

- 3 The directors of H Limited provided the following details from the statement of financial position at 30 September 2021.

	\$
Equity and reserves	
Share capital (ordinary shares of \$0.50 each)	200 000
Share premium	50 000
Retained earnings	120 000

During the year ended 30 September 2022, the following transactions took place.

	Date	Transaction
1	1 November 2021	Paid a final dividend of \$0.06 per ordinary share.
2	1 January 2022	Made a rights issue of two ordinary shares for every five shares held at a price of \$0.60. The issue was fully subscribed.
3	1 July 2022	Paid an interim dividend of \$0.02 per ordinary share.
4	31 August 2022	Made a bonus issue of one ordinary share for every four shares held. The directors decided to leave the reserves in the most flexible form.

REQUIRED

- (a) Prepare journal entries to record transactions 1 – 4. Dates and narratives are **not** required.

Workings:

Journal

Item	Account	Debit \$	Credit \$
1			
2			
3			
4			

(b) State **three** reasons why a company may make a bonus issue of shares.

- 1
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- 2
-
- 3
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[3]

(c) State **two** features of preference shares.

- 1
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- 2
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[2]