



Q5. What are Comparative Financial Statements?

Solution:

Financial statements which enable intra-firm and inter-firm comparisons of financial statements over a period of time are called comparative financial statements. These statements help accounting users to evaluate financial progress in relative terms. Comparative financial statements present financial data in a manner that is easily understandable and can be analysed without any ambiguity. Comparative financial statements enable meaningful comparisons only if the accounting policies and practices for the treatment of the items are the same over the period of study. Two comparative financial statements which are commonly prepared are

1. Comparative Balance Sheet
2. Comparative Income Statement

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