

Viva questions and answers

Campus Corner Café simulated November 2026 model

1 Why are the figures simulated?

The business is proposed. Generated records demonstrate accounting and feasibility; no actual café history is claimed.

2 How is monthly revenue calculated?

Tea $2,080 \times 15 = 31,200$; coffee $1,170 \times 30 = 35,100$; sandwich $780 \times 60 = 46,800$; total 113,100.

3 Why are there 26 operating days?

November 1 is an exceptional opening Sunday; four later Sundays are closed. This explicit exception preserves the planned 26-day model.

4 What is the difference between capital and profit?

Owner capital 120,000 finances the business; net profit 6,240 is earned through the simulated month.

5 How do startup uses match funding?

135,000 specified startup uses plus 35,000 retained reserve equals 170,000 funding.

6 Why is inventory an asset?

Unused stock has future benefit. Consumed material cost is INR 48,360; ending stock is INR 12,000. Production cost of sales also includes fixed labour INR 18,000 and production overhead INR 16,000, totaling INR 82,360.

7 Why does the trial balance balance?

Every transaction has equal debits and credits. Equal totals verify arithmetic, not absence of classification or omission errors.

8 What is the rectification example?

Marketing 5,000 was misclassified as equipment. Debit Startup Marketing and credit Equipment corrects it without changing cash.

9 What are the closing adjustments?

Recognize accrued utilities 1,000, rent expense 15,000 from prepayment and depreciation 2,000.

10 How is net profit calculated?

$113,100 - 48,360 - 45,000 - 13,000 - 500 = 6,240$.

11 How does the balance sheet reconcile?

Assets 177,600 = liabilities 53,360 + equity 124,240. Equity = $120,000 + 6,240 - 2,000$ drawings.

12 What is contribution?

Price minus variable cost: tea 9, coffee 18, sandwich 32. Total 64,740 covers fixed cost and then profit.

13 How are full costs allocated?

Fixed labour and overhead pools are allocated by each product share of 4,030 net units. This is a simplified assumption.

14 Why can a product have low allocated profit but positive contribution?

Allocated fixed costs do not necessarily change when one extra unit is sold. Positive contribution can still improve total operating profit.

15 How is break even calculated?

Fixed cost 45,000 / contribution ratio 57.24% = about 78,614 sales. Preserve mix by selling 91 whole composite bundles.

16 What is margin of safety?

Base sales minus break-even sales, about 34,486 or 30.49% of base revenue.

17 What sales earn target operating profit 25,000?

$(45,000 + 25,000) / 57.24\% =$ about 122,289 at unchanged mix and cost assumptions.

18 Why does cash differ from profit?

Credit collections, purchases, prepayments, capital assets, debt, drawings and depreciation differ in timing or recognition.

19 Why is December profit budget higher?

Normalized December omits 13,000 startup expense and has 10 lower interest; net budget profit is 19,250.

20 What is the principal limitation?

Demand, prices, costs, labour allocation and financing are hypothetical. Payback ignores discounting and changes in working capital; validate them before investment.