

## **Cake o' Clock Pvt. Ltd.**

Tiya, a hotel management graduate, was an employee at a five-star hotel. However, due to excessive work pressure and long working hours, she decided to quit her job and start a baking business along with her friend Maria, who shared a similar interest. Tiya's work experience was an advantage for them to start their very own café. Thus, Cake o' Clock Pvt. Ltd. was incorporated on October 1, 2019. Tiya and Maria together ventured into their business and invested an amount of Rs. 65,000 and Rs. 40,000 respectively into Cake o' Clock's bank account in exchange of 6,500 and 4,000 shares respectively. Falling short of funds, it was decided to take a bank loan of Rs. 1,00,000 @ 7.5% p.a.

Having received sufficient amounts to set things going, they decided to rent out a suitable place in one of the busiest streets of the city. Tiya and Maria were lucky enough to find a sufficiently large space out for rent. Since it was previously used as a café, the décor was ideal for Cake o' Clock's business. Being a furnished space, the rent was fixed at Rs. 8,000

p.m., payable at the end of every month. A repayable rent deposit of Rs. 30,000 was paid on 1<sup>st</sup> October, 2019. John was hired as a helper for a salary of Rs. 3000 p.m. John reported for his duties on the very first day of business.

Riya and Maria then decided to purchase a few essential items required for the smooth functioning of their business. Accordingly, the following purchases were made during the very first week of operations:

- A second-hand refrigerator costing Rs. 8,000 was purchased for cash.
- Cash purchase of equipment (such as oven, blender, gas stove, coffee-maker, etc.) costing Rs. 20,000.
- Furniture leased at a rental of Rs. 2,000 p.m.
- Having agreed on fixed monthly supplies (unless otherwise altered) of raw materials such as maida, sugar, sweeteners, food colouring agents, etc. worth Rs. 12000, the first month's orders were successfully delivered on 2<sup>nd</sup> October, 2019. The payment was made in cash immediately. The subsequent orders were delivered on the first day of the month.
- The next day, they realized that the food colouring agents worth Rs. 500 did not meet the specifications and hence had to be returned.

A name board was purchased for the café for Rs. 2500.

In a short period, Cake o' Clock became the talk of the town. Customers started pouring in due to its tasty and mouth-watering delicacies. Yet, she baked only as per pre-booked orders and kept very limited cupcakes and other delicacies at the café, to ensure that supplies only freshly baked goodies to her customers.

On 25<sup>th</sup> November, 2019, Cake o' Clock received a major order. They had to deliver an order worth Rs. 15000 (the cost of raw materials used amounted to Rs. 9000) for a birthday party. A cab was rented for Rs. 500 and John successfully delivered the order at the venue. 70% of the payment was received in cash immediately and the customer promised to pay the remaining in a short time.

With Christmas and New Year fast approaching, it was decided to get a décor change for the café. Luckily, Tiya's friend, a professional interior designer, offered to help her for free. Cake o' Clock's orders began rising steadily owing to the festive season. In order to keep a better tab of their incomes and expenses, a laptop worth Rs. 30,000 was purchased on 1<sup>st</sup> December, 2019.

One of Cake o' Clock's regular customer placed an order worth Rs. 4000 for a wide variety of delicacies as a part of his Christmas and New Year celebrations. On Christmas eve, the customer paid Rs. 2000 (raw materials costing Rs. 1700 were used) for the Christmas order and decided to make payment for the New Year's order while collecting the order only. To keep John happy, a year-end bonus of Rs. 2000 was given to him on 30<sup>th</sup> December, 2019.

Soon it was time to prepare the quarterly financial statements of Cake o' Clock. On 31<sup>st</sup> December, 2019, an analysis of the first three months of operation revealed the following additional incomes and expenses:

- A revenue of Rs. 30,000 was generated from take-aways, in-house orders and home delivery (raw materials consumed were estimated at 22,000).
- Being a second-hand purchase, the refrigerator had become faulty and was repaired at a cost of Rs. 1,000 on 1<sup>st</sup> December, 2019.
- Electricity bills paid for the 3-month period amounted to Rs. 4,140.

