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Solutions Manual

to accompany

Applying International Financial Reporting Standards 3e

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Chapter 2 – Shareholders’ equity: share capital and reserves

Discussion Questions

- 1. Discuss the nature of a reserve. How do reserves differ from the other main components of equity?**

Under international accounting standards there are 2 forms of equity:

- contributed equity: inflows from equity contributors
- reserves

See paras 65-68 of the *Conceptual Framework*.

Reserves arise as a result of increases in equity other than from contributions from equity participants. They may arise from various actions:

- earnings of profits [retained earnings]
- increases in the fair value of assets [asset revaluation surplus]

Unlike share capital, reserves are not created via cash flows into the entity.

Dividends may be paid out of reserves, but not out of capital.

- 2. A company announces a final dividend at the end of the financial year. Discuss whether a dividend payable should be recognised.**

Note paras. 12 and 13 of IAS 10.

Note also IFRIC 17 “Distributions of Non-cash Assets to Owners” (effective 1 July 2009):

A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.

If a dividend is not declared at end of reporting period, no liability is recognised.

If a liability is declared after end of reporting period, a liability is recognised only if the dividends are appropriately authorised and no longer at the discretion of the entity. For example, if the payment of dividends requires the approval of shareholders at a forthcoming AGM, then they are still at the discretion of the entity and no liability is raised.

The reason for this treatment is that no present obligation exists while an entity still has discretion in relation to payment.

3. The telecommunications industry in a particular country has been a part of the public sector. As a part of its privatisation agenda, the government decided to establish a limited liability company called Telecom Plus, with the issue of 10 million \$3 shares. These shares were to be offered to the citizens of the country. The terms of issue were such that investors had to pay \$2 on application and the other \$1 per share would be called at a later time. Discuss:
- The nature of the limited liability company, and in particular the financial obligations of acquirers of shares in the company.
 - The journal entries that would be required if applications were received for 11 million shares.

The answer to this question may depend on local jurisdictional arrangements.

In general:

The *nature* of a limited liability company is such that shareholders' liability is limited to the issue price of a share. If the shares are issued at par value, the liability is limited to payment of that par value per share. If shares are issued at a given price, the limitation is to that price.

The journal entries are – assuming that applications were received for 10 million shares:

Cash Trust	Dr	20 000 000	
Application	Cr		20 000 000
(Receipt of application money)			
Application	Dr	20 000 000	
Share capital	Cr		20 000 000
(Issue of shares)			
Cash	Dr	20 000 000	
Cash trust	Cr		20 000 000
(Transfer from cash trust on issue of shares)			

4. Why would a company wish to buy back its own shares? Discuss.

Companies may undertake a buy-back of shares:

- to increase the worth per share of the remaining shares.
- as a part of management of the capital structure in terms of gearing.
- most efficiently manage surplus funds, rather than pay a dividend.

- 5. A company has a share capital consisting of 100 000 shares issued at \$2 per share, and 50 000 shares issued at \$3 per share. Discuss the effects on the accounts if:**

- (a) The company buys back 20 000 shares at \$4 per share**
(b) The company buys back 20 000 shares at \$2.50 per share

At date of buyback, the company has issued 150 000 shares and has a total share capital of \$350 000. Having issued the shares, the issue price is irrelevant.

- (a) If the company buys back 20 000 shares at \$4 per share, the company will record a cash receipt of \$80 000. Which equity accounts it adjusts is the decision of management. There is no requirement that share capital be reduced.
- (b) The answer is the same if the shares are bought back at \$2.50 per share.

- 6. A company has a share capital consisting of 100 000 shares having a par value of \$1 per share and issued at a premium of \$1 per share, and 50 000 shares issued at \$2 par and \$1 premium. Discuss the effects on the accounts if:**
- (a) The company buys back 20 000 shares at \$4 per share**
(b) The company buys back 20 000 shares at \$2.50 share

The share capital consists of:

100 000 \$1 shares issued at a \$1 premium	\$200 000
50 000 \$2 shares issued at a \$1 premium	\$150 000

- (a) The company would have to specify which shares it was buying back.

