

- 2 T Limited's statement of financial position at 28 February 2021 included the following:

	\$
Equity	
Issued capital: ordinary shares of \$0.50 each	450 000
Share premium	122 000
Retained earnings	<u>342 000</u>
	<u>914 000</u>

On 31 August 2021 the directors paid an interim dividend of \$0.05 per share.

REQUIRED

- (a) Calculate the amount paid as an interim dividend.

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[1]

- (b) Identify **two** factors which directors should take into account when deciding the amount of a dividend payment to shareholders.

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[2]

Additional information

On 1 December 2021, the directors made a bonus issue on the basis of two ordinary shares for every three ordinary shares currently held. The directors wished to leave the reserves in their most flexible form.

REQUIRED

(c) Prepare the journal entry to record the bonus issue of shares. A narrative is **not** required.

Journal		
	Dr	Cr
	\$	\$

[3]

Additional information

On 28 February 2022, the directors paid a final dividend of \$0.07 per share on all ordinary shares issued at this date.

The company's profit for the year ended 28 February 2022 was \$114 000.

REQUIRED

(d) Calculate the closing balance of the company's retained earnings account at 28 February 2022.

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[6]

(e) State **three** reasons why a company sometimes makes a **rights issue** of shares rather than a general issue of shares.

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[3]