

**WORKSHEET 2 : VERTICAL BALANCE SHEET (DETAILED ITEMS)**

No.	Particulars	
I.	<b>SOURCES OF FUNDS</b>	
1.	<b>Owner's Funds</b>	
A.	<b>Capital</b>	
(i)	Equity Share Capital / Capital of Proprietor or Partner	
(ii)	Preference Share Capital Amount Subscribed / Called-up	
(iii)	Less : Unpaid Calls / Drawings of Proprietor or Partner	
(iv)	Add : Forfeited Shares / Fresh Capital by Prop. / Partner	
B.	<b>Reserves and Surplus</b>	
(i)	Capital Reserve	
(ii)	Capital Redemption Reserve	
(iii)	Share Premium	
(iv)	General Reserve	
(v)	Other Reserve	
(vi)	Profit & Loss A/c - Cr. balance	
(vii)	Sinking Funds / Other Funds	
	Less : Fund Investments	
C.	<b>Less : Losses &amp; Fictitious Assets</b>	
(i)	Profit & Loss A/c - Dr. balance	
(ii)	Misc. Expenditure not written off -	
(1)	Preliminary Expenses	
(2)	Share issue Expenses	
(3)	Discount on issue of shares or debentures	
(4)	Deferred Revenue Expenditure	
	<b>Net Reserves &amp; Surplus (b - c)</b>	
	<b>Own Funds or Net Worth (1)</b>	
	<b>(Capital + Reserves &amp; Surplus - Losses &amp; Fictitious Assets)</b>	
2.	<b>Loan Funds</b>	
A.	<b>Secured Loans / Long Term Borrowings</b>	
(i)	Debentures or bonds	
(ii)	Loans from Banks	
(iii)	Loans from Financial Institutions	
B.	<b>Unsecured Loans</b>	
	Public Deposits	
	<b>Owed Funds (a + b)</b>	
	<b>(Secured Loans + Unsecured Loans)</b>	
	<b>Total Funds Available / Capital Employed</b>	
	<b>(Own Funds + Owed Funds) (1 + 2)</b>	
II.	<b>APPLICATION of Funds</b>	
1.	<b>Net Fixed / Non-Current Assets</b>	
A.	<b>Tangible</b>	
(i)	Land and building	
(ii)	Leaseholds	
(iii)	Plant and Machinery	
(iv)	Furniture and Fittings	
(v)	Vehicles	
	(For each item)	
(a)	Cost	
(b)	Less : Depreciation	
(c)	<b>Net Tangible Assets (a - b)</b>	
B.	<b>Intangible</b>	
(i)	Goodwill	
(ii)	Patents, trademarks and designs	
	<b>Total Fixed Assets (A + B)</b>	
	<b>(Net Tangible Assets + Intangible Assets)</b>	
2.	<b>Long Term / Non-current Investments</b>	
(i)	Investments in Government Securities	
	Shares, Debentures etc.	
	Less : Sinking Funds / Other Funds / Investments	

- (ii) Investments in immovable properties
- (iii) Investments in Capital of Partnership Firms
- (iv) Long Term Loans given

### 3. Working Capital

#### Quick Assets

- (a) Cash and Bank
- (b) Debtors (Net) / Trade Receivables
- (c) Bills Receivable
- (d) Short Term Loans & Advances Given
- (e) Accrued Income
- (f) Short-term or Marketable Investments

#### Total Quick or Liquid Assets (a to f)

- (g) Inventory
- (h) Pre-payments (pre-paid expenses, advance for goods, advance tax)

#### A. Current Assets (a to h)

#### Less :

#### Quick Liabilities

- (a) Creditors / Trade Payables
- (b) Bills Payable
- (c) Advances Received
- (d) Outstanding Expenses
- (e) Accrued Interest
- (f) Provision for Tax
- (g) Unclaimed Dividend
- (h) Proposed Dividend
- (i) Short Term Loans

#### Total Quick Liabilities (a to h)

- (j) Bank Overdraft

#### B. Current Liabilities (a to i)

#### Net Current Assets or Working Capital (A - B)

#### Total Assets or Total Funds Employed

(Fixed Assets + Investments + Working Capital) (1 + 2 + 3)

