COMMON SIZE STATEMENTS

★ Common Size Statements: It is a form of analysis and interpretation of the analysis statement. It is also known as vertical analysis. This method analysis financial statements by taking into consideration each of the line items as a percentage of the base amount for that particular accounting period.

– Vertical analysis (100% statement)

•) Objective / Purpose of Common Size Statements.

(i) It present the change in various items in relation to revenue from operations, total assets or total liabilities.
(ii) It establish a relationship between various items.
(iii) It provide common base for comparison.

Ⓐ Common Size Balance Sheet

→ It is a statement in which total of assets or equity & liabilities is assumed to be equal to 100 and all the figures are expressed as percentage of the total.

COMMON SIZE BALANCE SHEET
as at 31st March, ____ and ____

Particulars	Note No.	Absolute amounts		% of B/S Total	
		PY	CY	PY	CY

(B) **Common Size Statement of Profit & Loss**

→ It is a statement in which the figure of revenue from operations (RFO) is assumed to be equal to 100 and all other figures are expressed as % of RFO.

Example

Particulars	31/03/2022	31/03/2021
RFO	10,00,000	7,50,000
Purchases	7,50,000	6,00,000
Other income	1,00,000	75,000
Change in inventory	(50,000)	10,000
Other expenses.	10,000	7,500
Tax Rate	50%	50%

→ Prepare common size statement of P&L

Ans-

Particulars	Absolute (₹)		% of RFO	
	31/03/21	31/03/22	31/03/21	31/03/22
I. Revenue from Operation	7,50,000	10,00,000	100%	100%
II. Other Income	75,000	1,00,000	10%	10%
III. Total revenue [I + II]	8,25,000	11,00,000	110%	110%
IV. Expenses				
(a) Purchases	6,00,000	7,50,000	80%	75%
(b) Change in inventory	10,000	(50000)	1.33%	(5%)
(C) Other expenses	7500	10,000	1%	1%
TOTAL EXPENSES.	6,17500	7,10,000	82.33%	71%
V. Profit before tax [III − IV]	207500	390000	27.67%	39%
VI. Less (−) : Tax (50%)	103750	195000	13.83%	19.5%
VII. Profit after tax (V − VI)	103750	195000	13.83%	19.5%

(I) $\% \text{ of RFO} = \frac{\text{item value}}{\text{RFO}} \times 100 \Rightarrow \frac{750000}{750000} \times 100 = 100\%$

(II) $\Rightarrow \frac{825000}{750000} \times 100 = 110\%$

Ques Complete the missing figures:

Particulars.	Note No.	Absolute (₹) 31/03/18	31/03/2019	% of RFO 31/03/18	31/03/19
I. Revenue from Operations		2000000	2500000	A	100%
II. Other income		100000	250000	B	10%
III. Total Revenue		2100000	2750000	105%	110%
IV Expenses					
(a) Cost of material consumed		C	800000	30%	32%
(b) Change in Inventory		100000	200000	D	8%
(c) Employee benefit expenses		E	450000	15%	18%
(d) Other expenses.		F	225000	10%	9%
TOTAL EXPENSES		12,00,000	1675000	G	67%
V. Profit before tax [III-IV]		900000	1075000	45%	43%
VI. Less : Tax.		200000	250000	10%	H
VII. Profit after tax [V-VI]		700000	825000	35%	33%

(A) $A = \frac{\text{Item value}}{\text{RFO}} \times 100$

$A = \frac{2000000}{2000000} \times 100 \quad \boxed{= 100\%}$

(B) $B = \frac{1,\cancel{00},\cancel{000}}{2\cancel{0},\cancel{00},\cancel{000}} \times \overset{5}{\cancel{100}} \quad \boxed{= 5\%}$

(C) $30\% = \frac{C}{20,00,000} \times 100$

$\frac{30 \times 20,00,0\cancel{00}}{1\cancel{00}} = C$

$\boxed{600000 = C}$

(D) $D = \frac{\cancel{100000}}{\cancel{2000000}} \times \cancel{100}$ $\boxed{= 5\%}$

(E) $15 = \frac{E}{20,00,000} \times 100$

$\frac{15 \times 20,00,0\cancel{00}}{1\cancel{00}} = E$

$\boxed{3,00,000 = E}$

(F) $10 = \frac{F}{20,00,000} \times 100$

$\frac{10 \times 20000\cancel{00}}{1\cancel{00}} = F$

$\boxed{2,00,000 = F}$

(G) $G = \frac{\overset{6}{\cancel{12,00,000}}}{\cancel{20,00,000}} \times 10\cancel{0}$

$\boxed{G = 60\%}$

(H) $H = \frac{\cancel{200000}}{\underset{10}{\cancel{20,00,000}}} \times 10\cancel{0}$

$\boxed{H = 10\%}$

Ques From the following information comparative Statement of Profit & Loss showing increase, decrease and percentage:

Particulars	31/03/2021	31/03/2020
Cost of materials consumed	13,44,000	6,00,000
RFO (% of materials consumed)	125%	200%
Other expenses (% of operating revenue)	10%	10%
Tax rate	50%	50%

Ans-

Comparative statement of P&L

Particulars	31/03/20 (A)	31/03/21 (B)	Absolute Δ $C = B - A$	% Δ $D = \frac{C}{A} \times 100$
I. Revenue from operation	1200000	1680000	480000	40%
II. Total revenue	1200000	1680000	480000	40%
III. Expenses				
(a) Cost of material consumed	600000	1344000	744000	124%
(b) Other expenses	1,20,000	168000	48000	40%
Total expenses	720,000	1512 000	792000	110%*
IV. Profit before tax [II - III]	480000	168000	(312000)	65%
VI. Less: Tax (50%)	240000	84000	(156000)	65%
VII. Profit after tax [IV - V]	240000	84000	(156000)	65%

(A) CMC $= 600000 \times \frac{200}{100}$

(A) Other expenses $= 120000\cancel{0} \times \frac{1\cancel{0}}{1\cancel{00}}$

B $= \cancel{1344000}^{336000} \times \frac{\cancel{125}\,5}{\cancel{100}\,4}$

$= 16,80,000$

* D $= \frac{\cancel{7920\cancel{00}}^{\cancel{396}\ \cancel{198}\ \cancel{99}\ 110}}{\cancel{72\cancel{0000}}_{\cancel{36}\ \cancel{18}\ 9}} \times 1\cancel{00}$ $\boxed{= 110\%}$