

“Turning Passion into Business: A Case on Fitness Start-Up Economics in India”

On 01 April 2017, Sachin quit his job as a senior executive with an MNC and started his fitness center, which was his childhood dream. He had done a lot of research on this and had come up with the initial fund requirement as follows. (All figures in ₹)

Rent deposit	2,00,000
Sports Equipment	8,00,000 (life – 8 years with scrap value of 80000)
Furnishing	1,25,000 (life – 5 years with no scrap value)

He had personal savings of 7,50,000/-, borrowed 1,00,000/- as interest free loan from a good friend, Anil, and took a bank loan (interest of 10%) for the remaining funds needed to start the center after considering the need for a starting cash balance of 25,000/-.

His business model allowed clients to take membership for one month or they can come and pay per hour. He gave a special discount of 25% to women clients and senior citizens when they took a monthly membership.

Monthly membership fee was fixed at 800/-. The hourly rate was 50/-. Monthly enrolments are given below.

Month	Monthly memberships		Hourly services availed by clients and charged
	Total members who took a monthly membership during the month	Women and senior citizen members	
April	14	4	150 hours
May	18	5	175 hours
June	22	6	195 hours

All those who registered as monthly members paid the entire applicable membership fee for the month in the month of registration. All the clients who availed hourly services also paid in the same month, the applicable rates, except a close friend who had come for 23 hours and agreed to pay in August 2017.

Other transactions of the center during the period April-June 2017 are given below.

Paid three months' rent – 30000 (10000 per month)
Appointed one part-time instructor and an attendant
Paid the electricity bill – 3000 for three months
Took AMC on equipment for – 18000 (beginning of April 2017)
Paid for supplies – 2400 and consumed the entire supplies
One client paid 800 in June for monthly membership of July
Paid for other operating expenses - 6200
Paid salary of part time instructor – 8000 per month for three months, attendant – 2000 per month for three months

Prepare the following:

1. Opening balance sheet of the fitness Center as on 01 April 2017
2. Prepare his P&L account for the three months (01 April to 30 June), considering all incomes and expenses, including depreciation.
3. Compute the business's cash balance as on 30 June 2017
4. Make a balance sheet at the end of June.
5. Give comments on his financial performance of these three months.