

One Two academy**UNIT 8****FINANCIAL STATEMENT ANALYSIS****I. Choose the correct answer:**

1. Which of the following statements is not true?
 - a) Notes and schedules also form part of financial statements.
 - b) The tools of financial statement analysis include common-size statement
 - c) Trend analysis refers to the study of movement of figures for one year
 - d) The common-size statements show the relationship of various items with some common base, expressed as percentage of the common base
2. Balance sheet provides information about the financial position of a business concern
 - a) Over a period of time
 - b) As on a particular date
 - c) For a period of time
 - d) For the accounting period
3. Which of the following tools of financial statement analysis is suitable when data relating to several years are to be analysed?
 - a) Cash flow statement
 - b) Common size statement
 - c) Comparative statement
 - d) Trend analysis
4. The financial statements do not exhibit
 - a) Non-monetary data
 - b) Past data
 - c) Short term data
 - d) Long term data
5. Which of the following is not a tool of financial statement analysis?
 - a) Trend analysis
 - b) Common size statement
 - c) Comparative statement
 - d) Standard costing
6. The term 'fund' refers to
 - a) Current liabilities
 - b) Working capital
 - c) Fixed assets
 - d) Non-current assets
7. Which of the following statements is not true?
 - a) All the limitations of financial statements are applicable to financial statement analysis also.
 - b) Financial statement analysis is only the means and not an end.
 - c) Expert knowledge is not required in analysing the financial statements.

- d) Interpretation of the analysed data involves personal judgement.
8. A limited company's sales has increased from ₹ 1,25,000 to ₹ 1,50,000. How does this appear in comparative income statement?
- a) + 20 % b) + 120 %
- c) – 120 % d) – 20 %
9. In a common-size balance sheet, if the percentage of non-current assets is 75, what would be the percentage of current assets?
- a) 175 b) 125
- c) 25 d) 100
10. Expenses for a business for the first year were ₹ 80,000. In the second year, it was increased to ₹ 88,000. What is the trend percentage in the second year?
- a) 10 % b) 110 %
- c) 90 % d) 11%

Answers :

1. (c) 2. (b) 3. (d) 4. (a) 5. (d) 6. (b) 7. (c) 8. (a) 9. (c) 10. (b)

II. Very short answer questions :

1. What are financial statements ?
 - i. Financial statements are the statements prepared by the business concerns at the end of the accounting period to ascertain the operating results and the financial position.
 - ii. The basic financial statements prepared by business concerns are income statement and balance sheet.
2. List the tools of financial statement analysis.

Following are the commonly used tools of financial statement analysis:

 - i. Comparative statement
 - ii. Common-size statement
 - iii. Trend analysis
 - iv. Funds flow analysis
 - v. Cash flow analysis
3. What is working capital ?
 - i. The term 'fund' refers to working capital. Working capital refers to the excess of current assets over current liabilities.
 - ii. Working capital = Current assets – Current liabilities

4. When is trend analysis preferred to other tools ?
 - i. Trend analysis refers to the study of movement of figures over a period. The trend may be increasing trend or decreasing trend or irregular.
 - ii. When data for more than two years are to be analysed, it may be difficult to use comparative statement.

III. Short answer questions :

1. "Financial statements are prepared based on the past data". Explain how this is a limitation.
 - i. Record of historical data: Financial statements are prepared based on historical data. They may not reflect the current position.
 - ii. Ignore price level changes: Adjustments for price level changes are not made in the financial statements. Hence, financial statements may not reveal the current position.
 - iii. Give only interim reports: Financial statements are prepared at the end of every accounting period. But, the actual position of the business can be known only when the business is closed. Hence, financial statements may not reveal the exact position of the business concern.
2. Write a short note on cash flow analysis.
 - i. Cash flow analysis is concerned with preparation of cash flow statement which shows the inflow and outflow of cash and cash equivalents in a given period of time.
 - ii. Cash includes cash in hand and demand deposits with banks.
 - iii. Cash equivalents denote short term investments which can be realised easily within a short period of time, without much loss in value.
 - iv. Cash flow analysis helps in assessing the liquidity and solvency of a business concern.
3. Briefly explain any three limitations of financial statements.
 - i. Give only interim reports: Financial statements are prepared at the end of every accounting period. But, the actual position of the business can be known only when the business is closed. Hence, financial statements may not reveal the exact position of the business concern.
 - ii. Limited access to external users: The external users do not have detailed and frequent information of financial results as they have limited access.

