

COMPARATIVE STATEMENTS

Comparative statements facilitate comparison by showing financial amounts in absolute terms and percentage change in the columnar form. Both changes are relevant.

Absolute change = Amount in Current Period – Amount in Base Period

Percentage Change = Amount in Current Period – Amount in Base Period / Amount in Base Period

Table 14.14 shows the comparative Balance Sheet and Income Statements of M & M.:

Table 14.14				
Comparative Balance Sheet of Mahindra and Mahindra (Rs. In crores)				
	2006	2005	Change	
			Rs.	%
Owners Fund	2877	1974	904	46%
Long Term Liabilities	883	1053	-169	-16%
Current Liabilities	2254	1981	274	14%
Fixed Assets	6015	5007	1008	20%
Investments	1541	1461	81	6%
Current Assets	1669	1190	479	40%
	2805	2356	449	19%
	6015	5007	1008	20%

Source: CMIE data base

Comparative Income Statement

Comparative income statement shows incomes and expenses for two or more periods, with additional column for absolute change and percentage change. Let us see the comparative income statement of Mahindra and Mahindra as shown in table 14.15

Table 14.15				
Comparative Income Statement				
	2006	2005	Change	
			in Rs	%
Net Operating Income	8137	6595	1542	23%
Cost of Sales	7265	5876	1389	24%
PBDIT	872	719	153	21%
Other Recurring Income	196	186	9	5%
Adjusted PBDIT	1067	905	162	18%
Depreciation	200	184	16	9%
Adjusted PBIT	867	721	146	20%
Financial Expenses	27	30	-3	11%
PBT	840	691	149	22%
Tax Charges	242	202	41	20%
Adjusted PAT	598	489	108	22%

Source: CMIE data base

The income statement can not address whether the increase in the sales is due to price effect or quantity effect. For such an investigation one has to undertake a detailed company level analysis.

Comparative statements can also be used for undertaking Trend Analysis. Trend analysis reveal pattern in data over a period of time. It involves determining the trend percent for a series of financial numbers. Let us take the sales value, cost of sales, and PBDIT of Mahindra and Mahindra and understand the trend analysis. Table 14.16 shows the relevant information.

Table 14.16				
Mahindra & Mahindra Ltd.				
	Mar-03	Mar-04	Mar-05	Mar-06
Total Incomes	4586	6030.37	8001.1	9569.74
Expense	4440	5689.85	7488.43	8712.64
PAT	145.5	340.52	512.67	857.1

Source: CMIE Data base

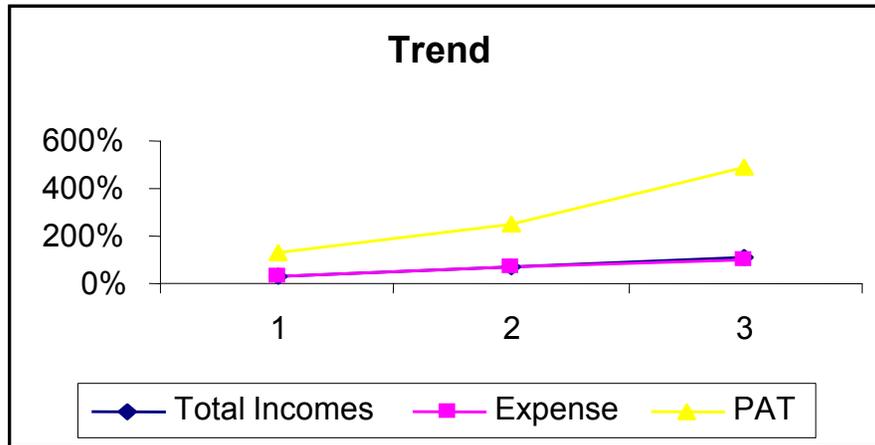
Following steps are required to determine the trend percentage (shown by table 14.17) :

1. Select a base year: Let 2003 be the base year
2. Express the financial items of the succeeding years as a percentage of the base year number

$$\text{Trend Percent} = \frac{\text{Current year value}}{\text{Base year value}} * 100$$

Table 14.17				
Mahindra & Mahindra Ltd.				
	Mar-03	Mar-04	Mar-05	Mar-06
Total Incomes	100	31%	74%	109%
Expense	100	28%	69%	96%
PAT	100	134%	252%	489%

The trend analysis shows that the sales in the latest year is 1094% of the base year, whereas, the profit is much higher. The above data can also be presented graphically.



The trend analysis shows an overall decent growth in the profit too. However, to make the comparison more meaningful, an inter-company comparison can be undertaken. Let us take one of the items viz. PAT of Mahindra and Mahindra and compare it with that of Maruti Udyog ltd.. Table 14.18 shows the comparison the recent five years. PAT of Maruti sharply increased.

Table 14.18

PAT Comparison

	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06
Mahindra & Mahindra Ltd.	96.91	145.53	340.52	512.67	857.1
Maruti Udyog Ltd.	104.5	146.4	542.1	853.6	1189.1

Source: CMIE data base