## 6.5 VERTICAL FORMAT

### WORKSHEET 1 : VERTICAL ANALYTICAL BALANCE SHEET FORMAT (MAIN HEADINGS)

No.	Particulars	₹	₹	₹
I.	<b>SOURCES OF FUNDS</b>			
1.	<b>Owner's Funds [OF]</b>			
A.	Capital	.....		XX
B.	Reserves and Surplus	.....	XX	
	Less : Losses & Fictitious Assets	.....	(xx)	XX
	Own Funds or Net Worth	.....		XX
2.	<b>Loan Funds [LF]</b>			
A.	Secured / Long Term Loans	.....		XX
B.	Unsecured Loans	.....		XX
	Owed Funds or Loan Funds	.....		XX
	<b>Total Funds Available or Capital Employed [CE]</b>			
	(Own Funds + Loan Funds)			

**II. APPLICATION OF FUNDS****1. Fixed Assets [FA]**

A. Tangible (Building, Machineries etc.) .....  
Original Cost less Depreciation

xx

B. Intangible (Goodwill, Patents etc.) .....  
xx

**2. Long Term or Trade Investments**

(Govt. Securities etc.)

xx

xx

**3. Working Capital [WC]**

A. Current Assets

xx

B. Less : Current Liabilities

xx

xx

**Total Funds Used or Capital Employed [CE]**

(Fixed Assets + Investment + Working Capital)

**Notes :**

(1) Thus, a Vertical Analytical Balance Sheet differs from a Horizontal Balance Sheet in following respects -

(a) Current Liabilities are deducted from the Current Assets;

(b) Fictitious Assets are deducted from the Owners' Funds.

This should be kept in mind while converting a Horizontal Balance Sheet into a Vertical Balance Sheet.

(2) At times, Application of Funds (FA and WC) is shown first, followed by Sources of Funds (OF and LF).

## 7.5 VERTICAL FORMAT

### WORKSHEET 3 : VERTICAL ANALYTICAL INCOME STATEMENT

No.	Particulars	₹	₹
1.	<b>Gross Sales &amp; Services</b>		
2.	<b>Less : Returns &amp; Allowances</b>		
3.	<b>Net Sales (1-2)</b>		
4.	<b>Less : Cost of Goods Sold</b>		
	(a) Opening Stock		
	(b) Purchases		
	(c) Direct / Mfg. / Factory Expenses		
	(d) Depreciation on Machinery, Factory, Building		
	<b>Less : (e) Closing Stock</b>		
	(f) Sale of Scrap		
	Cost of Goods sold (a + b + c + d - e)		
5.	<b>Gross Profit (3 - 4)</b>		
6.	<b>Less : Operating Expenses</b>		
	(a) Administration Expenses		
	(b) Selling & Distribution Expenses		
	(c) Finance Charges		
	Total Operating Expenses (Except Interest) (a + b + c)		
7.	<b>Operating Profit before Interest</b>		
8.	<b>Less : Interest</b>		
9.	<b>Net Profit after Interest</b>		

**10. Net Non-operating Income**

(a) Non-operating Income

**Less : (b) Non-operating Expenses**

Net Non-operating Income (a - b)

**11. Net Profit before Tax (9 + 10)****12. Less : Income Tax****13. Net Profit after Tax (11-12)****14. Add : P & L A/c Balance b/d****15. Less : Appropriations****16. Retained Profits (13 + 14 - 15)**

