

## INSTRUCTIONS

BrightPath Solutions provides business coaching and advisory services, and seller of goods. The company adjusts its accounts monthly but performs closing entries annually on December 31. Other data and the firm's unadjusted trial balance dated December 31, 2024, is shown below.

1. Accrued but unrecorded and uncollected consulting fee earned at December 31 totals: \$19,000.
2. The company determined that \$12,500 of previously unearned consulting fees had been earned at December 31, 2024.
3. Office supplies on hand at December 31, 2024 total \$280.
4. The company purchased all of its equipment when it first began business. At that time, the estimated useful life of the equipment was five years.
5. The company prepaid its twelve-month rent agreement on April 1, 2024, and accounted for the \$9 000 as prepaid rent in full
6. The company prepaid its three-month insurance policy on December 1, 2024.
7. Accrued but unpaid salaries total \$9,800 at December 31, 2024.
8. On October 1, 2024, the company borrowed \$48,000 by signing a six-month, 5 percent note payable. The entire amount, plus interest, is due March 31, 2025.
9. For the year end December 31, 2024, BrightPath made cash purchases for inventory worth \$15 000.

10. The company sold goods for \$20 000 for the year ended December 31, 2024. These goods and cost of sales value was \$11 000. All sales were cash sales.

## BrightPath Solutions

### Unadjusted Trial Balance

December 31, 2024

Account	Debit	Credit
Cash	198 300	
Accounts receivable	72 000	
Office supplies	720	
Prepaid rent	9 000	
Unexpired insurance	1 200	
Office equipment	85 000	
Accumulated depreciation: office equipment		27 000
Accounts payable		6 800
Notes payable (due 3/31/21)		48 000
Interest payable		300
Income taxes payable		7 500
Dividends payable		2 500
Unearned consulting fees		16 000
Capital stock		150 000
Retained earnings		58 620
Dividends	2 500	
Consulting fees earned		420 000
Rent expense	18 000	
Insurance expense	1 800	
Office supplies expense	3 600	
Depreciation expense: office equipment	10 000	
Salaries expense	290 000	
Utilities expense	5 600	
Interest expense	2 000	
Income taxes expense	37 000	
Inventory	9 000	
Stock Payable		9 000
<b>Totals</b>	<b>745 720</b>	<b>745 720</b>

### Instructions:

- a. Prepare the necessary adjusting journal entries for points 1 to 10 listed above on December 31, 2024.
- b. Prepare an adjusted Trial Balance dated December 31, 2024.

3. c. From the adjusted trial balance prepared in part a, prepare an income statement and statement of retained earnings for the year ended December 31, 2024. Also prepare the company's balance sheet dated December 31, 2024.
4. d. Compute the company's average monthly insurance expense for January through December 2024.
5. e. Compute the company's average monthly rent expense for January through December 2024.
6. f. If the company purchased all of its office equipment when it first incorporated, for how long has it been in business as of December 31, 2024?
7. g. Using the financial statements prepared in part b., evaluate the company's (i) profitability, (ii) liquidity, and (iii) solvency.
8. h. Calculate the Gross Profit margin for the company on the sales for the year.

## FORMAT

Your submission must meet the following formatting requirements:

- **Number of files for submission:** 1
- **Required file format for main submission:** Excel spreadsheet (.xlsx)

All referencing and citations require **Harvard referencing style**. Students must avoid plagiarism and use the Harvard Referencing Guide and Turnitin to ensure that their sources are correctly cited. Plagiarism includes the use of artificial intelligence tools, such as ChatGPT and Grammarly, when output is copied and pasted from these sites. Please refer to the **Academic Policies and Procedures Manual** and the **Student Good Practice Manual in AI Literacy** available on the Student Services page for further details.