

Tutorial 2 (Week 3) : Mechanics of Accounting & FS Overview

AMENDED AUG 25

Hunt3X Corporation (Hunt3X) is a startup company in the entertainment industry offering a range of media production products and AI-based media solutions. It first started its operations in 2024 and is currently in its second year of operations in 2025. Hunt3X is on a 31 December year end.

Below is the trial balance for Hunt3X at the end of its 3rd quarter in 2025 (i.e. 30 September 2025).

Trial Balance as at 30 September 2025	Debit	Credit
Cash	387,216	
Accounts Receivable	37,100	
Prepaid Rent	19,800	
Inventory	84,000	
Accounts Payable		23,400
Unearned Revenue		14,500
Long-term Debt		50,000
Share Capital – Ordinary Shares		200,000
Share Capital – Preference Shares (cumulative)		200,000
Retained Earnings (as at 31 Dec 2024)		5,230
Sales Revenue		212,300
Cost of Goods Sold	80,674	
Rent Expense	6,600	
Marketing Expense	13,000	
Salaries Expense	69,300	
General Admin Expense	7,740	
	705,430	705,430

The following transactions occurred for Hunt3X during the last quarter of 2025 (Oct 1 – Dec 31, 2025).

- (a) Shareholders of Hunt3X invested an additional \$250,000 cash into the company in exchange for ordinary shares. This is the only transaction in 2025 relating to any shareholders' contribution into the company.
- (b) Took out a short term loan (notes payable) in cash from the bank for \$30,000.
- (c) Purchased \$65,000 worth of inventory using cash.

- (d) Sold inventory to customers for \$96,000. \$35,000 was received in cash and the remaining on credit. The inventory cost Hunt3X \$30,720.
- (e) Collected \$64,300 cash from customers as payments on their accounts receivable.
- (f) Paid salaries of \$22,300 in cash.
- (g) Paid \$19,200 in cash on accounts payable.
- (h) Purchased property, plant and equipment (PPE) for \$300,000 using cash.
- (i) Incurred \$5,500 for marketing expenses, fully paid in cash.
- (j) Received \$5,000 cash in advance payment from a customer for products to be delivered in 2026.
- (k) Incurred \$12,650 for general admin expense, on credit.

Required for Tutorial 2:

Using your spreadsheet:

- (1) Indicate the effect of each of the listed transaction above (transactions (a) to (k)) on the accounting equation. Using the column headings as illustrated below, indicate whether the transaction increases (+) or decreases (-) the accounting equation. The beginning balances as at 30 September 2025 is already given below and transaction (a) has been completed as an example. Also, determine the ending balances at 31 Dec 2025.

	Assets	=	Liabilities	+	Equity
Balance @ 30 Sept 2025	514,916 528,116	=	87,900	+	427,016 440,216
Transaction (a)	+250,000	=		+	+250,000
Transaction (b)		=		+	
Transaction (c) and so forth...		=		+	
Balance @ 31 Dec 2025		=		+	

- (2) Prepare the journal entries to record each of the listed transactions above. You may omit journal explanation.
- (3) Create a Trial Balance worksheet using the 30 Sept 2025 trial balance as your beginning balances. Post all the journal entries from part (2) and calculate the account balances as at 31 December 2025. Use the column headings as illustrated below to create your Trial Balance worksheet. As an example, transaction (a) has been completed below.

Note: When creating your trial balance, make sure that the account types are in the right order as follows: Assets, Liabilities, Shareholders Equity, Revenues, Expenses

Account Name	@ 30 Sept 2025		Transactions (Sept - Dec)			@ 31 Dec 2025	
	Debit	Credit	Reference	Debit	Credit	Debit	Credit
Cash	387,216		(a)	250,000		637,216*	
Share Capital – Ordinary Shares		200,000	(a)		250,000		450,000

**Note: This is NOT the final cash balance as at 31 Dec 2025. Make sure to incorporate all transactions (a) to (k).*

- (4) Calculate the Return on Assets (ROA) and Debt Ratio of Hunt3X at the end of 2025. Round your answers to 3 decimal places. Total assets at the beginning of 2025 is \$473,830.

~ End of Tutorial 2 ~