

- 3 P Limited was formed on 1 June 2015. The company's share capital comprised of ordinary shares.

(a) (i) Identify **two** differences between ordinary shares and cumulative preference shares.

- 1
- 2 [2]

(ii) State **three** differences between a rights issue and a bonus issue.

- 1
- 2 [3]
- 3

Additional information

P Limited prepares financial statements to 31 May.

The following transactions, all of which were entered in the appropriate accounts in the ledger, occurred in relation to the ordinary shares.

2015

1 June 100 000 ordinary shares, with a nominal value of \$1 each, were issued at a price of \$1.45 each. Of this, \$1.15 was received which included the full par value.

30 September The balance outstanding was received in full.

2016

1 October P Limited made a 1 for 4 rights issue at a discount of 15% of the most recent share valuation of \$1.40 per ordinary share. All shareholders took up their rights in full.

REQUIRED

(b) Complete the following table for the **two** years ended 31 May 2017 to record these transactions.

Date	Name of account to be debited	Amount \$	Name of account to be credited	Amount \$

[6]

Additional information

Shareholders have not received any dividend since the company was formed. However, the financial statements show the following:

- 1 Profit for the years ended

31 May 2016	\$15 000
31 May 2017	\$30 000

- | | | |
|---|--|----------|
| 2 | Cash and cash equivalents at 31 May 2017 | \$90 000 |
|---|--|----------|

On 1 June 2017 several major shareholders demanded that the directors pay a dividend of \$0.48 per share.

REQUIRED

- (c)** Advise the directors how they should respond to the shareholders' demand. Support your answer with calculations.

[4]