## WORKSHEET 4 : VERTICAL PROFIT & LOSS (DETAILED)

No.	Particulars	₹
1.	<b>Gross Sales &amp; Services</b>	
(a)	Cash	
(b)	Credit	
2.	<b>Less : Returns &amp; Allowances</b>	
3.	<b>Net Sales</b>	
4.	<b>Less : Cost of Goods Sold</b>	
(a)	Opening Stock (RM)	
(b)	Purchases (RM)	
(c)	Freight, Octroi, Duty	
(d)	Less : Closing Stock (RM)	
	Raw Material Consumed	
(e)	Direct Expenses	
(i)	Factory Power	
(ii)	Wages	
(iii)	Other Manufacturing Expenses	
(f)	Depreciation	
(i)	on Machinery	
(ii)	on Factory Building	
(iii)	on Patterns / Patents	
(g)	Opening Stock : W-I-P	
(h)	Less : Closing Stock : W-I-P	
(i)	Less : Sale Scrap	
(j)	Opening Stock (FG)	
(k)	Purchases (FG)	
(l)	Less : Closing Stock (FG)	
	<b>Cost of Goods Sold</b>	
5.	<b>Gross Profit</b>	
6.	<b>Less : Operating Expenses</b>	
	<b>(A) Administration Expenses</b>	
(i)	Office Salaries	
(ii)	Office Rent, Rates and Taxes	
(iii)	Insurance	
(iv)	Electricity for Office	
(v)	Printing & Stationery	
(vi)	Depreciation on Office Assets	
(vii)	Postage and Telephones	
(viii)	Director's Fees	
(ix)	Legal Expenses	
(x)	Audit Fees	
(xi)	Repairs	
(xii)	Other	
	<i>Administration Expenses</i>	
	<b>(B) Selling &amp; Distribution Expenses</b>	
(i)	Salaries to salesmen	
(ii)	Rent of shop, show-rooms	
(iii)	Depreciation on Delivery vans	
(iv)	Exhibition, Trade Fair	
(v)	Advertisement or Publicity	
(vi)	Travelling / Van Expenses	

- (vii) Sale Discount / Commission
- (viii) Normal Bad Debts

*Selling & Distribution Expenses*

**(C) Finance Charges**

- (i) Cash Discount
- (ii) Bank Charges
- (iii) Abnormal Bad debts

*Finance Charges*

**Total Operating Expenses (Except Interest)**

7. **Operating Profit before Interest**

8. **Less : Interest Paid**

- (a) Interest on Debentures or Bonds
- (b) Interest on Loans
- (c) Interest on Public Deposits
- (d) Interest on Short-Term Loans

*Interest Paid*

9. **Net Profit after Interest**

10. **Net Non-operating Income**

**(a) Non-operating Income**

- (i) Dividends on Shares
- (ii) Interest on Debentures, Loans etc.
- (iii) Profit on Sale of Fixed Assets / Investment
- (iv) Damages received
- (v) Royalty / Shares Transfer Fees

*Non-operating Income*

**(b) Less : Non-operating Expenses**

- (i) Loss on Sale of Fixed Assets / Investment
- (ii) Damages paid / due
- (iii) Fine or penalty
- (iv) Preliminary Expenses w/o

*Non-operating Expenses*

**Net Non-Operating Income**

11. **Net Profit before Tax (NPBT)**

12. **Less : Income Tax**

13. **Net Profit after Tax (NPAT)**

14. **Add : Profit & Loss Balance b/d**

**Profit Available for Appropriations**

15. **Less : Appropriations**

- (a) Sinking Funds / Reserves
- (b) Dividends

*Appropriations*

16. **Retained Profits**

## 9. COMPARATIVE FINANCIAL STATEMENTS

### 9.1 INTER-FIRM AND INTER-PERIOD COMPARISONS

A business concern does not exist in isolation. It co-exists with other competing concerns in the same industry. It has to therefore constantly compare its performance with such competing concerns to find out where it scores over its rivals and where it lags behind them. Such comparison is called inter-firm comparison. It also needs to compare its own past performance with its current performance to ascertain its progress or decline over the years. This is known as inter-period comparison. Such statements prove that "the accounts of one period are but an instalment of the continuous history of a going concern". Comparative Financial Statements (Balance Sheet and Profit and Loss Account) are prepared for purpose of inter-firm and inter-period comparisons. A common example of Comparative Financial Statements is the Final Accounts of a Limited Company presented in the Schedule VI format giving the figures for the current year as well as the previous year.

