

2. Financial Analysis

(5) Factors responsible for change in Income

(1) change in sales volume

(2) change in selling price

(3) change in cost per unit

Analysis of change in sales

(1) change in sales due to change in sales volume

(change in sales volume \times selling price of the base year)

(2) change in sales due to change in selling price

(sales quantity for the base year \times change in selling price)

(3) change in sales due to change in S.P. and volume

(change in sales quantity \times change in selling price)

change in sales

Analysing change in cost

(1) change in cost due to change in quantity

(change in quantity \times cost of the base year)

(2) change in cost due to change in cost price

(change in cost price \times quantity of the base year)

(3) change in cost due to change in price and quantity

(change in cost price \times change in quantity)

change in cost

Analysing change in profit

(1) Analysis of change in sales

less: Analysis of change in cost

change in profit

* Q1) Practical Problem 7 (Pg.no.: 102)

Ans:- comparison of changes

Particulars	changes	2017	2018
Sales	2040000	3000000	5040000
Quantity of sales	24000	60000	80000
Selling price (per unit)	10	50	60

Taking 2017 as base year

Analysis of change in sales

- (I) change in sales due to change in sales quantity
 (change in quantity x base year selling price)
 $(24000 \times 50) = 1200000$
- (II) change in sales due to change in selling price
 (change in selling price per unit x base year sales quantity)
 $(10 \times 60000) = 600000$
- (III) change in sales due to change in quantity & price
 (change quantity x change selling price)
 $(24000 \times 10) = 240000$
- change in sales = 2040000

Following figures have been extracted from the records of a company

Year	2022-23	2023-24
Cost of goods sold (₹)	400000	750000
Units sold	20000	30000

Account for changes in cost due to changes in sales quantity, cost price and both.

Ans:-

Particulars	2022-23	2023-24	Changes
Cost (₹)	400000	750000	350000
Sales unit	20000	30000	10000
Cost price per unit (₹)	20	25	5

Statement showing account for changes in cost

Particulars	₹
1. changes in cost due to changes in sales quantity (change in quantity × Base year's unit price) (10000 units × ₹ 20)	200000
2. change in cost due to change in unit cost price (change in unit's cost price × Base year's quantity) (₹ 5 × 20000 units)	100000
3. change in cost due to change in quantity and cost price taken together (₹ 5 × 10000 units)	50000
Total increase in cost	350000

Q3 a The foll. figures have been extracted from the records of a company:

Year	2022-23	2023-24
Sales (₹)	150000	270000
Cost of Goods Sold (₹)	100000	180000
Units sold	10000	15000

Account for changes in profit due to changes in sales quantity, cost price & selling price.

Ans:

Particulars	2022-23	2023-24	Changes
1. Sales (₹)	150000	270000	120000
2. Cost (₹)	100000	180000	80000
3. Gross Profit (1-2)	50000	90000	40000
4. Units sold	10000	15000	5000
5. Selling price per unit (1/4)	15	18	3
6. Cost price per unit (2/4)	10	12	2

Statement showing account for changes in profit:

Particulars

A. Account for changes in profit due to change in sales	
1. Change in profit due to change in sales quantity (Change in quantity × Base year's unit selling price) (5000 × 15)	75000
2. Change in profit due to change in selling price (Change in unit selling price × Base year's quantity) (3 × 10000)	30000
3. Change in profit due to change in quantity and price taken together (Change in unit selling price × change in quantity) (3 × 5000)	15000
Total Increase in Sales	120000

1000: B changes in Profit due to change in cost

1. change in profit due to change in sales quantity 50000

(change in quantity \times Base year's unit price)

2. change in profit due to change in unit cost price

(change in unit cost price \times Base year's quantity) 20000

(2 \times 10000)

3. change in profit due to change in quantity and cost price taken together 10000

(changes in unit cost price \times change in quantity)

(2 \times 5000)

Total Increase in cost

80000 - 80000

Net Increase in Gross Profit

40000