

Managerial Accounting & Finance

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Balance Sheet Analysis

- Horizontal (Comparative) Analysis - this analysis presents the same company's financial statements for two or more successive periods in side-by-side columns showing dollar changes in items. These changes can also be expressed as percentage changes.

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Balance Sheet Analysis (cont.)

- Vertical (Common-size) Analysis - this analysis expresses items as percentages of a significant total such as total assets or total sales (on the income statement). This analysis shows only percentages and no absolute dollars.

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Competencies

- Explain the purposes of the balance sheet
- Identify the limitations of the balance sheet
- Define the various elements of assets, liabilities, and owners' equity as presented on the balance sheet.
- Explain the use of footnotes
- Analyze balance sheets using horizontal and vertical analysis

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Problem 4

Listed below are asset, liability, and owners' equity accounts for Sue & Jerry's Sleepy Flow as of December 31, 19X1.

Common Stock	\$ 44,600
Inventories	23,241
Treasury Stock	7,278
Land	111,158
House Banks	11,738

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