### 9.2 FORMAT OF COMPARATIVE STATEMENTS

The usual Financial Statements have to be presented in a different manner to facilitate such Inter-Firm and Inter-Period Comparisons. The Comparative Financial Statements are prepared in the following format :

#### WORKSHEET 5 : INTER-FIRM COMPARISONS

Particulars	Firm 1	Firm 2	Absolute Difference	Percentage Difference
	₹	₹	₹	%
	(1)	(2)	(3) = (1) - (2)	(3) ÷ (1) × 100

#### WORKSHEET 6 : INTER-PERIOD COMPARISONS

Particulars	Year 1	Year 2	Absolute Increase or Decrease	Percentage Increase or Decrease
	₹	₹	₹	%
	(1)	(2)	(3) = (1) - (2)	(3) ÷ (1) × 100

### 9.7.1 Balance Sheet

#### Illustration 27 : (From Horizontal BS)

Following is the summarised financial position of Jayesh Ltd. as at 31st March.

Liabilities	2013 ₹	2014 ₹	Assets	2013 ₹	2014 ₹
Share Capital	50,000	80,000	Fixed Assets	60,000	75,000
Reserves and Surplus	15,000	20,000	Investment	10,000	20,000
12% Debentures	30,000	24,000	Current Assets	50,000	40,000
Current Liabilities	30,000	15,000	Miscellaneous Expenditure	5,000	4,000
	1,25,000	1,39,000		1,25,000	1,39,000

From the above information prepare Comparative Balance Sheet in vertical form. Do not write comments.

(Oct. 2011, adapted) [7 Marks]

Solution :

#### JAYESH LTD.

#### Comparative Balance Sheet

Particulars	As on 2013	As on 2014	Absolute Increase/ Decrease	% Increase/ Decrease
	₹	₹	₹	
<b>A. SOURCES OF FUNDS</b>				
<b>1. Shareholder's Fund</b>				
(a) Share Capital	50,000	80,000	30,000	60.00
(b) Reserve and Surplus	15,000	20,000	5,000	33.33
Owners Funds	65,000	1,00,000	35,000	53.85
Less : Miscellaneous Exp. (not w/o)	5,000	4,000	(1,000)	(20.00)
Net Worth	60,000	96,000	36,000	60.00
<b>2. Loan Fund</b>				
(a) Secured Loans				
12% Debenture	30,000	24,000	(6,000)	(20.00)
<b>TOTAL FUNDS AVAILABLE (A)</b>	90,000	1,20,000	30,000	33.33
<b>B. APPLICATION OF FUNDS :</b>				
(a) Fixed Assets	60,000	75,000	15,000	25.00
(b) Investments	10,000	20,000	10,000	100.00
(c) Working Capital :				
(i) Current Assets	50,000	40,000	(10,000)	(20.00)
(ii) Current Liabilities	30,000	15,000	(15,000)	(50.00)
Working Capital (i - ii)	20,000	25,000	5,000	25.00
<b>APPLICATION OF FUNDS (B) (a + b + c)</b>	90,000	1,20,000	30,000	33.33

### 9.7.2 Profit & Loss

#### Illustration 32 : (From Horizontal P & L)

Following are the Profit and Loss Accounts of M/s Prajaka Enterprises for the years ended 31st March 2012 and 2013.

#### Profit & Loss Account for the year ended 31st March 2012 and 2013

Particulars	2012 ₹	2013 ₹	Particulars	2012 ₹	2013 ₹
To Cost of sales	2,00,000	3,00,000	By Sales	3,00,000	4,00,000
To Salaries	20,000	20,000	By Interest	10,000	20,000
To Office Rent	10,000	15,000			
To Advertisement Expenses	30,000	12,000			
To Travelling Expenses	15,000	30,000			
To Income Tax	5,000	10,000			
To Net Profit c/d	30,000	33,000			
Total	3,10,000	4,20,000	Total	3,10,000	4,20,000

Prepare a comparative Income statement from the above, in vertical form.