- iii. Influenced by personal judgement: Preparation of financial statements may be influenced by personal judgements and therefore these are not free from bias.
4. Explain the steps involved in preparing comparative statement.
- A comparative statement has five columns. Following are the steps to be followed in preparation of the comparative statement:
- Column 1: In this column, particulars of items of income statement or balance sheet are written.
 - Column 2: Enter absolute amount of year 1.
 - Column 3: Enter absolute amount of year 2.
 - Column 4: Show the difference in amounts between year 1 and year 2. If there is an increase in year 2, put plus sign and if there is decrease put minus sign.
 - Column 5: Show percentage increase or decrease of the difference amount shown in column 4 by dividing the amount shown in column 4 (absolute amount of increase or decrease) by column 2 (year 1 amount).

$$\text{Percentage increase or decrease} = \frac{\text{Absolute amount of increase or decrease}}{\text{Year 1 amount}} \times 100$$

5. Explain the procedure for preparing common-size statement.
- Common-size statement can be prepared with three columns. Following are the steps to be followed in preparation of common-size statement:
- Column 1: In this column, particulars of items of income statement or balance sheet are written.
 - Column 2: Enter absolute amount.
 - Column 3: Choose a common base as 100.
 - For example, revenue from operations can be taken as the base for income statement and total of balance sheet can be taken as the base for balance sheet. Work out the percentage for all the items of column 2 in terms of the common base and enter them in column 3.

IV. Exercises :

Comparative statement analysis :

1. From the following particulars, prepare comparative income statement of Arul Ltd.

Particulars	2015-16 ₹	2016-17 ₹
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Revenue from operations	50,000	60,000
Other income	10,000	30,000
Expenses	40,000	50,000

Solution : Comparative income statement of Arul Ltd. For the years ended
2016 and 2017

Particulars	2015-16 ₹	2016-17 ₹	Absolute amount of increase (+) or decrease (-)	Percentage increase (+) or decrease (-)
Revenue from operations	50,000	60,000	+ 10,000	+ 20
Add: Other income	10,000	30,000	+ 20,000	+ 200
Total revenue	60,000	90,000	+ 30,000	+ 50
Less: Expenses	40,000	50,000	+ 10,000	+ 25
Profit before tax	20,000	40,000	+ 20,000	+ 100

Note: Computation of percentage increase or decrease :

$$\text{Revenue from operations} = \frac{10,000}{50,000} \times 100 = 20 \%$$

$$\text{Other incomes} = \frac{20,000}{10,000} \times 100 = 200 \%$$

$$\text{Total revenue} = \frac{30,000}{60,000} \times 100 = 50 \%$$

$$\text{Expenses} = \frac{10,000}{40,000} \times 100 = 25 \%$$

$$\text{Profit before tax} = \frac{20,000}{20,000} \times 100 = 100 \%$$

2. From the following particulars, prepare comparative income statement of Barani Ltd.

Particulars	2016-17 ₹	2017-18 ₹
Revenue from operations	30,000	45,000
Other income	4,000	6,000
Expenses	10,000	15,000
Income tax	30 %	30 %

Solution : Comparative income statement of Barani Ltd. For the years ended
2017 and 2018

Particulars	2016-17 ₹	2017-18 ₹	Absolute amount of increase (+) or decrease (-)	Percentage increase (+) or decrease (-)
Revenue from operations	30,000	45,000	+ 15,000	+ 50
Add: Other income	4,000	6,000	+ 2,000	+ 50
Total revenue	34,000	51,000	+ 17,000	+ 50
Less: Expenses	10,000	15,000	+ 5,000	+ 50
Profit before tax	24,000	36,000	+ 12,000	+ 50
Less: Income tax (30%)	7,200	10,800	+ 3,600	+ 50
Profit after tax	16,800	25,200	+ 8,400	+ 50