If the \$1 par shares were bought back, the relevant entry is:

Cash	Dr	80 000	
Share Capital	Cr		20 000
Share Premium	Cr		20 000
Reserves	Cr		40 000

If the \$2 par shares were bought back, the entry is:

Cash	Dr	80 000	
Share Capital	Cr		40 000
Share Premium	Cr		20 000
Reserves	Cr		20 000

- (b) The company would have to specify which shares it was buying back.

If the \$1 par shares were bought back, the relevant entry is:

Cash	Dr	50 000	
Share Capital	Cr		20 000
Share Premium	Cr		20 000
Reserves	Cr		10 000

If the \$2 par shares were bought back, the entry is:

Cash	Dr	50 000	
Reserve [Share Buy-Back Discount]	Dr	10 000	
Share Capital	Cr		40 000
Share Premium	Cr		20 000

7. Discuss the nature of a rights issue, distinguishing between a renounceable and a non-renounceable issue.

A rights issue is an issue of shares with the terms of issue giving existing shareholders the right to an additional number of shares in proportion to their current shareholding, i.e. the shares are offered on a pro rata basis.

For example, each shareholder may be entitled to one share for every two currently held.

Renounceable: existing shareholders may

- accept the offer i.e. exercise the rights.
- sell all or part of their rights to the new shares to another party.
- do nothing i.e. reject the offer.

Non-renounceable: existing shareholders may:

- do nothing i.e. reject the offer.
- accept the offer.

8. What is a private placement of shares? What are the advantages and disadvantages of such a placement?

A private placement is where a company places the shares with specific investors rather than invite applications for the new issue of shares.

Advantages [see text]:

- speed
- price
- direction
- prospectus

Disadvantages;

- dilution of current shareholders' interests.
- where shares are placed at a discount.

9. Discuss whether it is necessary to distinguish between the different components of equity rather than just having a single number for shareholders' equity.

The question is whether an investor would prefer to invest in Company A or Company B assuming the net assets of the company are the same:

	Company A	Company B
Share capital	\$100 000	\$20 000
General reserve	30 000	60 000
Retained earnings	<u>40 000</u>	<u>90 000</u>
	<u>170 000</u>	<u>170 000</u>

In general the composition of equity is irrelevant.

Composition may be relevant where local laws place restrictions on what can be done with particular equity accounts e.g. if dividends may be paid only out of profits.

10. For what reasons may a company make an appropriation of its retained earnings?

Appropriations from retained earnings are made for:

- dividends, cash or shares
- transfer to other reserves

May also like to consider how increases in retained earnings occur:

- earning of profit
- transfers from reserves
- recognition of actuarial gains and losses under IFRS 4 [note here that in all other cases amounts recognised directly in equity are taken to reserve accounts rather than to retained earnings]

Exercises

Exercise 2.1 RESERVES AND DIVIDENDS

Prepare journal entries to record the following unrelated transactions of a public company:

- (a) payment of interim dividend of \$30 000
- (b) transfer of \$52 000 from the asset revaluation surplus to the general reserve
- (c) transfer of \$34 000 from the general reserve to retained earnings
- (d) payment of 240 000 bonus shares, fully paid, at \$2 per share from the general reserve.

(a)	Dividend paid	Dr	30 000	
	Cash	Cr		30 000
	(Payment of dividend)			
(b)	Asset revaluation reserve	Dr	52 000	
	General reserve	Cr		52 000
	(Transfer between reserves)			
(c)	General reserve	Dr	34 000	
	Transfer to general reserve	Cr		34 000
	(Transfer between reserves)			
(d)	General reserve	Dr	480 000	
	Share capital	Cr		480 000
	(Bonus issue: 240 000 shares at \$2 each)			

Exercise 2.2 DIVIDENDS

Determine how much each class of shares should receive under the following situations:

- (a) the preference shares are non-cumulative and non-participating**
- (b) the preference shares are cumulative and non-participating**
- (c) the preference shares are cumulative and participating. Assume that the participation agreement requires that the ordinary shareholders receive the same percentage of dividend as the preference shareholders, and that any balance of dividends to be paid is shared in proportion to the issued share capital of each class.**

