Tutorial 10 (Week 12) – Financing Activities: Equity

The following shows the equity section from Hunt3X audited financial statements as at 31 Dec 2025:

Equity

Share Capital - Ordinary Shares [Note 1]	450,000
Share Capital - Preference Shares (cumulative) [Note 2]	200,000
Retained Earnings	39,645
Total Equity	689,645

Note 1: 90,000 units of no-par value shares.
Note 2: 10,000 units of 2.5% cumulative preference shares with a stated value of $20 issued on Jan 1, 2024.

For the financial year **2026**, Hunt3X reported net income of $120,450. The following transactions occurred for Hunt3X in 2026:

(a) On 1 Jan 2026, issued 5,000 shares of 6% non-cumulative preference shares with a stated value of $10.

(b) On 22 March 2026, reacquired 10,000 shares of ordinary shares at $6 per share.

(c) On 5 May 2026, reissued 5,000 shares of treasury shares at $7 per share.

(d) On 22 November 2026, reissued 3,000 shares of treasury shares at $5 per share.

(e) On 1 December 2026, Hunt3X performed a 1.5-for-1 stock split of its ordinary shares.

(f) On 31 Dec 2026, Hunt3X declared dividends for the first time since its inception. Total dividends declared was $60,000, of which $40,000 was immediately paid out in cash. The remaining dividends will be paid in February 2027.

Required for Tutorial 10:

Using your spreadsheet:

(1) Prepare the journal entries to record each of the listed transactions (a) to (f) above.

For transaction (f), indicate how much dividends are for preference and ordinary shareholders.

(2) What is the effect of the 1.5-fo-1 stock split on total equity and number of shares outstanding? As a shareholder of Hunt3X, how would you perceive this stock split? Would you have preferred the company to issue a stock dividend instead of the stock split?

(3) Calculate the dividends per ordinary share (round to 2 decimal places).

(4) Prepare the equity section of Hunt3X Statement of Financial Position as at 31 December 2026?

~ End of Tutorial 10 ~