

- 1 The following balances have been extracted from the draft financial statements of H Limited at 30 September 2022.

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8% bank loan (2028–2029)	28 000
Cash and cash equivalents	2 590
Inventory	48 900
Plant and machinery at net book value	52 000
Property at valuation	65 000
Retained earnings	27 350
Revaluation reserve	23 000
Share capital (ordinary shares of \$1 each)	80 000
Share premium	19 400
Trade payables	17 140
Trade receivables	26 400

The directors discovered that the following had **not** been accounted for.

- 1 Plant and machinery had been purchased for \$16 500. This was settled by the part-exchange of machinery with a net book value of \$11 800 and a bank payment of \$4 700.
- 2 No depreciation for the year had been charged. Plant and machinery is depreciated at 10% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase and none in the year of disposal.
- 3 A bonus issue of one ordinary share for every four shares held had been made on 1 June 2022. The directors had decided to keep the reserves in the most flexible form.
- 4 An interim dividend of \$0.03 per share had been paid on 1 September 2022 on all shares in issue at that date.
- 5 Property had been revalued downwards by \$4 000.
- 6 One half of the 8% bank loan (2028–2029) had been repaid on 30 September 2022.
- 7 A provision for doubtful debts of 5% was to be made.

REQUIRED

- (a) Prepare the journal entry to record the bonus issue of shares. Dates and narrative are **not** required.

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- (b) Calculate the net book value of plant and machinery at 30 September 2022.

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- (c) Calculate the adjusted balance of cash and cash equivalents at 30 September 2022.

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(f) Explain **two** differences between capital reserves and revenue reserves.

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(g) Explain **one** accounting concept applied when making a provision for doubtful debts.

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