

(b) Prepare the statement of changes in equity for Bayliss Limited for the year ended 31 December 2015.

Bayliss Limited

Statement of changes in equity for the year ended 31 December 2015

	Share capital \$000	Share premium \$000	Revaluation reserve \$000	General reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 January 2015						

Additional information

The 5% debentures are due for repayment in the next two years. The directors of Bayliss Limited are considering the following two options to raise the necessary finance to repay the \$80 000.

- 1 Issue 160 000 ordinary shares of \$0.50 each.
- 2 Issue a further debenture of \$80 000.

REQUIRED

- (d) (i)** Discuss the impact of **each** option on the future profits of Bayliss Limited.

[4]

- (ii) Advise the directors which option they should choose. Give reasons for your decision.

[illegible]

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Additional information

The statement of financial position of a limited company may include capital reserves and also revenue reserves.

REQUIRED

(e) Explain the difference between a capital reserve and a revenue reserve.

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(f) State **one** example of a capital reserve.

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