Solution :

(Oct. 2013, adapted) [7 Marks]

#### In the Books of Prajaka Enterprises Comparative Income Statement

Particulars	2012 ₹	2013 ₹	Increase/ (Decrease) ₹	% Increase/ (Decrease) %
1. Net Sales	3,00,000	4,00,000	1,00,000	33.33
2. Less : Cost of Goods Sold	2,00,000	3,00,000	1,00,000	50.00
3. Gross Profit	1,00,000	1,00,000	0	0.00
4. Less : Operating Expenses				
I. Office & Administrative Expenses				
Salaries	20,000	20,000	0	0.00
Office Rent	10,000	15,000	5,000	50.00
	30,000	35,000	5,000	16.67
II. Selling & Distribution Expenses				
Advertisement Expenses	30,000	12,000	(18,000)	(60.00)
Travelling Expenses	15,000	30,000	15,000	100.00
	45,000	42,000	(3,000)	(6.67)
5. Total Operating Expenses (I + II)	75,000	77,000	2,000	2.67
6. Operating Profit	25,000	23,000	(2,000)	(8.00)
7. Add : Non-Operating Income Interest	10,000	20,000	10,000	100.00
	35,000	43,000	8,000	22.86

8. Less : Income Tax	5,000	10,000	5,000	100.00
9. Net Profit After Tax	30,000	33,000	3,000	100.00

**Illustration 33 : (From Horizontal P & L A/c)**

Prepare a Comparative Revenue Statement in Vertical Form from the following details :

**Nilkamal Ltd.**

**Profit & Loss A/c for the year ended 31st March**

Particulars	2013 ₹	2014 ₹	Particulars	2013 ₹ -	2014 ₹
To Opening Stock	2,25,000	3,00,000	By Sales	45,00,000	60,00,000
To Purchases	22,50,000	32,10,000	By Closing Stock	3,00,000	3,60,000
To Interest on Debenture	1,50,000	1,50,000	By Dividend	12,000	39,000
<b>To Depreciation :</b>			By Profit on Sale of Machinery	24,000	-
Furniture	15,000	15,000			
Machinery	36,000	30,000			
To Administrative Exp.	2,94,000	4,41,000			
To Selling Expenses	4,56,000	7,53,000			
To Carriage Outward	75,000	3,15,000			
To Loss by Fire	-	15,000			
To Wages	1,95,000	3,00,000			
To Provision for Tax	5,70,000	4,35,000			
To Net Profit	5,70,000	4,35,000			
	48,36,000	63,99,000		48,36,000	63,99,000

Solution :

(Oct. 08, adapted)

**COMPARATIVE VERTICAL REVENUE STATEMENT**

**Illustration 36 : (From Horizontal Final Accounts)**

Prepare comparative income statement and comparative balance sheet in vertical form.

**Summary Profit and Loss A/cs for the Years Ended**

<i>Particulars</i>	<i>31-3-13</i>	<i>31-3-14</i>	<i>Particulars</i>	<i>31-3-13</i>	<i>31-3-14</i>
	₹	₹		₹	₹
To Opening Stock	44,000	40,000	By Sales	1,90,000	2,00,000
To Purchases	84,000	72,000	By Closing Stock	46,000	44,000
To Wages	40,000	36,000	By Interest Received	20,000	--
To Factory Expenses	32,000	28,000			
To Establishment Expenses	8,000	6,000			
To Management Expenses	2,000	2,000			
To Selling Expenses	6,000	10,000			
To Interest	6,000	8,000			
To Loss on Sale of Assets	2,000	2,000			
To Provision for Taxation	22,000	24,000			
To Net Profit trf. to Reserve	10,000	16,000			
	<u>2,56,000</u>	<u>2,44,000</u>		<u>2,56,000</u>	<u>2,44,000</u>

