

- 2 The following is an extract from the statement of financial position of X Limited at 31 December 2016.

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Equity	
Share capital (\$1 ordinary shares)	400 000
Share premium	20 000
Retained earnings	190 000
Total equity	<u>610 000</u>
Non-current liabilities	
8% debentures (2019–20)	<u>80 000</u>
Current liabilities	
Trade and other payables	20 000
Cash and cash equivalents	60 000
	<u>80 000</u>
Total liabilities	<u>160 000</u>
Total equity and liabilities	<u>770 000</u>

During the year ended 31 December 2017 the following transactions took place.

1 January 2017	Issue of 80 000 ordinary shares at \$1.25 each.
30 June 2017	Rights issue of 3 ordinary shares for every 8 shares held on this date at an issue price of \$1.30. This was fully subscribed.
30 September 2017	Bonus issue of 1 ordinary share for every 6 shares held on this date.

REQUIRED

- (a) Prepare journal entries to record **each** of these transactions in the books of account. Dates and narratives are **not** required.

	Debit \$	Credit \$

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- (b) Prepare a statement to show the effect that the transactions had on the total equity.

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(c) State **three** uses of a share premium account.

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

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