

## **COMPREHENSIVE PROJECT**

A student need not have any previous experience or technical background for the preparation of this assignment.

### **THE PROBLEM\*:**

You are launching into a business in the name and style of your choice. It has to be a simple manufacturing business. It means that your business would involve, buying materials, transforming it using plant and machinery, and selling it. Keep in mind the conditions given in this project. Strictly adhere to the conditions.

### **ASSUMPTIONS AND REQUIREMENTS:**

You can make any assumption, provided they are reasonable in an actual business situation, subject to the conditions 1 to 24 (detailed below). Realistic nature of the project would involve factors such as volume of turnover, cost structure, type and nature of transaction. Please draw up the accounts and reports in proper form as if they were made out for a real life business.

This project would involve four submissions either in word file or in hand written. The deadline for the project would be announced periodically. Each days delay would lead to deduction of marks at the rate of 1 mark per day (for any one of the submissions). The project would carry a weightage of 30% in grading. The completed project is to be submitted before the final deadline.

### **CONDITIONS:**

1. Date of commencement of the business is to be the first day of the month of your birth (as per institute records).

For example, if your date of birth is 10<sup>th</sup> January 1981 then your date of commencement will be 1<sup>st</sup> of January. Alternatively, if your date of birth is 30<sup>th</sup> August 1999 then your date of commencement will be 1<sup>st</sup> of August.

2.1 Capital to be contributed will depend on your Roll number in the class and your day of birth

- Your Register/roll number multiplied by your day of birth (all in Rs. Lakh)

Assuming, Roll Number 001 has the date of birth as 01-Jan.-1993, so roll no 001 will have contributed capital of INR 1 Lakh. On the other hand, if Roll Number 200 has the date of birth as 30-Dec.-1995, so roll no 200 will have contributed capital of INR 6,000 Lakhs.

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\* I will keep a few sample copies of the past projects with Ms. Shalini Beck (Intercom 3260, Email id: [shalini@xlri.ac.in](mailto:shalini@xlri.ac.in)) for display over the next four weeks. However, no photocopying/Similar activity, of the documents is allowed.

2.2 Long term loans equal to maximum of 2 times the capital is available at the rate of 10% per annum. Long term loan has to be at least be equal to capital.

3. Grant from the Government is available to the extent of 10% of your contribution or value of fixed assets which ever are lower (as part of Government of India’s *make in India* campaign)

4. Fixed assets to start with will vary for the different students based on the last digit of registration/roll number (as per institute records) as follows:

- ◆ Series "0" roll numbers: 71% to 75% of long term funds available
- ◆ Series "1" roll numbers: 76% to 80% of long term funds available
- ◆ Series "2" roll numbers: 31% to 35% of long term funds available
- ◆ Series "3" roll numbers: 36% to 40% of long term funds available
- ◆ Series "4" roll numbers: 41% to 45% of long term funds available
- ◆ Series "5" roll numbers: 46% to 50% of long term funds available
- ◆ Series "6" roll numbers: 51% to 55% of long term funds available
- ◆ Series "7" roll numbers: 56% to 60% of long term funds available
- ◆ Series "8" roll numbers: 61% to 65% of long term funds available
- ◆ Series "9" roll numbers: 66% to 70% of long term funds available

5. Depreciation on monthly basis is to be computed on straight line method by all odd Roll/Register number and written down value basis for all even Roll/Register number. Life of asset can vary between 5 to 10 years for different assets.

6. Credit sales will be three times cash sales for all odd Roll/Register number and five times for all even Roll/Register number.

7. Credit purchase will be five times cash sales for all odd Roll/Register number and four times for all even Roll/Register number.

8. Credit terms are as follows for different Roll numbers (there has to be some credit purchase and sale in all cases):

**Credit Sale**

- 001 to 040 roll numbers: 30 days
- 041 to 080 roll numbers: 21 days
- 081 to 120 roll numbers: 45 days
- 121 to 160 roll numbers: 1 weeks
- All others roll numbers: 2 weeks

**Credit Purchase**

- Series “0” roll numbers: 21 days
- Series “1” roll numbers: 45 days
- Series “2” roll numbers: 1 week
- Series “3” roll numbers: 2 weeks
- Series “4” roll numbers: 30 days

Series “5” roll numbers: 40 days

Series “6” roll numbers: 10 days

Series “7” roll numbers: 20 days

Series “8” roll numbers: 50 days

Series “9” roll numbers: 55 days

9. One half of the credit sale and purchase can be against notes (bills of exchange).
10. Cash balance at the end of any month is to be maximum of 7 days and minimum of 3 days cash expenses. Deployment of surplus cash on short term inter-corporate market at 6% per annum is possible.
11. All notes receivable are discounted with the bankers at 12% per annum. You can also avail of overdraft limit from the banker to the extent of 75% of unencumbered current assets.
12. 20% of the receivable will be delayed by one half of the normal credit period. (If credit period is 30 days they will be paid in only 45 days).
13. Paying on time, warrants a cash discount of 3% and delay in payments would warrant a penalty of 1% per month for the days of default in case of receivable.
14. 5% of the receivable due by more than 15 days over the credit period and 10% of the receivable due for more than 21 days over the credit period will be bad. Provisions for doubtful debts are provided at 10%.
15. Delay in meeting payable will carry penalty as in the case of receivable and similar discounts are available for paying on time.
16. Interest on long term loan is payable monthly and principal is repayable over 5 year period in monthly installments.
17. Delay in payment of principal or interest would involve penal interest of 18% of the amount in default for the period of default.
18. Sales volume will increase by 5% over the previous month, sale price will increase by 10% over the previous month and purchase price will decrease by 5% every 15 days, all reckoned on a calendar month basis.
19. All other costs will remain stable over the period.
20. **Assume no gestation period.** That is, the business starts operations from day one.
21. Municipal rates are to be paid at the rate of 2% of owners equity at the beginning of each calendar month.
22. Wage cost could be 5 to 25% of sales.

23. Rental can be 10% of sales.

24. You need to have at least 2 transactions per day for 20 days in a month.

**REQUIRED:**

1. You are required to prepare the accounts of the business as if owned by you as an individual proprietorship in any name and style of your choice, with in the frame work of the conditions one through twenty-four detailed above, for three accounting periods.
2. Prepare a precise chronological statement of all transactions.
3. Prepare journal entries for all transactions and post them to appropriate ledgers during the first accounting period.
4. For 2nd and 3rd period you may skip journal entries and directly prepare ledger account say as (cash receipts, cash payments, sales, and purchases book)
5. Prepare a post closing trial balance, income statement and balance sheet for the end of the month. You may have at least three financial statements for each month.
6. Prepare a monthly statement showing compliance with the conditions specified. (Demonstrated by relationships worked out with actual accounting numbers)