



Q2. Distinguish between Vertical and Horizontal Analysis of financial data.

Solution:

Basis of Difference	Horizontal Analysis	Vertical Analysis
Meaning	It is a comparison of an item of the financial statement of one period or periods to its corresponding item of the base accounting period.	It is a comparison of items of the financial statement to the common item of the same accounting period.
Purpose	Its purpose is to find out the change in an item during an accounting period. The change is expressed either in absolute figures or in percentage or in both.	Its purpose is to determine the proportion of item/items to the common item of the same accounting period. The change is expressed either in ratio or in percentage.
Usefulness	It shows growth or decline of the item.	It helps in predicting and determining the future relative proportion of an item to the common item.

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