CONCEPT: COMMON-SIZED STATEMENTS

- ***Common-sized statements*** report only _____________ amounts rather than ________________ amounts
  - □ Common-sized statements just show the results of a ***vertical analysis***
  - □ The base item will always be equal to 100%. The base used is different for each financial statement:
    - ***Income Statement Base*** → ___________________
    - ***Balance Sheet Base*** → ___________________ and ____________________
  - □ Next, find the percentage of the base for every other line item using the following formula:

$$Percentage\ of\ Base = \frac{Line\ Item\ Amount}{Base\ Amount}$$

EXAMPLE: Calculate the common sized percentages for the following income statement:

	2018	Common-sized Statement
Net Sales	150,000	
Cost of Goods Sold	60,000	
Gross Profit	**90,000**	
Operating Expenses	40,000	
Income from Operations	**50,000**	
Income Tax Expense	15,000	
Net Income	**35,000**	