**Summary Balance Sheets as at**

<i>Liabilities</i>	<i>31-3-13</i>	<i>31-3-14</i>	<i>Assets</i>	<i>31-3-13</i>	<i>31-3-14</i>
	₹	₹		₹	₹
Equity Capital	50,000	70,000	Fixed Assets	70,000	82,000
Preference Capital	20,000	--	Investments	20,000	10,000
Reserves	50,000	68,000	Current Assets		
Secured Loans	22,000	24,000	Excluding Bank Balance		
Unsecured Loans	30,000	--	Bank Balance	1,00,000	92,000
Creditors	20,000	25,000	Loans & Advance	10,000	20,000
Outstanding Expenses	6,000	5,000	Preliminary Expenses	40,000	30,000
Provisions	54,000	50,000		12,000	10,000
Unclaimed Dividend	--	2,000			
	<u>2,52,000</u>	<u>2,44,000</u>		<u>2,52,000</u>	<u>2,44,000</u>

**Illustration 39 : (P & L)**

Complete the following Comparative Statements of DT Ltd. by ascertaining the missing balances.

No. Particulars	2013	2014	Absolute Increase or Decrease	Percentage Increase or Decrease
			₹	%
(A) Sales	?	?	(+) 4,00,000	+ 25.00%
Cost of Goods Sold	80,000	1,20,000	?	?
Opening Stock	?	?	(+) 2,00,000	+ 20.00%
Purchases	2,40,000	4,40,000	?	?
Wages	?	1,60,000	?	?
Less : Closing Stock				
(B) Cost of Goods Sold	?	?	?	?
(C) Gross Profit (A - B)	?	?	?	?
Operating Expenses	?	?	(+) 20,000	+ 20.00%
(a) Administrative	50,000	60,000	?	?
(b) Selling	?	?	(+) 4,500	+ 22.50%
(c) Finance				
(D) Total Operating Expenses	?	?	?	?
Net Operating Profit (C - D)	?	?	?	?
Add : Non Operating Income	20,000	1,00,000	?	?
Net Profit Before Tax	?	?	?	?
Less : Provision for Tax	?	?	?	?
Net Profit After Tax	2,10,000	2,35,500	?	?

*(Mar. 2004, adapted)*

**Illustration 40 : (P & L)**

Complete the following comparative statement of Mahesh Pvt. Ltd. by ascertaining the missing figures and underline the missing figure ascertained.

Particulars	2013	2014	Absolute Increase/ Decrease	Increase / Decrease
	₹	₹	₹	%
Sales	6,00,000	?	+ 3,00,000	?
<b>Cost of Goods Sold :</b>				
Opening Stock	?	60,000	+ 10,000	?
Purchases	4,00,000	?	+ 80,000	?
Closing Stock	?	?	?	?
Cost of Goods Sold	?	?	+ 97,500	+ 25%
Gross Profit	?	?	?	?
<b>Operating Expenses :</b>				
(a) Administrative Expenses	40,000	?	?	+ 100%
(b) Financial Expenses	60,000	72,000	?	?
(c) Selling Expenses	?	1,50,000	+ 1,00,000	+ 200%
Total operating Expenses	?	?	?	?
Net Profit Before Tax	60,000	1,10,500	?	?
Provision for Tax	?	?	?	?
Net Profit after Tax	36,000	?	+ 27,000	+75%

(March 2005, adapted)

**Illustration 41 : (BS)**

Complete the following comparative statement of ND Ltd.

Particulars	Amount (₹)		Change	
	31-3-13	31-3-14	Increase or Decrease (+/- ₹)	Percentage of change (+/-)
<b>Sources of Fund</b>				
Equity Share Capital	?	2,00,000	?	Nil
Preference Share Capital	1,50,000	?	(-) 50,000	?
Reserves and Surplus	?	?	?	?
	5,30,000	?	?	?
Less : Accumulated Losses	?	20,000	?	Nil
Shareholder's Fund	?	?	(-) 1,26,000	?
<b>Loan Fund</b>				
10% Debentures	?	?	?	?
<b>Sources of Funds</b>	7,10,000	?	?	?
<b>Application of Funds</b>				
Fixed Assets	5,30,000	?	(-) 30,000	?
Investment	?	?	(-) 50,000	?
Working Capital	?	?	(-) 96,000	(-) 120
<b>Application of Funds</b>	?	?	?	?

Solution :

(Oct. 09, adapted)