

Tutorial 3 (Week 4) – Adjusting Accounts

Hunt3X is preparing its financial statements for the year ending 31 December 2025. It discovers the following events/transactions pertaining to its 2025 financial year:

- (a) On 1 July 2025, Hunt3X had rented an office and paid 1-year rental in advance in the total amount of \$26,400 in cash. This amount had previously been recorded into the account “Prepaid Rent” when it was paid on 1 July 2025. For the year 2025, Hunt3X had recorded rent usage for the period of July to September, but not for the period of October to December.
- (b) On 10 February 2025, Hunt3X had received advance cash payment from its customer Kwima Productions Ltd. in the total amount of \$14,500, and this amount had previously been recorded into the “Unearned Revenue” account when cash was received on 10 February 2025. Hunt3X delivered half of the products to Kwima in December 2025. The cost of the products delivered to Kwima had cost Hunt3X \$2,540. Hunt3X had not recorded any adjustments for this.
- (c) Total interest on both the short term notes payable and long-term debt for the year 2025 is \$2,850 and had not been recorded. Interest for the short term notes payable in the amount of \$600 is due at the end of June 2026 when the note matures. Interest on the long term debt in the amount of \$2,250 is due in January 2026. The long term debt matures in 2027.
- (d) On 1 September 2025, Hunt3X hired a consultant on a 6 months contract for \$2,700, payable at the end of the contract period. The consultant had performed services for the period of September to December, but Hunt3X had not recorded any expense in 2025 as it has yet to receive an invoice from the consultant.
- (e) Depreciation of \$8,200 for the year of 2025 had not been recorded.
- (f) In December, one of Hunt3X’s employees, Seline, took a cash advance on her January and February 2026 salaries in the amount of \$2,200. The amount was incorrectly recorded as Salaries Expense in 2025.
- (g) Estimated income taxes in the amount of \$4,200 for the year of 2025 had not been recorded. This amount is payable in May 2026.

Required for Tutorial 3:

Prepare the adjusting journal entries (AJEs) that should be made on 31 December 2025, including all other necessary journal entries to correct any omissions or errors (omit journal explanation).

~ End of Tutorial 3 ~