

## 12-1A – Horizontal Analysis

Below is a comparative income statement for Elky Co.:

<b>Elky Co.</b>		
<b>Income Statement</b>		
<b>For the years ended December 31</b>		
	<b>2017</b>	<b>2016</b>
Sales	\$168,000	\$151,000
Cost of goods sold	<u>90,000</u>	<u>78,000</u>
Gross profit	78,000	73,000
Operating expenses	<u>32,000</u>	<u>30,000</u>
Operating income	46,000	43,000
Interest expense	<u>2,000</u>	<u>3,000</u>
Income before taxes	44,000	40,000
Income taxes	<u>11,000</u>	<u>10,000</u>
Net income	<u>\$33,000</u>	<u>\$30,000</u>

### **Required:**

- Prepare a horizontal analysis for the company calculating the change and percentage change of each line item from one year to the next. (Round your answers to the nearest tenth of a percent, ie 0.13578 → 13.6%)
- Which item/items in your analysis would you wish to investigate? Why?