



Q4. Prepare Comparative Income Statement from the following information:

Particulars	2013-14 Rs.	2014-15 Rs.
Manufacturing expenses	35,000	80,000
Opening stock	30,000	60% of closing stock
Sales	9,60,000	4,50,000
Return outward	4,000 (out of credit purchase)	6,000 (out of cash purchase)
Closing stock	150% of opening stock	1,00,000
Credit purchases	1,50,000	150% of cash purchase
Cash purchases	80% of credit purchases	40,000
Carriage Outward	10,000	30,000
Building	1,00,000	2,00,000
Depreciation on building	20%	10%
Interest on bank overdraft	5,000	-
10% debentures	2,00,000	20,00,000*
Profit on sale of copyright	10,000	20,000
Loss on sale of personal car	10,000	20,000
Other operating expenses	20,000	10,000
Tax rate	50%	40%

\*There is printing mistake in the book, this should be 2,00,000.

Solution:

Comparative Income Statement For the year ended March 31, 2014 and 2015					
Particulars	Note No.	2014 Rs.	2015 Rs.	Absolute Change	Percentage Change
1. Revenue from operations		9,60,000	4,50,000	(5,10,000)	(53.13)
2. Other Income		10,000	20,000	10,000	100
3. Total Revenue (1+2)		9,70,000	4,70,000	(5,00,000)	(51.55)
4. Expenses					
a. Purchases of stock-in- Trade		2,66,000	94,000	(1,72,000)	(64.7)
b. Change in Inventories		(15,000)	(40,000)	(55,000)	(366.7)
c. Finance Costs		25,000	20,000	(5,000)	(20)
d. Depreciation and Amortization Expenses		20,000	20,000	-	-
e. Other Expenses		30,000	40,000	10,000	33.33
Total Expenses		3,26,000	1,34,000	(1,92,000)	58.90
5. Profit before Tax (3-4)		6,44,000	3,36,000	(3,08,000)	47.83
Less: Income Tax		3,22,000	1,34,400	(1,87,600)	58.26
6. Profit After Tax		3,22,000	2,01,600	(1,20,400)	37.39

1.Calculation of Net Purchases and Change in Inventory

Net Purchase of Stock in Trade = Cash Purchase + Credit Purchase - Purchase Returns

2014=1,20,000+1,50,000-4,000=Rs.2,66,000

2015=40,000+60,000-60,000=Rs.94,000

Change in Inventory=Opening Stock-Closing Stock

2014=30,000-45,000=Rs.(15,000)

2015=60,000-1,00,000=Rs.(40,000)

2.Calculation of Finance Cost

Finance Cost = Interest on Bank Overdraft + Interest on Debentures

Finance Cost (2014) = 5,000+20,000=Rs.25,000

Finance Cost (2015)=0+20,000=Rs.20,000

3.Calculation of Other Expenses

Other Expenses=Carriage outward + other operating expenses

Other Expenses(2014)=10,000+20,000=Rs.30,000

Other Expenses(2015)=30,000+10,000=Rs.40,000

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