Value Investing Company (VI)

On August 20XX, Robin and Anand quit as senior executives in a Mutual Fund to set up   Value Investing Company, an investment advisory service. Each of them deposited Rs 50000 in VI,'s Bank account in exchange for 5000 shares each. Also, they raised an interest-free loan of Rs. 20000 for the company from their friend. They rented an for the company in the city, costing Rs. 5000 per month payable on the last day of the month. At the landlord's insistence, they paid the landlord a refundable deposit of Rs. 70000.

They leased two computers for one year on a monthly rental Rs 6000 per computer, and subscribed to a financial database for a fee of Rs 11000 per month. Computer rental and Database fee were payable at the beginning of the month. They appointed a Secretary on a monthly salary of Rs.9000 and an office assistant on a monthly salary of Rs. 5000

Depending on their credit rating, ValueInvesting's customers paid in one of the following ways:

- Before receiving service
- Immediately on receiving service
- Within one month after receiving service
- During August, Value Investing Company provided services for Rs. 70,800 and raised invoices with the following payment terms
- Fifteen customers with invoices totaling 62100 could pay until the end of September
- Two customers with invoices totaling Rs.8700 had to pay immediately

Value Investing Company's other transactions for August are as follows

• Paid Computer rental, Database fee, salaries, and office rent

• Received from customers amounts totaling Rs 24100, including Rs. 15400 from customers who chose to pay early

• Paid for office supplies costing Rs 1800 but did not use them

• Received Rs 9000 from a customer for a service to be provided in September

• Earned interest income Rs 460 on the bank account

You are required to prepare:

• Prepare ValueInvesting Company financial statements for August

• What do you think of the Company's Financial performance

• ValueInvesting Company follows the accrual system of accounting". Do you agree? Justify through the case