

3 M Limited was formed five years ago.

On 1 January 2019 the company’s statement of financial position included the following details.

Equity	\$000
Share capital – ordinary shares of \$0.25 each	1200
Share premium	480
Retained earnings	<u>295</u>
	<u>1975</u>

On 1 July 2019 shareholders were paid a dividend of \$0.05 per share.

REQUIRED

(a) Calculate the total dividend paid.

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..... [2]

Additional information

On 1 September 2019 the directors made a rights issue of two ordinary shares for every three shares held at a price of \$0.40 per share. The issue was fully subscribed.

REQUIRED

(b) Describe **one** way in which a shareholder can benefit from taking up a rights issue.

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..... [2]

(c) Calculate the amount raised by the rights issue.

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..... [2]

Additional information

The company made a profit for the year ended 31 December 2019 of \$324 000.

REQUIRED

(d) Prepare the statement of changes in equity for the year ended 31 December 2019.

M Limited
Statement of changes in equity for the year ended 31 December 2019

	Share capital \$000	Share premium \$000	Retained earnings \$000	Total \$000

[5]

(e) Describe **two** factors directors should take into account when deciding on a dividend to be paid to the shareholders.

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- 2
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[4]