000			
To loss on sale of plant	14,000 4,12,500			
To Interest paid	-----		-----	-----
To Net Profit	14,47,500		12,17,000	14,47,500

--	--	--	--	--

6. From the following data prepare Comparative Income Statement and Submit a report to the General Manager , NSK Ltd., on your finding and suggestions.

Year	Net Sales	COGS	Operating Expenses	Nonoperating Expenses	Nonoperating Incomes	Taxes
2014	1,85,400	78,560	36,450	12,500	24,000	12,400
2015	1,94,840	82,640	38210	13,800	32000	16,500

7. The following are the Balance Sheets of a concern for the year 2015 and 2016. Prepare a comparative Balance Sheet and study the financial position of the concern.

X Co Ltd.

Particulars	2015	2016	Particulars	2015	2016
Equity share capital	12,00,000	16,00,000	Land and building	7,40,000	5,40,000
Reserves & surplus	6,60,000	4,44,000	Plant and Machinery	8,00,000	12,00,000
Debentures	4,00,000	6,00,000	Furniture and fixtures	40,000	50,000
Long term loans on			Other fixed assets	50,000	60,000
-Mortgage	3,00,000	4,00,000	Cash in hand and at		
Bills Payable	1,00,000	90,000	Bank	40,000	1,60,000

Sundry creditors	2,00,000	2,40,000	Bills Receivable	3,00,000	1,80,000
Other current liabilities	10,000	20,000	Sundry Debtors	4,00,000	5,00,000
			Stock	5,00,000	7,00,000
			Prepaid expenses		4,000
	28,70,000	33,94,000		28,70,000	33,94,000

8. The Balance sheet of Sri Gopal and Co. Ltd for the year 2014 and 2015 are given below.

Particulars.	31-12-2014	31-12-2015
Liabilities		
Equity share capital	2,00,000	2,50,000
10% preference shares	2,00,000	1,50,000
Reserve funds	80,000	1,00,000
Profit and loss account	1,00,000	1,50,000
12% debentures	2,00,000	3,00,000
Creditors	1,00,000	1,20,000
Bank Overdraft	50,000	20,000
	9,30,000	10,90,000

Particulars	31-12-2014	31-12-2015
Assets		
Building	3,00,000	3,20,000
Machinery	1,50,000	1,80,000
Furniture	40,000	35,000
Investment	1,00,000	1,50,000
Stock	1,50,000	2,00,000
Debtors	1,00,000	1,20,000
Cash at bank	90,000	85,000
	9,30,000	10,90,000

You are required to comment on the financial position of business with the help of comparative Balance sheet.

9. Following is the Balance Sheet of Indian Exports as on 31-3-2011 and 31-3-2012 . You are required to prepare the comparative statement and comment on the financial position of the concern.

Liabilities	31-3-2011	31-3-2012	Assets	31-3-2011	31-3-2012
Share capital	12,00,000	10,00,000	Fixed assets		
Reserves and surplus	20,000	25,000	Building	3,00,000	2,55,000
Secured Loans	45,000	30,000	Machinery	4,90,000	3,25,000

Unsecured loans	2,00,000	2,50,000	Current Assets		
Current liabilities	1,25,000	1,50,000	Stock	3,00,000	3,75,000
			Debts	2,50,000	3,00,000
			Cash	2,50,000	2,00,000
	15,90,000	14,55,000		15,90,000	14,55,000

10. Following is the Balance sheet of J.K.Ltd as on 31-3-2011 and 31-3-2012. You are required to prepare the comparative statement and comment on the financial position of the concern.

Liabilities	31-3-2011	31-3-2012	Assets	31-3-2011	31-3-2012
Share capital	1,00,000	1,25,000	Fixed assets		
Reserves and surplus	20,000	25,000	Building	75,000	1,50,000
8% debentures	45,000	30,000	Furniture	2,00,000	2,40,000
Longterm borrowing	2,00,000	2,50,000	Current Assets		
Creditors	1,25,000	1,50,000	Stock	1,00,000	35,000
Bills Payable	45,000	50,000	Debtors	40,000	1,00,000
Bank overdrafts	12,500	15,000	Cash	1,32,000	1,20,000
	5,47,000	6,45,000		5,47,000	6,45,000

Common Size financial Statement

11. Prepare a common size statement and give your comments

RS in 000's	Sales	Cost of goods sold	Admi-expenses	Selling expenses	Net profit
31-3-2015	1,000	600	150	100	150
31-3-2016	1,500	750	225	175	350

12. Following is the details of Orient Limited as on 31-3-2015 and 31-3-2016. You are required to prepare the Common size Income statement for the year ending 31-3-2015 and 31-3-2016 and comment on the financial position of the concern.