Note: Computation of percentage increase or decrease :

$$\text{Revenue from operations} = \frac{15,000}{30,000} \times 100 = 50 \%$$

$$\text{Other incomes} = \frac{2,000}{4,000} \times 100 = 50 \%$$

$$\text{Total revenue} = \frac{17,000}{34,000} \times 100 = 50 \%$$

$$\text{Expenses} = \frac{5,000}{10,000} \times 100 = 50 \%$$

$$\text{Profit before tax} = \frac{12,000}{24,000} \times 100 = 50 \%$$

$$\text{Income tax} = \frac{3,600}{7,200} \times 100 = 50 \%$$

$$\text{Profit after tax} = \frac{8,400}{16,800} \times 100 = 50 \%$$

3. From the following particulars, prepare comparative income statement of Daniel Ltd.

Particulars	2015-16 ₹	2016-17 ₹
Revenue from operations	40,000	50,000
Operating Expenses	25,000	27,500
Income tax	30 %	30 %

Solution : Comparative income statement of Daniel Ltd. for the years ended
2016 and 2017

Particulars	2015-16 ₹	2016-17 ₹	Absolute amount of increase (+) or decrease (-)	Percentage increase (+) or decrease (-)
Revenue from operations	40,000	50,000	+ 10,000	+ 25
Add: Operating expenses	25,000	27,500	+ 2,500	+ 10
Profit before tax	15,000	22,500	+ 7,500	+ 50
Less: Income tax (30%)	4,500	6,750	+ 2,250	+ 50
Profit after tax	10,500	15,750	+ 5,250	+ 50

Note: Computation of percentage increase or decrease :

$$\text{Revenue from operations} = \frac{10,000}{40,000} \times 100 = 25 \%$$

$$\text{Operating Expenses} = \frac{2,500}{25,000} \times 100 = 10 \%$$

$$\text{Profit before tax} = \frac{7,500}{15,000} \times 100 = 50 \%$$

$$\text{Income tax} = \frac{2,250}{4,500} \times 100 = 50 \%$$

$$\text{Profit after tax} = \frac{5,250}{10,500} \times 100 = 50 \%$$

4. From the following particulars, prepare comparative statement of financial position of Muthu Ltd.

Particulars	31 st March, 2017 ₹	31 st March, 2018 ₹
I. EQUITY AND LIABILITIES		
Shareholder's fund	4,00,000	4,40,000
Non – current liabilities	1,50,000	1,65,000
Current liabilities	75,000	82,500
Total	6,25,000	6,87,500
II. ASSETS		
Non – current assets	5,00,000	6,00,000
Current assets	1,25,000	87,500
Total	6,25,000	6,87,000

Solution :

Comparative balance sheet of Muthu Ltd. As on 31st March, 2017 and 31st March,
2018

Particulars	2016-17 ₹	2017-18 ₹	Absolute amount of increase (+) or decrease (-)	Percentage increase (+) or decrease (-)
I. EQUITY AND LIABILITIES :				
Shareholder's fund	4,00,000	4,40,000	+ 40,000	+ 10
Non – current liabilities	1,50,000	1,65,000	+ 15,000	+ 10
Current liabilities	75,000	82,500	+ 7,500	+ 10
Total	6,25,000	6,87,500	+ 62,500	+ 10
II. ASSETS				
Non – current assets	5,00,000	6,00,000	+ 1,00,000	+ 20
Current assets	1,25,000	87,500	- 37,500	-30
Total	6,25,000	6,87,500	+ 62,500	+ 10

5. From the following particulars, prepare comparative statement of financial position of Kala Ltd.

Particulars	31 st March, 2017 ₹	31 st March, 2018 ₹
I. EQUITY AND LIABILITIES		
1. Shareholder's fund		
a) Share capital	3,00,000	3,60,000
b) Reserves and surplus	50,000	50,000
2. Non – current liabilities		
Long term borrowings	50,000	40,000
3. Current liabilities		
Trade payables	20,000	12,000
Total	6,25,000	4,62,000
II. ASSETS		
1. Non – current assets		
a) Fixed assets	2,50,000	2,90,000

b) Non - current investments	50,000	40,000
2. Current assets		
Inventories	80,000	1,00,000
Cash and cash equivalents	40,000	32,000
Total	4,20,000	4,62,000

