

- 3 C Limited's statement of financial position at 31 December 2020 is shown with comparative figures at 31 December 2019.

	At 31 December	
	2020	2019
	\$000	\$000
Assets		
Non-current assets	2621	2217
Current assets		
Inventory	61	47
Trade and other receivables	29	38
Cash and cash equivalents	2	31
	92	116
Total assets	2713	2333
Equity and liabilities		
Equity		
Ordinary shares	1800	1200
Share premium	-	220
Retained earnings	401	624
Revaluation reserve	300	-
Total equity	2501	2044
Non-current liabilities		
8% Debentures (2025)	160	250
Current liabilities		
Trade and other payables	52	39
Total equity and liabilities	2713	2333

The following information is also available.

- 1 The company's issued capital consists of ordinary shares of \$0.25 each.
- 2 On 1 January 2020 the directors revalued the property upwards by \$300 000.
- 3 There were no purchases or disposals of non-current assets during the year.
- 4 On 1 July 2020 the directors made a bonus issue of ordinary shares.
- 5 There were no other changes in share capital during the year.

REQUIRED

- (a) Explain **two** reasons for making a bonus issue of shares.

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(b) Calculate the number of bonus shares issued on 1 July 2020.

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(c) Prepare the journal entry recording the bonus issue on 1 July 2020. A narrative **is** required.

Journal

	Dr	Cr
	\$000	\$000

[4]

(d) Identify **three** factors that directors of a company should consider when deciding on the amount of a proposed dividend.

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3 [3]

Additional information

The directors of C Limited wish to propose a dividend of \$0.01 per share on all shares in issue at 31 December 2020.

REQUIRED

(e) Calculate the amount of the proposed dividend.

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