

Fashion & Design Consulting

After a couple of years interning for a top designer, and with a college degree in fashion under your belt, you have decided to open a new business. Your chief operations will be consulting and designing for retailers, other designers, and clothing manufacturers.

Starting your new business, you open a bank account with \$22,000 of your savings. You also bring an old truck worth \$13,000, a sewing machine worth \$485, a serger (\$982), 8 mannequins (\$220 each), desks, tables, and chairs worth \$1250, and a bunch of fashion design books that you had from college.

You also have an extra \$18,000 which you have borrowed from your father. You will have to pay this back to him at some point.

The following transactions take place in the first year of business. Your fiscal year is January 1 to December 31. (It is currently 20--)

Create a ledger with the items you have brought to the business, and then post the following transactions.

Transactions:

1. You decide to hire an employee. You put an ad in the paper at a cost of \$59, on account to Metro News.
2. You purchase another sewing machine for \$1200 cash.
3. The serger you have needs some repairs, so you call the repair person. They charge you \$75, and you pay in cash.
4. Three of the mannequins are in pretty rough shape. You drag them out to the dumpster and say your goodbyes.
5. You purchase two new mannequins at a cost of \$444 each. You buy them, on account from Fashion Supplies Corp.
6. You hire an employee and get them a new desk. The price of the desk is \$450, although you think it looks much more expensive. You pay in cash.
7. You decide you would rather lease a cube van instead of keeping your old truck. You sell it for \$11,200 cash.
8. Your first lease payment for the new van is \$347. You send in a cheque to the leasing company.
9. The new space you have rented is a loft just off 43rd street. You write a cheque for \$2,500 to the landlord for rent.
10. You do some consulting for Lord & Taylor, a high end retailer on 5th Avenue. You charge \$147 per hour for 18 billable hours. It is put on account.
11. You do some more consulting for Target. They give you a cheque that day for \$2,419.
12. You purchase a sign for the street front. It is awfully nice, and costs \$2,435.
13. You have it installed. The installation is \$348. You pay in cash.

14. You pay your employee \$3,458.
15. You purchase a bunch of office supplies (please expense them as 'office supplies expense') for \$622 cash.
16. You put gas in the van. The total comes to \$125. You pay in with your Mastercard. (Please use A/P-Mastercard.)
17. You get the name of your business stencilled on the side of the van. It comes to \$675, which you also pay with Mastercard. (This can be considered a marketing expense.)
18. You buy lunch for you and your employee. It comes to \$62. You pay with cash.
19. You pay off your Mastercard in full.
20. You put on a huge fashion show at Bryant Park. It cost you \$9,589 in total. This can be considered a marketing expense.
21. Quite a few consulting jobs are booked for the next few months. It total, they bring in \$23,803. All are paid in cash.
22. You pay your father the money you owe him.
23. You do some consulting for HBO. Your services come to \$5,480. Half is paid in cash, and the rest is put on account.
24. Lord & Taylor, one of your debtors, pays off their account.
25. You throw a party for a bunch of prospective clients. (This can be considered marketing.) The total is \$3,450. You put it on account with H&H Party People.

*** When you have completed posting the transactions, prepare an income statement and balance sheet for the fiscal year end. ***