INDIA LTD

(a)	Preference shares	\$20 000
	Ordinary shares	\$80 000
(b)	Preference share	\$60 000
	Ordinary shares	\$40 000
(c)	Preference shares*	\$70 000
	Ordinary shares**	\$30 000

* $(3 \times \$20\,000) + \frac{1}{2}(\$100\,000 - \$20\,000 - \$60\,000)$

** $\$20\,000 + \frac{1}{2} \times \$20\,000$

Exercise 2.3

RIGHTS ISSUE

- (a) If 80% of the rights were exercised by the due date, provide journal entries made by Laos Ltd in relation to the rights issue and the eventual share issue.
- (b) If the rights issue was not underwritten and any unexercised rights lapsed, what would be the required journal entries?

LAOS LTD

(a)

15/2 to

15/3	Cash	Dr	800 000	
	Application – rights issue	Cr		800 000
	(Money received on applications for rights issue: 160 000 x \$5)			

15/3	Application – rights issue	Dr	800 000	
	Receivable from underwriter	Dr	200 000	
	Share capital	Cr		1 000 000
	(Issue of shares)			
	Share capital	Dr	10 000	
	Cash	Cr		10 000
	(Costs of share issue)			

Sometime later:

	Cash	Dr	200 000	
	Receivable from underwriter	Cr		200 000
	(Money received from underwriter)			

(b)

15/2 to

15/3	Cash	Dr	800 000	
	Application – rights issue	Cr		800 000
	(Money received on applications for rights issue)			

15/3	Application – rights issue	Dr	800 000	
	Share capital	Cr		800 000
	(Issue of shares)			
	Share capital	Dr	10 000	
	Cash	Cr		10 000
	(Costs of share issue)			

Exercise 2.4

SHARE ISSUE, OPTIONS

Prepare the journal entries in the records of Jordan Ltd in relation to the equity transactions in 2014.

JORDAN LTD

25/3	Cash trust – shares	Dr	750 000	
	Application – shares	Cr		750 000
	(Applications for shares)			
	Cash trust – options	Dr	10 000	
	Application – options	Cr		10 000
	(Applications for options)			
2/4	Cash	Dr	610 000	
	Cash trust – shares	Cr		600 000
	Cash trust – options	Cr		10 000
	(Transfer on issue of shares and options)			
	Application – shares	Dr	600 000	
	Share capital	Cr		600 000
	(Issue of shares)			
	Application – shares	Dr	150 000	
	Cash trust	Cr		150 000
	(Refund to unsuccessful applicants)			
	Application – options	Dr	10 000	
	Options	Cr		10 000
	(Issue of options)			
31/12	Options	Dr	9 000	
	Cash	Dr	63 000	
	Share capital	Cr		72 000
	(Issue of shares on issue of options)			
	Options	Dr	1 000	
	Options lapsed reserve	Cr		1 000
	(Transfer of lapsed options)			

Note: the \$1 000 amount for lapsed options could have been included in share capital.

Exercise 2.5

DIVIDENDS, CALLS ON SHARES AND BONUS ISSUE

- (a) Prepare the journal entries to give effect to the above events.
 (b) Prepare the equity section of the statement of financial position at 31 December 2015.

JAPAN LTD
General Journal

(a)
2015

June

25	Dividend paid	Dr	80 000	
	Cash	Cr		80 000
	(Interim dividend of 10c per share on 600 000 fully paid shares and 5c per share on 400 000 partly paid shares)			

July

10	Call	Dr	200 000	
	Share capital	Cr		200 000
	(Final call on 400 000 shares at 50c)			

31

	Cash	Dr	200 000	
	Call	Cr		200 000
	(Cash received on call)			

September

15	General reserve	Dr	100 000	
	Share capital	Cr		100 000
	(1-10 bonus issue on 1 000 000 shares from general reserve)			

December

31	Plant maintenance reserve	Dr	50 000	
	General reserve	Cr		50 000
	(Transfer between reserves)			

	Profit and loss summary	Dr	60 000	
	Retained earnings	Dr	20 000	
	Dividend paid	Cr		80 000

