

Common-Size Financial Statements

Common-size financial statements are financial statements that have been prepared with the entries expressed in percentage of some base. The base for the income statement is usually sales. All entries in the income statement are expressed as a percentage of sales. The base for the balance sheet is total assets or liabilities plus equity.

Common-size financial statements permit an analyst or investor to more easily compare companies with very different levels of the number that is used for the base. For instance, common-size income statements make it easier to compare companies with very different levels of sales.