1 The directors of Y Limited have provided the following balances at 30 June 2022.

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6% debentures (2025–2026)	60 000
Administrative expenses	89 540
Bank overdraft	1 440
Carriage inwards	4 310
Delivery vehicles – valuation	74 000
Distribution costs	72 910
Dividends paid	6 400
Finance costs	1 800
Inventory at 1 July 2021	105 600
Office equipment – cost	54 600
Office equipment – provision for depreciation	22 300
Provision for doubtful debts	3 540
Purchases	338 200
Retained earnings	16 920
Returns inwards	7 550
Revenue	615 300
Share capital (ordinary shares of $1 each)	80 000
Trade payables	48 650
Trade receivables	93 240

The following information is also available.

1 Inventory at 30 June 2022 was valued at $126 800.

2 Inventory at 30 June 2022 included damaged goods costing $3200 that could be sold for $3950 after repairs costing $910.

3 The delivery vehicles have an estimated value at 30 June 2022 of $62 000.

4 Office equipment is to be depreciated at 10% per annum using the reducing balance method.

5 Administrative expenses included $1800 office rent for the three months ending 31 August 2022.

6 Distribution costs of $850 were owing at 30 June 2022.

7 The 6% debentures (2025–2026) were issued in 2017.

8 An irrecoverable debt of $490 is to be written off to administrative expenses.

9 The provision for doubtful debts is to be maintained at 4% of trade receivables.

10 There is no interest charged on the bank overdraft.

REQUIRED

(a) Prepare the income statement for the year ended 30 June 2022.

Y Limited
Income Statement for the year ended 30 June 2022

	$
Revenue	
Cost of sales	
Gross profit	
Administrative expenses	
Distribution costs	
Profit from operations	
Finance costs	
Profit for the year	

Workings:

Cost of sales
Administrative expenses
Distribution costs

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(b) Prepare the statement of financial position at 30 June 2022.

Y Limited
Statement of Financial Position at 30 June 2022

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Additional information

The directors of Y Limited wish to repay the 6% debentures (2025–2026) early. They are considering making a rights issue of one ordinary share for every two shares held at a premium of 50%.

REQUIRED

(c) Advise the directors whether or not they should make a rights issue of ordinary shares to repay the debentures. Justify your answer.

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