

Common-size analysis is the restatement of financial statement items using a common denominator or reference item that allows us to identify trends and major differences. The analyst can then compare these proportions across time and across the company's industry: Comparing the same company in different years allows us to focus on changes in the composition of accounts or expenses over time. Comparison with competitors' vertical common-size statements for the same year allows us to examine differences in the makeup of accounts for similar companies. For the balance sheet, the benchmark is total assets.