1 The following trial balance was extracted from the books of V Limited at 31 December 2023.

	$	$
8% debentures (2029)		240 000
Administrative expenses	17 200	
Bank loan		32 000
Bank loan interest	2 600	
Carriage inwards	4 500	
Carriage outwards	8 700	
Cash and cash equivalents		8 200
Distribution costs	30 700	
Dividends paid	37 500	
Furniture and equipment at carrying value, 1 January 2023	956 000	
Inventory at 1 January 2023	47 800	
Property at valuation	980 000	
Purchases	522 000	
Rental income		13 300
Retained earnings		174 000
Returns		5 100
Revenue		997 100
Share capital: 4 000 000 ordinary shares of $0.25 each		1 000 000
Share premium		215 000
Trade payables		57 800
Trade receivables	47 900	
Wages: office staff	49 300	
Wages: sales staff	38 300	
	2 742 500	2 742 500

The following information is also available.

1 At 31 December 2023 inventory was valued at $49 500.

2 Distribution costs include a prepayment of $6000.

3 At 31 December 2023, rental income of $3000 had been received in advance.

4 Provision should be made for depreciation of furniture and equipment at 20% per annum using the reducing balance method.

Depreciation charges should be allocated: 60% administrative expenses; 40% distribution costs.

5 At 31 December 2023, office wages of $5800 were due but unpaid.

6 The debentures had been issued on 1 October 2023. The first interest payment is due on 31 March 2024.

7 Tax for the year ended 31 December 2023 is estimated to be $27 900.

(a) Prepare the statement of profit or loss for the year ended 31 December 2023. the space provided on **page 4** to show your workings.

V Limited
Statement of profit or loss for the year ended 31 December 2023

	$
Revenue	
Cost of sales	
Gross profit	
Other income	
Distribution costs	
Administrative expenses	
Profit from operations	
Finance costs	
Profit before tax	
Tax	
Profit for the year	

Workings:

Cost of sales
Distribution costs
Administrative expenses
Finance costs

[14]

Additional information

During the year ended 31 December 2023 the following transactions **had been** recorded in the books of account.

1 September	A rights issue had been made of one ordinary share for every three ordinary shares currently held. The issue was made at a premium of $0.05 per share. The rights issue was fully subscribed.
31 December	Property had been revalued and the value reduced by $60 000.

(b) Complete the statement of changes in equity for the year ended 31 December 2023 on **page 5**.

Statement of changes in equity for the year ended 31 December 2023

	Share capital $	Share premium $	Revaluation reserve $	Retained earnings $	Total $
Balances, 1 January 2023			60 000	174 000	
Balances, 31 December 2023	1 000 000	215 000	-		

[7]

(c) State **two** factors that directors should take into account when declaring a dividend.

1 ....

2 ....
[2]

Additional information

The directors wish to improve the company's performance. They are considering two options.

Option A: Delaying payments to credit suppliers by an extra eight days.

Option B: Switching to a new supplier who is prepared to offer a trade discount if large orders are made.

(d) Advise the directors which option they should choose. Justify your choice by considering the effect on **both** profitability and liquidity.

....

....

....

....

....

....

....

....

....

....

....

....

....

.... [7]