

3 R Limited is a retail company.

REQUIRED

(a) Explain the meaning of 8% debentures (2025–2026).

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Additional information

The directors of R Limited provided the following information at 1 October 2021.

	\$000
Building at valuation	120
Retained earnings	315
Revaluation reserve	40
Share capital (ordinary shares of \$0.50 each)	1 200
Share premium	145

The following transactions took place during the year ended 30 September 2022.

- 31 December 2021 Paid a final dividend of \$0.06 per share.
- 31 March 2022 Made a rights issue of one ordinary share for every four shares held at a price of \$0.65. The issue was fully subscribed.
- 31 July 2022 Made a bonus issue of one ordinary share for every six shares held. The directors decided to leave the reserves in the most flexible form.
- 31 August 2022 Paid an interim dividend of \$0.04 per share.
- 30 September 2022 The building, which had originally cost \$80 000, was revalued to \$115 000.

The profit for the year ended 30 September 2022 was \$87 000.

REQUIRED

- (b) Prepare the statement of changes in equity for the year ended 30 September 2022.

R Limited
Statement of changes in equity for the year ended 30 September 2022

	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
At 1 October 2021	1 200	145	40	315	1 700
At 30 September 2022					

Workings:

[10]

- (c) Explain why dividends proposed at the end of a financial year are **not** shown in a company's statement of financial position.

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