

3 Part of the equity of a limited company consists of ordinary shares.

**REQUIRED**

(a) (i) Explain **two** reasons why a company may make a bonus share issue.

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2 .....  
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[4]

(ii) State **three** uses of the share premium account, other than the issue of bonus shares.

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2 .....  
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3 .....  
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[3]

### Additional information

On 1 January 2017 the issued share capital of S Limited consists of ordinary shares of \$0.40 each.

The following information is available for the year ended 31 December 2017:

- 1 On 1 April 2017 the company issued a 6% debenture of \$300 000.
- 2 On 1 May 2017 the company paid a final dividend of \$0.04 per ordinary share.
- 3 On 1 October 2017 the company made a rights issue of 1 ordinary share for every 4 held. The shares were offered at a 20% discount on the market price of \$1.45. The rights issue was fully subscribed.
- 4 On 15 October 2017 the company paid an interim dividend of \$0.015 per share to the shareholders who were on the share register at 1 August 2017.
- 5 The company's profit from operations for the year was \$268 500.

### REQUIRED

- (b) Prepare the statement of changes in equity for the year ended 31 December 2017.

S Limited  
Statement of changes in equity  
for the year ended 31 December 2017

	Ordinary share capital \$	Share premium \$	General reserve \$	Retained earnings \$	Total \$
Brought forward at 1 January 2017	1 250 000	–	130 000	65 000	1 445 000

Workings:

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- (c) State the journal entry required to record a revaluation increase in the value of a non-current asset.

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