



Q3. Prepare Comparative Income Statement from the following information:

Particulars	2014-15 Rs.	2013-14 Rs.
Freight Outward	20,000	10,000
Wages (Office)	10,000	5,000
Manufacturing Expenses	50,000	20,000
Stock adjustment	(60,000)	30,000
Cash purchase	80,000	60,000
Credit purchase	60,000	20,000
Returns inward	8,000	4,000
Gross profit	(30,000)	90,000
Carriage outward	20,000	10,000
Machinery	3,00,000	2,00,000
10% depreciation on machinery	10,000	5,000
Interest on short-term loans	20,000	20,000
10% debentures	20,000	10,000
Profit on sale of furniture	20,000	10,000
Loss on sale of office car	90,000	60,000
Tax rate	40%	50%

Solution:

Comparative Income Statement as on March 31, 2014 and 2015					
Particulars	Note No.	2014 Rs.	2015 Rs.	Absolute Change	Percentage Change
1. Revenue from Operations		2,16,000	92,000	(1,24,000)	(57.4)
2. Other Income		10,000	20,000	10,000	100
3. Total Revenue (1 + 2)		2,26,000	1,12,000	(1,14,000)	(50.44)
4. Expenses					
a. Purchase of Stock-in-Trade		80,000	1,40,000	60,000	75
b. Change in Inventories		30,000	(60,000)	(90,000)	(300)
c. Employee Benefit Expenses		5,000	10,000	5,000	100
d. Finance Costs		21,000	22,000	1,000	4.54
e. Depreciation and Amortization Expenses		5,000	10,000	5,000	100
f. Other Expenses		80,000	1,30,000	50,000	62.5
Total Expenses		2,21,000	2,62,000	41,000	14.03
5. Profit before Tax (3-4)		5,000	(1,40,000)	(83,000)	16.6
Less: Income Tax		2,500	-	(2,500)	(100)
6. Profit After Tax		2,500	(1,40,000)	(1,37,500)	55

Working Notes:

1. Calculation of Net Sales

Net Sales = Cost of Goods Sold + Gross Profit - Sales Returns

Or

Net Sales = Purchase + Manufacturing Expenses + Change in Inventory + Gross Profit - Sales Returns

Net Sales (2014) = 80,000 + 20,000 + 30,000 + 90,000 - 4,000

= Rs. 2,16,000

Net Sales (2015) = 1,40,000 + 50,000 - 60,000 - 30,000 - 8,000

= Rs. 92,000

2. Calculation of Finance Cost

Finance Cost = Interest on short-term loans + Interest on 10% Debenture

Finance Cost (2014)=20,000+1,000=Rs.21,000  
Finance Cost (2015)=20,000+2,000=Rs.22,000

3.Calculation of other Expenses

Other Expenses=Freight Outward+ Carriage Outward +Loss on sale  
of office car

Other Expenses(2014)=10,000+10,000+60,000=Rs.80,000

Other Expenses(2015)=20,000+20,000+90,000=Rs.1,30,000

\*\*\*\*\* END \*\*\*\*\*