Solution :

Comparative balance sheet of Kala Ltd. As on 31st March, 2017 and 31st March, 2018

Particulars	2016-17 ₹	2017-18 ₹	Absolute amount of increase (+) or decrease (-)	Percentage increase (+) or decrease (-)
I. EQUITY AND LIABILITIES :				
1. Shareholder's fund				
a) Share capital	3,00,000	3,60,000	+ 60,000	+ 20
b) Reserves and surplus	50,000	50,000	-	-
2. Non – current liabilities				
Long term borrowings	50,000	40,000	-10,000	-20
3. Current liabilities				
Trade payables	20,000	12,000	-8,000	-40
Total	4,20,000	4,62,000	+ 42,000	+ 10
II. ASSETS				
1. Non – current assets				
a) Fixed assets	2,50,000	2,90,000	+ 40,000	+ 16
b) Non-current investments	50,000	40,000	-10,000	-20
2. Current assets				
Inventories	80,000	1,00,000	+ 20,000	+ 25
Cash and cash equivalents	40,000	32,000	-8,000	-20
Total	4,20,000	4,62,000	+ 42,000	+ 10

Common-size statement :

6. Prepare common-size income statement for the following particulars of Raja Ltd. for the year ended 31st March, 2017

Particulars	2016-17 ₹
Revenue from operations	4,50,000
Other income	67,500
Expenses	1,35,000

Solution : Common-size income statement of Raja Ltd. for the year ended
31st March 2017

Particulars	Absolute amount	Percentage of revenue from operations
Revenue from operations	4,50,000	100
Add: Other income	67,500	15
Total revenue	5,17,500	115
Less: Expenses	1,35,000	30
Profit before tax	3,82,500	85

Note: Computation of percentage :

$$\text{Other incomes} = \frac{67,500}{4,50,000} \times 100 = 15 \%$$

$$\text{Total revenue} = \frac{5,17,500}{4,50,000} \times 100 = 115 \%$$

$$\text{Expenses} = \frac{1,35,000}{4,50,000} \times 100 = 30 \%$$

$$\text{Profit before tax} = \frac{3,82,500}{4,50,000} \times 100 = 85 \%$$

7. From the following particulars of Maria Ltd. and Kala Ltd. prepare a common-size income statement for the year ended 31st March, 2019.

Particulars	Maria Ltd. ₹	Kala Ltd. ₹
Revenue from operations	1,00,000	2,00,000
Other income	10,000	30,000
Expenses	70,000	1,20,000

Solution : Common-size income statement of for the year ended
31st March 2019

Particulars	Maria Ltd.		Kala Ltd.	
	Absolute amount	Percentage of revenue from operations	Absolute amount	Percentage of revenue from operations
Revenue from operations	1,00,000	100	2,00,000	100
Add: Other income	10,000	10	30,000	15
Total revenue	1,10,000	110	2,30,000	115
Less: Expenses	70,000	70	1,20,000	60
Profit before tax	40,000	40	1,10,000	55

Note: Computation of percentage :

In Maria Ltd :

$$\text{Other incomes} = \frac{10,000}{1,00,000} \times 100 = 10 \%$$

$$\text{Expenses} = \frac{70,000}{1,00,000} \times 100 = 70 \%$$

In Kala Ltd :

$$\text{Other incomes} = \frac{30,000}{2,00,000} \times 100 = 15 \%$$

$$\text{Expenses} = \frac{1,20,000}{2,00,000} \times 100 = 60 \%$$

8. Prepare common-size income statement for the following particulars of Sam Ltd.

Particulars	2015-16 ₹	2016-17 ₹
Revenue from operations	4,00,000	2,00,000
Other income	80,000	30,000
Expenses	2,40,000	1,20,000
Income tax	30%	30%

Solution : Common-size income statement of for the year ended
31st March 2019

Particulars	2015-16		2016-17	
	Absolute amount	Percentage of revenue from operations	Absolute amount	Percentage of revenue from operations
Revenue from operations	4,00,000	100	5,00,000	100
Add: Other income	80,000	20	50,000	10
Total revenue	4,80,000	120	5,50,000	110
Less: Expenses	2,40,000	60	2,50,000	50
Profit before tax	2,40,000	60	3,00,000	60
Less: Income tax (30%)	72,000	18	90,000	18
Profit after tax	1,68,000	42	2,10,000	42

