

Tiranga on Trial: A Culinary Dream Tested by Crisis

Three friends, Karan, Arjun, and Rahul, after their graduation in Hotel Management, decided to start an Indian restaurant at Florida. Each of them contributed \$61,000, and on November 2, 2019, they started the operations of Indian Tiranga Café. The restaurant operated throughout the winter season of 2019-20. It was not very successful, and the COVID-19 pandemic added to its woes. They decided to dissolve the business, and on 30 March 2020, the court also affirmed the same.

Rahul decided to continue operating the Café and requested Kajol, a CPA, to help him understand the financial position of the café. As requested by Kajol, Rahul provided her with the following information

INDIAN TIRANGA CAFÉ				
BALANCE SHEET AS ON	2 November 2019		30 March 2020	
ASSETS				
Current Assets				
Cash	10172		1341	
Inventory	2800		2430	
Prepaid Expense for operating license	1428		833	
Account Receivables	0		870	
Total Current Assets		14400		5474
Café Equipment		54600	54600	
Less: Accu. Depreciation	0		2445	52155
TOTAL ASSETS		69000		57629
LIABILITIES AND OWNER'S EQUITY				
Note Payable		21000		18900
Accounts Payable		0		1583

Owner's Equity				
Karna	16000		12382	
Rahul	16000		12382	
Arjun	16000	48000	12382	37146
TOTAL LIABILITIES AND EQUITY		69000		57629

Kajol felt that Income statement would show Rahul how profitable operations had been and thus help him to judge whether it was worthwhile to continue operating the restaurant. The cash received from customers through March 30 amounted to \$43480 and the cash payments were as follows:

Salary to Managers	\$24,000
Salaries to Waiters	\$4,820
Interest	\$430
Food and beverage suppliers	\$11,020
Electricity Charges	\$2,982
Miscellaneous	\$259
Cafe Rent	\$6,700

Prepare an Income statement for the period of the café's operations through March 30. What does this income statement tell Rahul?