

1 B Limited provided the following information for the year ended 30 September 2023.

	\$
8% debenture (2025)	60 000
Administrative expenses	161 100
Allowance for irrecoverable debts at 1 October 2022	3 820
Cash and cash equivalents	4 680
Distribution costs	84 650
Dividend paid	4 000
Finance costs	3 950
Inventory	74 000
Other payables	1 860
Other receivables	940
Property plant and equipment at 1 October 2022	
Cost / valuation	408 400
Accumulated depreciation	110 650
Retained earnings at 1 October 2022	45 850
Revaluation reserve at 1 October 2022	10 000
Share capital (ordinary shares of \$1 each) at 1 October 2022	200 000
Share premium at 1 October 2022	14 000
Trade payables	57 150
Trade receivables	82 680

The revaluation reserve relates to land only.

The gross profit for the year ended 30 September 2023 was \$321 070.

The following information is also available.

Property plant and equipment at 1 October 2022

	Cost / valuation \$	Accumulated depreciation \$	Depreciation method	Allocation of depreciation
Land	95 000	Nil	—	Nil
Buildings	215 000	53 750	5% per annum straight line	} 60% administrative expenses 40% distribution costs
Equipment	98 400	56 900	20% per annum reducing balance	
Total	<u>408 400</u>	<u>110 650</u>		

There were no acquisitions or disposals of non-current assets during the year.

The following have not yet been accounted for:

On 30 September 2023

- 1 Land was revalued at \$80 000.
- 2 A bonus issue of one ordinary share for every ten shares held was made.

At 30 September 2023

- 1 Irrecoverable debts of \$1480 were to be written off.
- 2 The directors proposed to maintain the allowance for irrecoverable debts at 5% of trade receivables.
- 3 Depreciation was to be charged for the year ended 30 September 2023.
- 4 Administrative expenses of \$2480 were owing.
- 5 Distribution costs of \$750 were prepaid.
- 6 Debenture interest for five months was owing.
- 7 The charge for taxation was estimated to be \$12 500.

- (a) Prepare an extract from the statement of profit or loss for the year ended 30 September 2023 commencing with the gross profit for the year.

B Limited
Statement of profit or loss for the year ended 30 September 2023

	\$
Gross profit for the year	
Distribution costs	
Administrative expenses	
Profit from operations	
Finance costs	
Profit before taxation	
Taxation	
Profit for the year	

Workings:

Distribution costs
Administrative expenses

- (b)** Prepare the statement of financial position at 30 September 2023. the space provided on **page 7** to show your workings.

B Limited
Statement of financial position at 30 September 2023

This image shows a single page of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Workings:

Non-current assets
Trade and other receivables
Retained earnings
Trade and other payables

Additional information

The directors wish to raise additional finance and they are considering two options.

Option 1: make a rights issue of one ordinary share for every four shares held at a premium of \$0.10 per share.

Option 2: issue a further 8% debenture (2028) to raise \$50 000.

(c) Advise the directors which option they should choose. Justify your answer.

[5]