

3 The following extract from J Limited's statement of financial position at 1 January 2022 is available.

	\$
Equity	
Issued capital: ordinary shares of \$0.25 each	600 000
Share premium	175 000
Retained earnings	<u>54 000</u>
Total equity	829 000
Non-current liabilities	
7% Debentures (2028)	200 000

REQUIRED

(a) State **two** features of revenue reserves which do **not** apply to capital reserves.

1

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2

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[2]

Additional information

The directors wished to raise additional finance. On 1 April 2022 the company made a rights issue of 2 ordinary shares for every 3 shares held at a price of \$0.35 per share. The issue was fully subscribed.

REQUIRED

(b) Calculate the amount raised by the rights issue of shares.

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..... [3]

Additional information

The directors had considered making an issue of debentures rather than a rights issue.

- (c) Identify **two** reasons why the directors of J Limited might prefer to raise additional finance through a rights issue rather than by issuing debentures.

1

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2

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[2]

Additional information

The directors paid an interim dividend of \$0.12 per share on 1 July 2022.

REQUIRED

- (d) Calculate the **total** amount of the interim dividend.

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..... [2]

Additional information

The company made a profit of \$535 000 for the year ended 31 December 2022.

REQUIRED

- (e) Prepare the statement of changes in equity for the year ended 31 December 2022.

J Limited
Statement of changes in equity at 31 December 2022

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

[6]