**2021 Tsun Jin High School Paper 2 Question 1**

Hefa Bhd was incorporated with a registered capital of RM 600,000 ordinary shares and 200,000 6% preferred shares of RM1 each. Prior to the issue, the following balances were extracted from the company’s books:

|  |  |
| --- | --- |
|  | **RM** |
| Preferred Share Capital | 100,000 |
| Ordinary Share Capital | 200,000 |
| Share Premium | 50,000 |
| General Reserve | 8,000 |
| Retained Profits | 30,000 |

On 1 March 2020, the company offered to public for subscription 100,000 ordinary shares of RM 2 each at a premium of RM 1 per share, payable as follows:

|  |  |
| --- | --- |
| **2020** |  |
| Mar 10 | RM 1 per share on application |
| Apr 20 | RM 1 per share on allotment, including premium |
| May 30 | Balance on first and final call |

The issuance was oversubscribed for 2.05 times and dealt with as follows:

1. Application for 50,000 shares ― Full allotment
2. Application for 5,000 shares ― No allotment
3. The remaining shares were allotted on the following pro-rata basis:

Application for 30,000 shares ― 2 shares for every 3 shares applied for

Application for 120,000 shares ― 1 share for every 4 shares applied for

The monies due on allotment were retained by the company, the excess being returned to the applicants.

On 20 April 2020 allotment was made and the excess application monies were refunded.

The remaining monies were received when the first and final call were made on that day.

On 31 May 2020 the company paid a half year’s preferred shares dividend and an interim dividend of RM 0.07 per ordinary share, for which the newly issued shares did not qualify.

Profit for the year was amounted to RM 40,000. On 31 October 2020 the board of directors recommended:

1. increase the general reserve to RM 13,000;
2. creation of assets replacement reserve RM 4,000;
3. proposed the remaining dividend for preferred shares;
4. proposed a dividend of RM 0.08 per ordinary share.

**You are required to:**

1. prepare Journal entries, including cash transactions, to record the issuance of ordinary shares (Narrations are **not** required);
2. show the company’s Statement Of Changes In Equity for the year ended 31 October 2020;
3. calculate the final dividends on preferred shares and ordinary shares respectively.