(b)

JAPAN LTD
Statement of Financial Position [extract]
(as at 31 December 2015)

Share capital: (1 100 000 shares fully paid)	\$1 100 000
General reserve	150 000
Retained earnings	60 000
	<u>\$1 310 000</u>

Exercise 2.6

ISSUE OF ORDINARY AND PREFERENCE SHARES

Prepare journal entries and ledger accounts to record the following transactions for Kuwait Ltd:

KUWAIT LTD

2015

01/4	NO ENTRY			
10/4	Cash trust	Dr	210 000	
	Application – ordinary shares	Cr		210 000
	(Applications for ordinary shares: 140 000 x \$1.50)			
	Cash trust	Dr	170 000	
	Application – preference shares	Cr		170 000
	(Applications for preference shares: 85 000 x \$2)			
15/4	Application – ordinary shares	Dr	150 000	
	Share capital – ordinary	Cr		150 000
	(Issue of 100 000 shares at \$1.50 each)			
	Application – preference shares	Dr	170 000	
	Receivable from underwriter	Dr	30 000	
	Share capital – preference	Cr		200 000
	(Issue of 100 000 shares at \$2 each)			
	Cash	Dr	320 000	
	Cash trust	Cr		320 000
	(Transfer on issue of shares)			
	Application – ordinary shares	Dr	60 000	
	Cash trust – ordinary shares	Cr		60 000
	(Refund to unsuccessful applicants: 40 000 x \$1.50)			
20/4	Share capital – preference	Dr	4 000	
	Share capital – ordinary	Dr	500	
	Cash	Dr	25 500	
	Receivable from Underwriter	Cr		30 000
	(Costs of underwriting and receipt of application monies due from underwriter)			

Cash Trust					
10/4/15	Application	380 000	15/4/15	Application	60 000
		<u>380 000</u>	Cash	<u>320 000</u>	
				<u>380 000</u>	
Application – Ordinary Shares					
15/04/15	Share capital	150 000	10/04/15	Cash trust	210 000
	Cash trust	<u>60 000</u>		<u>210 000</u>	
		<u>210 000</u>			
Application – Preference Shares					
15/04/15	Share Capital	<u>170 000</u>	10/04/15	Cash trust	<u>170 000</u>
Share Capital - Ordinary Shares					
20/04/15	Share issue costs	500	15/04/15	Application – Ord	150 000
Share Capital - Preference Shares					
20/04/15	Share issue costs	4 000	15/04/15	Application – Pref	200 000
Receivable - Underwriter					
15/04/15	Share capital - pref	<u>30 000</u>	20/04/15	Cash/Share issue costs	<u>30 000</u>
Cash					
15/04/15	Cash trust	320 000			
20/04/15	Receivable – U'writer	25 500			

Exercise 2.7 RIGHTS ISSUE, PLACEMENT OF SHARES

Prepare the general journal entries to record the above transactions.

IRAQ LTD

31/3	Cash	Dr	200 000	
	Application	Cr		200 000
	(Applications for shares on rights issue)			
	Application	Dr	200 000	
	Share capital	Cr		200 000
	(Issue of shares)			
	Share capital	Dr	5 000	
	Cash	Cr		5 000
	(Share issue costs)			
30/6	Cash	Dr	20 000	
	Share capital	Cr		20 000
	(Placement of 10 000 shares at \$2)			

Exercise 2.8 SHARE ISSUE, OPTIONS

- (a) Prepare general journal entries to record the above transactions.
 (a) If Brunei Ltd buys back 25 000 preference shares for \$3.50 per share, what factors would its accountant have to consider in determining how best to record the transaction in the accounts?