Note: Computation of percentage :

In 2015-16 :

$$\text{Other incomes} = \frac{80,000}{4,00,000} \times 100 = 20 \%$$

$$\text{Expenses} = \frac{2,40,000}{4,00,000} \times 100 = 120 \%$$

$$\text{Income tax} = \frac{72,000}{4,00,000} \times 100 = 18 \%$$

In 2016-17:

$$\text{Other incomes} = \frac{50,000}{5,00,000} \times 100 = 10 \%$$

$$\text{Expenses} = \frac{2,50,000}{5,00,000} \times 100 = 50 \%$$

$$\text{Income tax} = \frac{90,000}{5,00,000} \times 100 = 18 \%$$

9. Prepare Common-size balance sheet of Meena Ltd. as on 31st March, 2018.

Particulars	31 st March 2018 ₹
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I EQUITY AND LIABILITIES	
Shareholder's funds	2,00,000
Non-current liabilities	1,60,000
Current liabilities	40,000
Total	4,00,000
II ASSETS	
Non-current assets	3,00,000
Current assets	1,00,000
Total	4,00,000

Solution : Common-size balance sheet of Meena Ltd. for the year ended
31st March 2018

Particulars	Absolute amount	Percentage of revenue from operations
I. Equity and liabilities		
Shareholder's funds	2,00,000	50
Non-current liabilities	1,60,000	40
Current liabilities	40,000	10
Total	4,00,000	100
II. Assets		
Non-current assets	3,00,000	75
Current assets	1,00,000	25
Total	4,00,000	100

Note: Computation of percentage :

$$\text{Shareholder's funds} = \frac{2,00,000}{4,00,000} \times 100 = 50 \%$$

$$\text{Non-current liabilities} = \frac{1,60,000}{4,00,000} \times 100 = 40 \%$$

$$\text{Current liabilities} = \frac{40,000}{4,00,000} \times 100 = 10 \%$$

$$\text{Non-current assets} = \frac{3,00,000}{4,00,000} \times 100 = 75 \%$$

$$\text{Current assets} = \frac{1,00,000}{4,00,000} \times 100 = 25 \%$$

10. Prepare common-size statement of financial position for the following particulars of Rani Ltd.

Particulars	31 st March 2016 ₹	31 st March 2017 ₹
I EQUITY AND LIABILITIES		
Shareholder's funds	5,40,000	6,00,000
Non-current liabilities	2,70,000	2,50,000
Current liabilities	90,000	1,50,000
Total	9,00,000	10,00,000
II ASSETS		
Non-current assets	7,20,000	8,00,000
Current assets	1,80,000	2,00,000
Total	9,00,000	10,00,000

Solution : Common-size balance sheet of Rani Ltd. for the year ended 31st March 2016 and 31st March 2017

Particulars	2015-16		2016-17	
	Absolute amount	Percentage of total assets	Absolute amount	Percentage of total assets
I. Equity and liabilities				
Shareholder's funds	5,40,000	60	6,00,000	60
Non-current liabilities	2,70,000	30	2,50,000	25
Current liabilities	90,000	10	1,50,000	15
Total	9,00,000	100	10,00,000	100
II. Assets				
Non-current assets	7,20,000	80	8,00,000	80
Current assets	1,80,000	20	2,00,000	20
Total	9,00,000	100	10,00,000	100

Note: Computation of percentage :

