

- 3 The equity and reserves section of Howard Limited's statement of financial position at 31 December 2014 was as follows:

	\$000
Ordinary shares of \$0.50 each	1400
Share premium	260
Retained earnings	<u>195</u>
	<u>1855</u>

During the year ended 31 December 2015, the following transactions took place:

February 1	Issued 200 000 ordinary shares at \$0.70 each.
May 1	Paid final dividend of \$0.04 per ordinary share on all shares in issue at 31 December 2014.
June 1	Made a bonus issue of ordinary shares on the basis of two ordinary shares for every fifteen ordinary shares held at that date.

REQUIRED

- (a) State the double entry to record **each** of these transactions. Dates and narratives are **not** required.

Name of the account	Dr \$000	Cr \$000

Additional information

On 1 August 2015, Howard Limited also made a rights issue of one ordinary share for every ten ordinary shares held at a price of \$0.60. All shareholders took up their rights.

REQUIRED

- (b) Prepare a schedule showing the movement in the share premium account during the year ended 31 December 2015.

.....

.....

.....

.....

.....

..... [3]

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

1

.....

2

.....

3

..... [3]

- (d) State **three** differences between ordinary shares and preference shares.

1

.....

2

.....

3

..... [3]