BRUNEI LTD**(a) GENERAL JOURNAL ENTRIES**

DATE	DETAILS			
25/07/13	Call – preference	Dr	50 000	
	Share capital - preference	Cr		50 000
	(50 000 shares x \$1.00)			
31/08/13	Cash	Dr	42 500	
	Call – preference	Cr		42 500
	(50 000 – 7 500 = 42 500 shares x \$1.00)			
07/09/13	Share capital – preference (7 500 x \$3.00)	Dr	22 500	
	Call – preference (7 500 x \$1.00)	Cr		7 500
	Forfeited shares reserve (7 500 x \$2.00)	Cr		15 000
30/11/13	Cash trust	Dr	120 000	
	Application	Cr		120 000
	(40 000 x \$3.00)			
01/12/13	Application	Dr	90 000	
	Share capital – B ordinary	Cr		90 000
	(30 000 shares x \$3.00)			
	Application	Dr	30 000	
	Calls in advance	Cr		30 000
	(5 000 applications x \$3.00)			
	Cash	Dr	120 000	
	Cash trust	Cr		120 000
5/12/13	Share capital B Ordinary	Dr	5 200	
	Cash	Cr		5 200
	(Share issue costs)			
30/04/14	Cash	Dr	67 500	
	Share capital – A ordinary	Cr		67 500
	(15 000 shares x \$4.50)			

30/04/14	Options	Dr	11 200	
	Share capital – A ordinary (15 000 x \$0.56)	Cr		8 400
	Options reserve (5 000 x \$0.56)	Cr		2 800

- (b)** The accountant should consider whether there are tax or dividend distribution issues associated with particular equity accounts before determining which accounts are to be affected by the buy-back. If there are no such issues the buy-back can be written off against any equity account or across all equity accounts.

Exercise 2.9 ISSUE OF OPTION AND SHARES, FORFEITURE OF SHARES

Prepare ledger accounts to record the following transactions for Nepal Ltd:

NEPAL LTD

Cash Trust

Date	Item	\$	Date	Item	\$
21/7/15	Application – ord	240 000	31/7/15	Application – ord	40 000
21/7/15	Application – pref	70 000	31/7/15	Cash	270 000
		<u>310 000</u>			<u>310 000</u>

Application – Ordinary

Date	Item	\$	Date	Item	\$
31/7/15	Cash trust (refund)	40 000	21/7/15	Cash trust	240 000
31/7/15	Share capital – ord	200 000			<u>240 000</u>
		<u>240 000</u>			

Application – Preference

Date	Item	\$	Date	Item	\$
31/7/15	Share capital – pref	100 000	21/7/15	Cash Trust	70 000
		<u>100 000</u>	31/7/15	Receivable from underwriter	30 000
					<u>100 000</u>

Share Capital – Ordinary

Date	Item	\$	Date	Item	\$
14/08/15	Share issue costs	3 250	31/7/15	Application – ord	200 000
15/06/16	Forfeited shares A/c	15 000	1/6/16	Cash	108 000
30/6/16	Balance c/d	404 750	10/6/16	Call	100 000
		<u>423 000</u>	25/6/16	Cash	15 000
					<u>423 000</u>
			1/07/16	Balance b/d	404 750

Share Capital – Preference

Date	Item	\$	Date	Item	\$
14/8/15	Share issue costs	3 250	31/7/15	Application – pref	100 000
30/6/16	Balance c/d	96 750			
		<u>100 000</u>			<u>100 000</u>
			1/07/16	Balance b/d	96 750

Call – Share Capital Ordinary

Date	Item	\$	Date	Item	\$
10/6/16	Share capital – Ord	100 000	10/06/16	Cash	95 000
		<u>100 000</u>	15/06/16	Share capital –ord	<u>5 000</u>
					<u>100 000</u>

Forfeited Shares Account

Date	Item	\$	Date	Item	\$
25/6/16	Share capital – ord	1 000	15/06/16	Share capital –Ord	<u>10 000</u>
	Cash	550			
	Cash	<u>8 450</u>			
		<u>10 000</u>			

Cash (extract)

Date	Item	\$	Date	Item	\$
31/7/15	Cash trust	270 000	25/6/15	Forfeited shares a/c	550
14/8/15	Receivable – underwriter	23 500	25/6/15	Forfeited shares a/c	8 450
1/6/16	Share capital – ord	108 000			
10/6/16	Call – ord	95 000			
25/6/16	Share capital – ord	14 000			

Exercise 2.10 BUY-BACK OF SHARES

- (a) Prepare the journal entries to account for the buy-back. Explain the reasons for the entries made.
 (b) Assume that the buy-back price per share was equal to 70c per share. Prepare journal entries to record the buy-back, and explain your answer.
 (c) Assume that, instead of the share capital shown above, Vietnam Ltd had issued 1 million shares at a par value of \$1 and a share premium of \$3 per share. Rework your answers to (a) and (b) under this new scenario.