In 2015-16 :

$$\text{Shareholder's funds} = \frac{5,40,000}{9,00,000} \times 100 = 60\%$$

$$\text{Non-current liabilities} = \frac{2,70,000}{9,00,000} \times 100 = 30\%$$

$$\text{Current liabilities} = \frac{90,000}{9,00,000} \times 100 = 10 \%$$

$$\text{Non-current assets} = \frac{7,20,000}{9,00,000} \times 100 = 80 \%$$

$$\text{Current assets} = \frac{1,80,000}{9,00,000} \times 100 = 20 \%$$

In 2016-17 :

$$\text{Shareholder's funds} = \frac{6,00,000}{10,00,000} \times 100 = 60 \%$$

$$\text{Non-current liabilities} = \frac{2,50,000}{10,00,000} \times 100 = 25 \%$$

$$\text{Current liabilities} = \frac{1,50,000}{10,00,000} \times 100 = 15 \%$$

$$\text{Non-current assets} = \frac{8,00,000}{10,00,000} \times 100 = 80 \%$$

$$\text{Current assets} = \frac{2,00,000}{10,00,000} \times 100 = 20 \%$$

11. Prepare common-size statement of financial position for the following particulars of Yasmin Ltd. and Sakthi Ltd.

Particulars	Yasmin Ltd. ₹	Sakthi Ltd. ₹
I EQUITY AND LIABILITIES		
1. Shareholder's funds		
a) Share capital	2,00,000	3,00,000
b) Reserves and surplus	50,000	50,000
2. Non-current liabilities		
Long-term borrowings	1,50,000	1,80,000
3. Current liabilities		
Trade payables	1,00,000	60,000
Total	5,00,000	6,00,000
II ASSETS		
1. Non-current assets		
a) Fixed assets	2,00,000	3,00,000
b) Non-current investments	50,000	1,20,000
2. Current assets		
Inventories	2,00,000	90,000
Cash and cash equivalents	50,000	90,000
Total	5,00,000	6,00,000

Solution : Common-size balance sheet of Yasmin Ltd. and Sakthi Ltd. for the year ended 31st March 2016 and 31st March 2017

Particulars	Yasmin Ltd.		Sakthi Ltd.	
	Absolute amount	Percentage of total assets	Absolute amount	Percentage of total assets
I. Equity and liabilities				
1. Shareholder's funds				
a) Share capital	2,00,000	40	3,00,000	50
b) Reserves and surplus	50,000	10	60,000	10
2. Non-current liabilities				
Long-term borrowings	1,50,000	30	1,80,000	30
3. Current liabilities				
Trade payables	1,00,000	20	60,000	10
Total	5,00,000	100	6,00,000	100
II. Assets				
1. Non-current assets				
a) Fixed assets	2,00,000	40	3,00,000	50
b) Non-current investments	50,000	10	1,20,000	20
2. Current assets				
Inventories	2,00,000	40	90,000	15
Cash and cash equivalents	50,000	10	90,000	15
Total	5,00,000	100	6,00,000	100

Note: Computation of percentage :

Yasmin Ltd.:

$$\text{Share capital} = \frac{2,00,000}{5,00,000} \times 100 = 40 \%$$

$$\text{Reserves and surplus} = \frac{50,000}{5,00,000} \times 100 = 10 \%$$

$$\text{Long-term borrowings} = \frac{1,50,000}{5,00,000} \times 100 = 30 \%$$

$$\text{Trade payables} = \frac{1,00,000}{5,00,000} \times 100 = 20 \%$$

$$\text{Fixed assets} = \frac{2,00,000}{5,00,000} \times 100 = 40 \%$$

$$\text{Non-current investment} = \frac{50,000}{5,00,000} \times 100 = 10 \%$$

$$\text{Inventories} = \frac{2,00,000}{5,00,000} \times 100 = 40 \%$$

$$\text{Cash and cash equivalents} = \frac{50,000}{5,00,000} \times 100 = 10 \%$$

Sakthi Ltd. :

$$\text{Share capital} = \frac{3,00,000}{6,00,000} \times 100 = 50 \%$$

$$\text{Reserves and surplus} = \frac{60,000}{6,00,000} \times 100 = 10 \%$$

$$\text{Long-term borrowings} = \frac{1,80,000}{6,00,000} \times 100 = 30 \%$$

$$\text{Trade payables} = \frac{60,000}{6,00,000} \times 100 = 10 \%$$

$$\text{Fixed assets} = \frac{3,00,000}{6,00,000} \times 100 = 50 \%$$

$$\text{Non-current investment} = \frac{1,20,000}{6,00,000} \times 100 = 20 \%$$

$$\text{Inventories} = \frac{90,000}{6,00,000} \times 100 = 15 \%$$

$$\text{Cash and cash equivalents} = \frac{90,000}{6,00,000} \times 100 = 15 \%$$

Trend analysis :

12. From the following particulars, calculate the trend percentages of Kala Ltd.

Particulars	₹ in thousands		
	2015-16	2016-17	2017-18
Revenue from operations	400	500	600
Other income	100	150	200
Expenses	200	290	350

Solution:

Trend analysis for Kala Ltd.

