

CHAPTER-4 - Common Size Statements

Q1

Solution:

Cambridge Ltd. Common Size Balance Sheet

As at 31.3.2018 and 31.3.2018

(₹ in lakhs)

Particulars	Note No.	Absolute Amounts		% of Balance Sheet Total	
		2018	2019	2018	2019
		₹	₹	%	%
EQUITY AND LIABILITIES:					
Shareholders' Funds					
Share Capital		18	18	45	40
Reserves and Surplus		4	5.4	10	12
Non-Current Liabilities		14	14.4	35	32
Current Liabilities		4	7.2	10	16
TOTAL		40	45	100	100
ASSETS					
Non-Current Assets		28	30.6	70	68
Current Assets		12	14.4	30	32
TOTAL		40	45	100	100

Note- Total of Assets taken as base.

Formula= Item/Total Asset x 100

Q2

Solution:

Crown Ltd. Common Size Balance Sheet

As at 31.3.2018

Particulars	Note No.	Absolute Amounts ₹	% of Revenue from Operations
(I) Revenue from Operations		2,00,000	100
(II) Other Incomes		15,000	7.5
(III) Total Revenue (I+II)		2,15,000	107.5
(IV) Expenses:			
Cost of Materials Consumed		1,10,000	55
Other Expenses		5,000	2.5
Total Expenses		1,15,000	57.5
Profit before Tax (III-IV)		1,00,000	50
<i>Less:</i> Tax		40,000	20
Profit after tax (Profit before Tax – Tax)		60,000	30

Note- Revenue from operations taken as base.

Formula= Item/Revenue from operations x 100

Q3

Solution:

Common Size Statements uses a common base such as revenue from operations for P & L statement and total assets for the balance sheet and express all items of the financial statement as a percentage of the chosen base. It is used for vertical analysis to compare and analyze a firm's financial performance over several years/ periods of time. It can also be used to compare the financial position against competing firms, so as to evaluate the company's performance as compared to the remainder of the industry

