2		imited has provided the following extract from the statement of financial position at ugust 2016.
	_	\$
	Equ Car	tal and reserves Ordinary shares of \$0.25 each Share premium Revaluation reserve Retained earnings 37 500 357 500
	The	ollowing information is available.
	1	On 1 January 2017 a rights issue was made on the basis of two ordinary shares for every five ordinary shares held at a price of \$0.40 per share. The rights issue was fully subscribed.
	2	On 30 June 2017 an interim dividend of \$0.04 per share was paid on all shares in issue at that date.
	3	At 31 August 2017 non-current assets were re-valued downwards by \$48 000.
	4	Profit for the year ended 31 August 2017 was \$22 500.
	RE	UIRED
	(a)	Prepare the statement of changes in equity for the year ended 31 August 2017. A total column is not required.

[6]

(b)		te two reasons why capital reserves may be used before revenue reserves to fund a us issue of shares for a limited company.
	1	
	•••••	
	2	
	•••••	
		[2]
(c)	(i)	State two benefits to a limited company of making a rights issue.
		1
		2
		[2]
	(ii)	State one limitation to a limited company of making a rights issue.
		[1]

Additional information

Directors of M Limited are considering obtaining a long-term bank loan to raise additional capital.

REQUIRED

(d)	Explain two advantages to the company of this course of action.
	1
	2
	[N]
	[4]