

Tutorial 7 (Week 8) – Operating Activities: Inventory

During the audit of its 2025 financial year, Hunt3X's auditors Earnest&Co performed a physical count of Hunt3X's inventory at 31 December 2025 and discovered that Hunt3X only had \$108,620 worth of inventory on hand. Earnest&Co advised Hunt3X to adjust its inventory for shrinkage.

Required for Tutorial 7:

Using your spreadsheet:

- (1) Prepare the journal entry to record the inventory shrinkage.
- (2) Incorporate the adjustment from part (1) above and calculate the inventory turnover and days' sale in inventory ratios for the financial year 2025 (round to 3 decimal places). The balance of the Inventory account at the beginning of 2025 is \$102,000. (Remember to also take into account any audit adjustment from Tutorial 6)
- (3) Using the average collection period calculated in Tutorial 6 part (3) and your answer from part (2) above, calculate the operating cycle of Hunt3X for the year 2025. Also, calculate the number of days' purchases in accounts payable for Hunt3X. The balance of the Accounts Payable account at the beginning of 2025 is \$18,600.

How would you interpret Hunt3X's net operating cycle from the two ratios?

- (4) Assuming that Hunt3X is on a **periodic** inventory system, the inventory records for one of Hunt3X's trending products, the Golden-Voice Mixer, for the month of **January 2026** is given as follows:

Date	Transaction	Units	Cost/Unit	Total Cost
1-Jan-26	Beginning Inventory	42	960	40,320
8-Jan-26	Purchase	20	880	17,600
11-Jan-26	Sales	39		
16-Jan-26	Purchase	30	910	27,300
21-Jan-26	Sales	41		
24-Jan-26	Purchase	10	1,050	10,500

Calculate the cost of goods sold for the month of January 2026 and the cost of ending inventory at the end of January 2026 using the following inventory costing method for its Golden-Voice Mixer products:

- (i) FIFO
- (ii) Weighted Average Cost
- (iii) LIFO

(5) Assuming that Hunt3X is on the *perpetual* inventory system, use the inventory records from part (4) above and calculate the cost of goods sold for the month of January 2026 and the cost of ending inventory at the end of January 2026 using the following inventory costing method for its Golden-Voice Mixer products:

- (i) FIFO
- (ii) Weighted Average Cost

~ End of Tutorial 7 ~