- On 29<sup>th</sup> December, with the looming threat of COVID-19, the café was sanitized at a cost of Rs. 1,000.
- The interest on the bank loan was also paid for the 3-month period.

Accordingly, the accounting equation, profit and loss account and balance sheet of Cake o' Clock was prepared for the period 1<sup>st</sup> October, 2019 to 31<sup>st</sup> December, 2019.

Do have a look at Cake o' Clock's menu, if you wish make your orders.



Cake O' Clock thus prepared the accounting equation, profit and loss account and balance sheet for the period 1<sup>st</sup> October, 2019 to 31<sup>st</sup> December, 2019.

Trans action No.	Assets							+	
	Cash A/C	Stock A/C	R ef ri g e r a t o r A / C	Rent Depo sit A/C	E qu ip m en t A/ C	Accou nts Rec eiv abl e A/ C	Lap top A/C		
								B a n k Loa n A/C	Ow ner 's Equi ty
1	105000	-	-	-	-	-	-	-	1050 00
2	100000	-	-	-	-	-	-	1000 00	-
3	(24000)	-	-	-	-	-	-	-	(240 00)
4	(30000)	-	-	30000	-	-	-	-	-
5	(9000)	-	-	-	-	-	-	-	(900 0)
6	(8000)	-	8000	-	-	-	-	-	-
7	(20000)	-	-	-	20000	-	-	-	-
8	(6000)	-	-	-	-	-	-	-	(600 0)
9	(36000)	36000	-	-	-	-	-	-	-

10	500	(500)	-	-	-	-	-	-	-
11	(2500)	-	-	-	-	-	-	-	(2500)
12	(500)	-	-	-	-	-	-	-	(500)
13	10500	(9000)	-	-	-	4500	-	-	6000
14	(30000)	-	-	-	-	-	30000	-	-
15	2000	(1700)	-	-	-	-	-	-	300
16	(2000)	-	-	-	-	-	-	-	(2000)
17	30000	(22000)	-	-	-	-	-	-	8000
18	(1000)	-	-	-	-	-	-	-	(1000)
19	(4140)	-	-	-	-	-	-	-	(4140)
20	(1000)	-	-	-	-	-	-	-	(1000)
21	(1875)	-	-	-	-	-	-	-	(1875)
<b>Sub-Total</b>	71985	2800	8000	30000	20000	4500	30000	10000	67285
<b>TOTAL</b>	<b>167285</b>								

### Profit and Loss account

<b>In the books of Cake O' Clock</b>
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P & L A/C for the period ending 31-12-2019		
Revenues	Amount (Rs.)	Amount (Rs.)
Revenue from sales	47000	-
Less: Cost of Sales	(32700)	
<b>Net Revenue (A)</b>	<b>-</b>	<b>14300</b>
<b>Expenses</b>		
Office Rent	24000	-
Salaries	9000	-
Furniture Lease Rent	6000	-
Name Board Expense	2500	-
Cab expenses	500	-
Bonus to employee	2000	-
Repair of refrigerator	1000	-
Electricity	4140	-
Sanitization Expense	1000	-
Interest on bank loan	1875	-
<b>Total Expenses (B)</b>	<b>-</b>	<b>52015</b>
Profit Before Tax (PBT) (C=A-B)	-	(37715)
Tax (D)	-	0
<b>Profit After Tax (C-D)</b>	<b>-</b>	<b>(37715)</b>

Cake O' Clock made a loss of Rs. 37,715 during the first three months of operation.

### Balance Sheet

In the books of Cake O' Clock		
Balance Sheet as on 31-12-2019		
Assets	Amount (Rs.)	Amount (Rs.)
Cash	71985	-
Stock	2800	-
Refrigerator	8000	-
Rent Deposit	30000	-
Equipment	20000	-
Accounts Receivable	4500	-
Laptop	30000	-
<b>Total Assets</b>	<b>-</b>	<b>167285</b>
<b>Liabilities &amp; Owner's Equity</b>		
Owner's Capital	105000	-
Reserves & Surplus (Loss incurred)	(37715)	-
Bank Loan	100000	-
<b>Total Liability &amp; Owner's Equity</b>	<b>-</b>	<b>167285</b>