

Green Gardens Pvt Ltd

Vinay and Rohini, after working for the last 15 years decided to retire from the industry and start their own business. They were initially having confusion as to what business to target at and finally, after elaborate research, they decided to start a Plant nursery as they believed in the concept of “Go Green” and were also nature lovers. They understood from the market study that people were moving towards gardening during the COVID-19 pandemic to relieve their stress and bring happiness and colour in their lives. With this thought, Vinay and Rohini started on 1st May 2020 “Green Gardens,” a nursery for both floral and vegetable plants in the outskirts of Bangalore. Each of them deposited Rs 300000 in the company from their savings in exchange for 30000 shares each, and the same was deposited in the Bank. The total capital outlay requirement was for Rs. 8,00,000, and the remaining amount was raised through a loan at 10% interest

They took a 1-acre land on lease payable Rs 50000 per month on the last day of the month. The landlord also collected a refundable deposit of Rs.. 200000. They also constructed a small office building, which cost Rs. 50000 and had a life of 5 years. Bought a second-hand tractor and equipment for the greenfield work of the land for Rs 200,000 and Rs 100,000 respectively. The tractor had a life of 5years after which it had to be replaced, and the equipment had a life of 8 years.

Their business model allowed clients to take a yearly subscription of Rs. 50000, which involved getting the various saplings (as per the requirement of the customers), potting, and maintenance throughout the year. The manure and fertilisers would be charged on an actual basis. The clients could also opt for payment based on their purchases

During June 2020, they also bought a tempo traveller for transportation of saplings and manure, etc to the client’s place. The cost of the Tempo was Rs. 3,00,000 and had a life of 10 years.

During May to August Company provided services for Rs. 18,00,000 and raised invoices with the following payment terms

30 customers opted for yearly subscription and 20 Customer opted for payment on purchase mode which was as follows (Exhibit 1). Out of these clients 8 customers who opted for yearly subscriptions paid only 50% of the amount and promised to pay the remaining in September 2020

Details of Subscription (Exhibit 1)

Month	Number of Clients-Yearly Subscription	Number of Clients-Payments on Purchases mode
May	5	4
June	7	7
July	8	9
August	10	-

5 customers who wanted services only in September opted for a yearly subscription, confirmed in July by making a 20% advance amount

Green Gardens' other transactions for May–August 2020 are as follows

- 1) Paid four months' rent
- 2) Appointed 4 gardeners for Rs 10000 per month, payable at the end of the month, and two supervisors for Rs 30000 per month, payable at the end of the month
- 3) Paid electricity bill – Rs 500 per month
- 4) Bought supplies worth Rs. 20000 and consumed 60% of the entire supplies till July
- 5) Earned interest income for 3 months (1st May) Rs 7500 on the bank account

Prepare the following:

- 1) Prepare their P&L account for the three months (01 May to 31st July), considering all incomes and expenses, including depreciation.
- 2) Compute the business's cash balance as on 31st July 2020
- 3) Make a balance sheet at the end of 31st July 2020