Particulars	31-3-2015	31-3-2016
Sales	45,00,000	72,00,000
Cost of goods sold	22,50,000	36,00,000
Operating expenses	1,25,000	24,50,000
Interest on loan	15,000	1,00,000
Depreciation	1,75,000	1,00,000
Advertisement expenses	45,000	75,000

Distribution expenses Tax rate is 35%	10,000	
--	--------	--

13. The Balance Sheet of Koushik Company and Subhash and Company as on 31-12-2015 are as follows. Compare the financial position of both the firms with the help of common size Balance sheet and interpret the results.

Liabilities	Karthik Co	Subhash Co	Assets	Karthik Co	Subhash Co
Preference share capital	1,20,000	1,80,000	Land and building	80,000	1,23,000
Equity share capital	1,50,000	4,00,000	Plant and machinery	3,34,000	6,00,000
Reserve & surplus	14,000	1,80,000	Temporary investment	1,000	40,000
Long term loans	1,15,000	1,30,000	Stock	10,000	25,000
Bills payable	2,000		Book debts	4,000	8,000
Sundry creditors	12,000	4,000	Prepaid expenses	1,000	2,000
O/S expenses	22,000	10,000	Cash at bank		
Proposed dividend	10,000	90,000	Balance	8,000	30,000
			Preliminary expenses	7,000	4,000
	4,45,000	8,32,000		4,45,000	8,32,000

14. Following is the details of ABC Ltd as on 31-3-2015 and 31-3-2016. You are required to prepare the common size Income Statement for the year ending 31-3-2015 and 31-3-2016 and comment on the same.

Particulars	31-3-2015	31-3-2016
Sales	45,00,000	72,00,000
Cost of goods sold	22,50,000	36,00,000
Operating expenses	1,25,000	24,50,000
Interest on loan	15,000	1,00,000
Depreciation	1,75,000	1,00,000
Advertisement expenses	45,000	75,000
Distribution expenses	10,000	
Tax rate is 35%		

15. Following are the balance sheets of Shashi and Co. And Kiran and Co. As on 31 st March 2015.compare the financial position of the two companies with the help of common size balance sheet and comment.

Particulars	Shashi & Co	Kiran & Co
Assets		
Land and building	40,000	60,000
Plant and Machinery	1,50,000	3,12,500
Investments	50,000	1,00,000
Stocks	75,000	1,00,000
Sundry Debtors	50,000	60,000
Cash and Bank Balances	35,000	67,500
<u>Total</u>	4,00,000	7,00,000
Liabilities		
Equity share capital	1,00,000	1,50,000
12% Debentures	50,000	1,00,000
10% preference share capital	1,00,000	1,25,000
Reserves and surplus	50,000	60,000
Dividend provisions	25,000	35,000
Sundry creditors	75,000	2,05,000
Bank overdraft		25,000
Total	4,00,000	7,00,000

16. from the following Balance sheets of RKS Ltd , prepare common size Balance Sheet and comment upon the financial position of the company

Liabilities	31-3-15	31-3-16	Assets	31-3-15	31-3-16
Equity share capital	3,00,000	4,50,000	Land and building	3,90,000	4,05,000
10% pref share capital	1,50,000	1,50,000	Plant & machinery	1,50,000	3,60,000
Reserves & surplus	45,000	60,000	Furniture	30,000	45,000
Profit and loss a/c	22,500	45,000	Shares in Apoorva Ltd	37,500	75,000
12% debentures	1,50,000	3,00,000	Government Bonds	22,500	30,000
Mortgage Loan	75,000	1,12,500	Stock	75,000	1,12,500
Bank overdraft	15,000	30,000	Debtors	1,20,000	1,76,250
Creditors	75,000	90,000	Bills receivable	30,000	60,000,
Bills payable	7,500	9,750	Cash	7,500	15,000
Outstanding expens	3,750	5,250	Prepaid expenses	3,750	7,500
Provision for tax	22,500	30,000	Preliminary expenses	15,000	11,250
Proposed dividend	15,000	15,000			

	8,81,250	12,97,500		8,81,250	12,97,500

Trend Analysis

From the following data compute trend percentage taking 2011 as base.

year	Sales	Closing stock	Profit before tax
2011	2,58,680	1,20,580	55,750
2012	3,53,460	1,25,760,	63,520
2013	3,68,550	1,32,540	65,120
2014	4,12,430	1,34,780	72,460
2015	4,87,560	1,45,730	87,290

18. from the following information calculate trends

Details	2007	2008	2009	2010
Sales	100	90	120	150
Less- COGS	60	60	70	80
	-----	-----	-----	-----
Gross profit	40	30	50	70
Less – Operating expenses	10	10	15	20
	-----	-----	-----	-----
operating profit	30	20	35	50
Less tax	15	10	17.5	25
	-----	-----	-----	-----
Profit After tax	15	10	17.5	25