Particulars	₹ in thousands			Trend percentage		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Revenue from operations	400	500	600	100	125	150
Add: Other income	100	150	200	100	150	200
Total revenue	500	650	800	100	130	160
Less: Expenses	200	290	350	100	145	175
Profit before tax	300	360	450	100	120	150

Note: Computation of percentage :

In 2016-17 :

$$\text{Revenue from operations} = \frac{500}{400} \times 100 = 125\%$$

$$\text{Other incomes} = \frac{150}{100} \times 100 = 150\%$$

$$\text{Total revenue} = \frac{650}{500} \times 100 = 130\%$$

$$\text{Expenses} = \frac{290}{200} \times 100 = 145\%$$

$$\text{Profit before tax} = \frac{360}{300} \times 100 = 120\%$$

In 2017-18:

$$\text{Revenue from operations} = \frac{600}{400} \times 100 = 150\%$$

$$\text{Other incomes} = \frac{200}{100} \times 100 = 200\%$$

$$\text{Total revenue} = \frac{800}{500} \times 100 = 160\%$$

$$\text{Expenses} = \frac{350}{200} \times 100 = 175\%$$

$$\text{Profit before tax} = \frac{450}{300} \times 100 = 150\%$$

13. From the following particulars, calculate the Trend percentages of Kavitha Ltd.

Particulars	₹ in thousands		
	2015-16	2016-17	2017-18

Revenue from operations	100	125	150
Other income	20	25	30
Expenses	100	120	80
Income tax	30%	30%	30%

Solution: Trend analysis for Kavitha Ltd.

Particulars	₹ in thousands			Trend percentage		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Revenue from operations	100	125	150	100	125	150
Add: Other income	20	25	30	100	125	150
Total revenue	120	150	180	100	125	150
Less: Expenses	100	120	80	100	120	80
Profit before tax	20	30	100	100	150	500
Less: Income tax (30%)	6	9	30	100	150	500
Profit after tax	14	21	70	100	150	500

Note: Computation of percentage :

In 2016-17 :

$$\text{Revenue from operations} = \frac{125}{100} \times 100 = 125\%$$

$$\text{Other incomes} = \frac{25}{20} \times 100 = 125\%$$

$$\text{Total revenue} = \frac{150}{120} \times 100 = 125\%$$

$$\text{Expenses} = \frac{120}{100} \times 100 = 120\%$$

$$\text{Profit before tax} = \frac{30}{20} \times 100 = 150\%$$

$$\text{Profit after tax} = \frac{21}{14} \times 100 = 150\%$$

In 2017-18:

$$\text{Revenue from operations} = \frac{150}{100} \times 100 = 150\%$$

$$\text{Other incomes} = \frac{25}{20} \times 100 = 125 \%$$

$$\text{Total revenue} = \frac{180}{120} \times 100 = 150 \%$$

$$\text{Expenses} = \frac{80}{100} \times 100 = 80 \%$$

$$\text{Profit before tax} = \frac{100}{20} \times 100 = 500 \%$$

$$\text{Profit after tax} = \frac{70}{14} \times 100 = 500 \%$$

14. From the following particulars, calculate the trend percentages of Kumar Ltd.

Particulars	₹ in thousands		
	2015-16	2016-17	2017-18
Revenue from operations	300	270	150
Other income	50	80	60
Expenses	250	200	125
Income tax	40%	40%	40%

Solution: Trend analysis for Kumar Ltd.

