

- 1 P Limited sells electronic goods online.

The directors provided the following information.

Balances	At 31 July 2023 \$	At 1 August 2022 \$
8% debenture (2026)	36 000	—
Inventory	43 190	36 800
Other payables: administrative expenses	—	960
Other receivables: administrative expenses	160	1 820
Other receivables: distribution costs	1 490	—
Trade payables	25 250	29 610

Bank account extract for the year ended 31 July 2023

	\$
Payments	
To credit suppliers	122 050
Administrative expenses	66 920
Distribution costs	51 730
Receipts	
From customers	284 200

The following information is also available.

- 1 All goods are despatched to customers immediately on receipt of payment.
- 2 Inventory at 31 July 2023 included damaged items that had cost \$3600. One half of these items will be scrapped and have no value. The remaining items will be sold for \$900 after repairs costing \$420.
- 3 The 8% debenture (2026) was issued on 1 April 2023.
- 4 The charge for taxation was estimated to be \$10 700.

- (a) Prepare the statement of profit or loss for the year ended 31 July 2023. the space provided to show your workings.

P Limited  
Statement of profit or loss for the year ended 31 July 2023

	\$

Workings:

Cost of sales
Administrative expenses
Distribution costs

## Additional information

### 1 Balances at 1 August 2022

	\$
Share capital (ordinary shares of \$0.50 each)	120 000
Share premium	19 000
Retained earnings	23 560

- 2 On 1 September 2022, a bonus issue of shares was made of one ordinary share for every six shares held. Reserves were maintained in their most flexible form.
- 3 On 1 January 2023, a final dividend of \$0.07 per share was paid on all shares in issue at 1 August 2022.
- 4 On 31 March 2023, a rights issue of one ordinary share for every four shares held was made at a premium of \$0.15 per share. The issue was fully subscribed.

(b) Prepare the statement of changes in equity for the year ended 31 July 2023.

P Limited  
Statement of changes in equity for the year ended 31 July 2023

	Share capital \$	Share premium \$	Retained earnings \$	Total \$
At 1 August 2022	120 000	19 000	23 560	162 560

[6]

(c) State **two** examples of revenue reserves of a limited company.

1 .....

2 .....

[2]

- (d)** Advise the directors whether or not they were correct to make a bonus issue of shares rather than make a new issue of shares. Justify your answer.

[7]