



(b) State **two** reasons why capital reserves may be used before revenue reserves to fund a bonus issue of shares for a limited company.

1 .....

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2 .....

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..... [2]

(c) (i) State **two** benefits to a limited company of making a rights issue.

1 .....

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2 .....

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..... [2]

(ii) State **one** limitation to a limited company of making a rights issue.

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..... [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 .....

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2 .....

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..... [4]