

- 2 The following balances have been extracted from the books of account of G Limited at 1 October 2020.

Account	\$
6% debentures (2022–23)	50 000
Retained earnings	34 500
Revaluation reserve	28 000

During the year ended 30 September 2021 the following took place.

Date	Transaction
1 November 2020	Made a rights issue of one ordinary share of \$1 each for every ten shares held at a premium of 20%. The issue was fully subscribed.
1 March 2021	Paid a dividend of \$0.05 per share on all shares in issue at that date.
1 May 2021	Made a bonus issue of one ordinary share of \$1 each for every four shares held. The directors decided to leave the reserves in the most flexible form.
30 September 2021	Revalued property downwards by \$35 000.

The profit for the year ended 30 September 2021 was \$96 000.

REQUIRED

- (a) Prepare the statement of changes in equity for the year ended 30 September 2021.

G Limited Statement of changes in equity for the year ended 30 September 2021

	Share capital \$	Share premium \$	Revaluation reserve \$	Retained earnings \$	Total \$
At 1 October 2020			28 000	34 500	
At 30 September 2021	440 000	4 600			

[8]

Additional information

The directors of G Limited wish to raise \$500 000 additional capital for expansion. They have identified two options to raise the full amount.

Option 1: Issue ordinary shares of \$1 each.

Option 2: Issue 8% preference shares.

REQUIRED

(b) Advise the directors which option they should choose. Justify your answer.

[5]

[5]

Additional information

The finance director has suggested that the company could issue further debentures.

REQUIRED

(c) State **two** characteristics of a debenture.

1

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2

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[2]