

CONCEPT: HORIZONTAL ANALYSIS

• A **horizontal analysis** evaluates _____ changes in account balances from one year to the next:

- ☐ Compute the _____ amount of the change between periods
- ☐ Divide the dollar amount of change by the base-period amount

$$\text{Percentage Change} = \frac{\text{Current Year Amount} - \text{Previous Year Amount}}{\text{Previous Year Amount}}$$

EXAMPLE: Compute the percentage change in Net Sales, COGS, and Gross Profit using the following information:

	2018	2017	Dollar Amount of Change	Percentage Change
Net Sales	65,455	58,081		
Cost of Goods Sold	54,912	45,377		
Gross Profit				

PRACTICE: Complete a horizontal analysis of the following balance sheet:

	20X2	20X1	Dollar Amount of Change	Percentage Change
Cash	26,211	18,514		
Accounts Receivable	15,912	18,530		
Inventory	6,424	16,028		
PPE, net	23,160	17,040		
Total Assets	71,707	70,112		
Accounts Payable	9,562	13,759		
Accrued Expenses	6,117	6,241		
Long-term Debt	30,000	25,000		
Common Stock	1,000	1,000		
APIC	19,000	19,000		
Retained Earnings	6,028	5,112		
Total Liabilities & Stockholders' Equity	71,707	70,112		