BDA’s – Prepaid expenses

**Example**

Vroom Mechanics paid rent on 1 Feb 2019, $3,600 for 12 months.

1. Do the rent balance day journal on 30/6/19.
2. What will the prepaid rent be on 30/6/19?
3. If this balance day adjustment was not completed,
4. would profit be overstated or understated?
5. would total current assets be overstated or understated?

**Solutions**

1. (5 months/12 month x 3,600 = 1,500)

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Detail** | **DR** | **CR** |
| 30/6/19 | Rent expense | 1,500 |  |
|  | Prepaid expense |  | 1,500 |

1. $2,100
2. Overstated
3. Overstated