Particulars	₹ in thousands			Trend percentage		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Revenue from operations	300	270	150	100	90	50
Add: Other income	50	80	60	100	160	120
Total revenue	350	350	210	100	100	60
Less: Expenses	250	200	125	100	80	50
Profit before tax	100	150	85	100	150	85
Less: Income tax (40%)	40	60	34	100	150	85
Profit after tax	60	90	51	100	150	85

Note: Computation of percentage :

In 2016-17 :

$$\text{Revenue from operations} = \frac{270}{300} \times 100 = 90\%$$

$$\text{Other incomes} = \frac{80}{50} \times 100 = 160 \%$$

$$\text{Total revenue} = \frac{350}{350} \times 100 = 100 \%$$

$$\text{Expenses} = \frac{200}{250} \times 100 = 80 \%$$

$$\text{Profit before tax} = \frac{150}{100} \times 100 = 150 \%$$

$$\text{Profit after tax} = \frac{90}{60} \times 100 = 150 \%$$

In 2017-18:

$$\text{Revenue from operations} = \frac{150}{300} \times 100 = 50\%$$

$$\text{Other incomes} = \frac{60}{50} \times 100 = 120 \%$$

$$\text{Total revenue} = \frac{210}{350} \times 100 = 60 \%$$

$$\text{Expenses} = \frac{125}{250} \times 100 = 85 \%$$

$$\text{Profit before tax} = \frac{85}{100} \times 100 = 85 \%$$

$$\text{Profit after tax} = \frac{34}{40} \times 100 = 85 \%$$

15. From the following particulars, calculate the trend percentages of Anu Ltd.

Particulars	₹ in thousands		
	Year 1	Year 2	Year 3
I Equity and liabilities			
Shareholders's fund	500	550	600
Non-current liabilities	200	250	240
Current liabilities	100	80	120
Total	800	880	960
II Assets			
Non-current assets	600	720	780
Current assets	200	160	180
Total	800	880	960

Solution:

Trend analysis for Anu Ltd.

Particulars	₹ in thousands			Trend percentage		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
I Equity and liabilities						
Shareholders's fund	500	550	600	100	110	120
Non-current liabilities	200	250	240	100	125	120
Current liabilities	100	80	120	100	80	120
Total	800	880	960	100	110	120
II Assets						
Non-current assets	600	720	780	100	120	130
Current assets	200	160	180	100	80	90
Total	800	880	960	100	110	120

Note : i. Trend percentages for Year 2 = $\frac{\text{Year 2 amount}}{\text{Year 1 amount}} \times 100$

ii. Trend percentages for Year 3 = $\frac{\text{Year 3 amount}}{\text{Year 1 amount}} \times 100$

iii. The trend percentages for year 1 is 100, since it is the base year

16. From the following particulars, calculate the trend percentages of Babu Ltd.

Particulars	₹ in thousands		
	Year 1	Year 2	Year 3
I Equity and liabilities			
1.Shareholders's fund			
a) Share capital	100	127	106
b) Reserves and surplus	30	30	45
2. Non-current liabilities			
Long term borrowings	70	77	84
3.Current liabilities			
Trade payables	20	30	40
Total	220	264	275
II Assets			

1. Non-current assets			
a) Fixed assets	100	118	103
b) Non current investments	40	50	60
2. Current assets			
Inventories	60	66	72
Cash and cash equivalents	20	30	40
Total	220	264	275

Solution:

Trend analysis for Babu Ltd.

Particulars	₹ in thousands			Trend percentages		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
I Equity and liabilities						
1.Shareholders's fund						
a) Share capital	100	127	106	100	127	106
b) Reserves and surplus	30	30	45	100	100	150
2. Non-current liabilities						
Long term borrowings	70	77	84	100	110	120
3.Current liabilities						
Trade payables	20	30	40	100	150	200
Total	220	264	275	100	120	125
II Assets						
1. Non-current assets						
a) Fixed assets	100	118	103	100	118	103
b) Non current investments	40	50	60	100	125	150
2. Current assets						
Inventories	60	66	72	100	110	120
Cash and cash equivalents	20	30	40	100	150	200
Total	220	264	275	100	120	125

Note : i. Trend percentages for Year 2 = $\frac{\text{Year 2 amount}}{\text{Year 1 amount}} \times 100$

ii. Trend percentages for Year 3 = $\frac{\text{Year 3 amount}}{\text{Year 1 amount}} \times 100$

iii. The trend percentages for year 1 is 100, since it is the base year

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