TEACHING CASE LETS AND CASE-STUDY

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Case Title	**:**	**Baby Step Store**
Case Subject	**:**	**Management Accounting**
Accession Number	**:**	**39**

BABY STEP STORE

Background

Pallavi Pathak, aged 23 years old was a very aspirational and brilliant alumni of Government College of Sector-15, Gandhinagar. She completed her graduation in the field of Bachelor of Arts. She was the eldest of her siblings. Her father was working as a clerk in a private bank, and her mother was a homemaker. She had a brother who was pursuing his 12th Standard in the field of commerce from the most renowned school in Gandhinagar. She was hardworking, intelligent, and confident to take up challenges. Soon after the completion of graduation studies, she had an offer to join as an Accounts Assistant in a company with a monthly salary of Rs.15,000. Her inner drive from day one was that she would like to be self-employed instead of opting for a job. Her parents insisted that starting her venture was a risky affair, which required a lot of money. Pathak had a different thought process for becoming self-employed. She believed that starting the venture was a dream come true, where she would spin out jobs for people, and employ herself, and her brother. Pathak, to pursue her dream, and avail the necessary skills, decided to pursue a course for one year on retailing from Industrial Training Institute (ITI) Gandhinagar. As her background was in humanities, she was not aware of how to maintain the books of accounts. As a consultant she wants your help to solve the accounting puzzle.

About the Store

On 1st April 2019, she started her venture Baby Step Store with a seed capital of Rs.20,000, the amount she received during her internship at ITI. The store was started in the village named Pethapur, which was in the capital city of Gujarat. There exists good road connectivity from other villages to Pethapur village, which makes it an ideal shopping hub. Footfalls for shopping would be high at Pethapur village. A large number of rural customers would visit the store. Based on her preliminary research, she identified there was no store exclusive for kids in Pethapur. Her store, became famous in no time and the business also picked up. She noted the things in a diary and was perplexed about how to maintain the records in the standardized format of accounting. She was looking forward to you as a consultant who can put the economic events in the books of accounts.

The Inception

On 3rd April, she opened a bank account with the Bank of Baroda by depositing Rs.20,000 and also took a loan from the Bank of Baroda for Rs.3,00,000, as the seed fund was not sufficient. The rate of interest charged on the loan was 12% p.a. She started her store in Sector-7, in a rented shop of Rs.10,000 per month on 1st April. She decided to sell the kidswear only and named her shop as 'Baby Step'. On 3rd April, she bought racks, chairs, a table, a fan, tube lights, laptop worth Rs. 1,20,000. On 3rd April, she also bought T-shirts, pants, skirts, frock, caprie, shots, etc worth Rs.1,50,000. On 6th April, she subscribed to the Rs.1,999 yearly scheme of mobile charge for business purpose. On 6th April, the paper, pens, stapler, calculator, glue etc. was bought for Rs.2,000. A lawyer was paid Rs.500 for framing the rental agreement. By the end of 28th April, she sold the clothes worth Rs.80,000 to the customers.

Name And Fame

Due to the latest designs and effective prices, her store received name and fame soon. On 2nd May, she had to stock more apparels, so she approached Kids-Wear Shop and bought couple of apparels for Rs.60,000 with a promise to pay after a month. On 3rd May, one of her friend Ms. Rita came to her shop to buy a dress for her kid, she bought a dress of Rs.2,000 and paid her Rs.1,000 with a promise to pay the remaining amount after 15 days.

On 19th May, Pallavi gifted a lovely frock to her daughter from the shop which was worth Rs.1,100. On 1st June, when she was folding the T-Shirts, she found that three T-shirts, costing Rs.600 had holes and their colour was faded, so she immediately returned them to Kids-Wear. She paid to Kids-Wear the remaining amount. On 3rd June, Pallavi's friend paid her Rs.600, towards here outstanding amount, she pleaded her not to ask for more amount, as she was suffering from a terrible financial crisis. Baby-Step Store's sales for the month of 31st May, and 30th June were Rs.89,000 and Rs.1,00,000 respectively.

Support System

As the business was picking up, Pallavi on 1st July, appointed Ms. Seema in her store as a Sales Person with a monthly salary of Rs.5,000. Seema worked hard and generated good sales for Pallavi. On 10th July, she asked for an advance salary of one-month, which Pallavi agreed and paid her. On the same day she noticed that as the landlord did not turn up to collect the rent, Pallavi noticed that the rent was yet to be paid for one of the months. On 10th July, Pallavi's friend Rita came to her shop to pay her Rs.400 and thanked her for understanding. Her sales for the month of July were Rs.1,35,000.

Lateral Sales

On 1st August, Pallavi sold apparels to Toddler First Shop worth Rs.2,00,000, and would receive the payment after two months. As she was in dire need of money, she drew a bill on Toddler First Shop which was duly signed and accepted by the buyer. Pallavi went to Bank of

Baroda to discount the bill and received Rs.1,98,000, Rs.2,000 was charged as a commission by the bank. Pallavi sold apparel of Rs.1,00,000 to retail customers. On 2nd August, she lent Rs.15,000 to Seema so that she could pay her son's school fees. On 8th August, Pallavi sold the apparel to a wholesaler worth Rs.40,000 at a 10% trade discount and 2% cash discount. Pallavi paid Rs.1,000 as railway freight and Rs.3,000 Goods and Service Tax (GST) which was added to the wholesalers' bill and the money was recovered by cheque. On 9th August, she paid Rs.300, charges to the lorrywala for bringing her apparels from Railway Station to her shop. Pallavi's business was taking off very well, on 1st September, she received an export order of Rs.3,00,000, which she fulfilled. She added Rs.3,200 as export duty and customs charges in the bill and supplied the goods. The buyer sent a demand draft in favour of Baby-Step Store, of Rs.3,03,200 on 10th September.

The Spendings

On 1st October, bank debited bank charges of Rs.100 towards ATM and credited Rs.215 towards interest. Entire bank loan was repaid with interest on 10th October. The electricity bill of Rs.3,000 was paid on 11th October. On 19th October, with the help of the Gunj Foundation NGO, Pallavi collected old usable clothes and donated them to the poor children. She also donated a handkerchief of Rs.1,000 from her shop to the children. She paid the tea-coffee bill of Rs.1,800 on 20th October. On 22nd October, She couriered a dress of Rs.1,000 and paid Rs.200 as charges which was to be recovered from Ms. Asha, the customer. She generated sales of Rs.1,12,800 by the end of 30th October. An intern from the National Institute of Fashion Technology was provided internship for two month at a stipend of Rs.2,000 per month. Ms. Seema was paid a commission of Rs.7,000 on 31st October, for her effort in sales.

On 1st November, the repairs were carried out in laptop for Rs.500. An advertisement was given in Gandhinagar Samachar for Rs.8,000. Sales in November, December, January, February, and March were Rs.90,000 each. On 1st January, she paid the Insurance Premium on her goods for Rs.12,000 for the year ending 31st December 2020. On 10th January, she paid her life insurance premium of Rs.2,000 for the month of January, from the business. It was found that on 31st March, racks, chairs, tables, fans, tube lights, laptops were used to the extent of 20%. The accountant was paid Rs.10,000 for writing and tallying the accounts. On 31st March, the Chartered Accountant was paid the fees of Rs.20,000 for verifying the accounts.

Required:

1. Pick out the Glossary (Accounting Terms) from the case.
2. Pass the Journal Entry in the books of Baby-Step Store.
3. Prepare the Cash Ledger.
4. Prepare the Financial Statements as of 31st March 2020, to ascertain the profit or loss, and position of Assets and Liabilities.