**VIETNAM LTD
General Journal**

- (a). Any combination of equity accounts is correct. The following entry is purely illustrative. Unless there are taxation or legislative reasons, any equity account can be used.

General reserve	Dr	600 000	
Share buyback – retained earnings	Dr	1 100 000	
Share capital	Dr	543 500	
Cash	Cr		2 243 500
(Repurchase of 400 000 ordinary shares under a buy-back scheme plus costs)			

- (b)
- | | | | |
|---|----|---------|---------|
| Share buyback - retained earnings | Dr | 50 000 | |
| Share capital | Dr | 233 500 | |
| Cash | Cr | | 283 500 |
| (Repurchase of 400 000 ordinary shares under a buy-back scheme) | | | |

As with (a) any combination of equity accounts is appropriate.

- (c) (a)
- | | | | |
|--|----|---------|---------|
| General reserve | Dr | 163 500 | |
| Share capital | Dr | 100 000 | |
| Share premium reserve | Dr | 300 000 | |
| Cash | Cr | | 563 500 |
| (Repurchase of 100 000 ordinary shares under a buy-back scheme plus costs) | | | |

Note: where a share buy-back premium arises, both the share capital and share premium accounts must be reduced in amounts relating to the par value and premium on each share. Any balance of premium is debited to equity consistent with the terms of the buy-back.

- (c) (b)
- | | | | |
|--|----|---------|--------|
| Share capital | Dr | 100 000 | |
| General reserve | Cr | | 26 500 |
| Cash | Cr | | 73 500 |
| (Repurchase of 100 000 ordinary shares under a buy-back scheme plus costs) | | | |

Note, the credit of \$26 500 should be credited to equity consistent with the terms of the buy-back, and, in essence, any equity account other than share capital is possible.

Exercise 2.11 RIGHTS ISSUE, CALL ON SHARES, ISSUE OF OPTIONS**Prepare journal entries to record the above transactions in the records of Syria Ltd.**

SYRIA LTD				
General Journal				
<u>2014</u>				
Nov 30	Cash	Dr	18 000	
	Share capital - B Ordinary	Cr		18 000
	(Allotment of 8 000 B ordinary shares at a price of \$2.25 under a 1 for 5 rights issue)			
<u>2015</u>				
Jan 16	Call -A Ordinary	Dr	90 000	
	Share capital - A Ordinary	Cr		90 000
	(Call of 75c per share on 120 000 A Ordinary shares)			
Jan 31	Cash	Dr	82 500	
	Call - A Ordinary	Cr		82 500
	(Cash received on call: 110 000 x 75c)			
Feb 5	Share Capital - A Ordinary	Dr	15 000	
	Call - A Ordinary	Cr		7 500
	Forfeited shares reserve	Cr		7 500
	(Forfeiture and cancellation of 10 000 A ordinary shares, called to \$1.50, paid to 75c)			
Mar 17-31	Cash trust	Dr	21 000	
	Application – options	Cr		21 000
	(Receipt of applications for options)			
Mar 31	Cash	Dr	21 000	
	Cash trust	Cr		21 000
	(Being transfer on allotment of options)			
	Application – options	Dr	21 000	
	Share options	Cr		21 000
	(Issue of 35 000 options exercisable on 31 December 2003)			
Dec 31	Cash	Dr	44 500	
	Share options	Dr	15 000	
	Share capital - A Ordinary	Cr		59 500
	(Allotment of 25 000 A ordinary shares at \$1.78 on exercise of 25 000 options)			
	Share Options	Dr	6 000	
	Lapsed options reserve *	Cr		6 000
	(Transferring amount received on lapsed options to a reserve: 10 000 x 60c)			

* note: the issue price of lapsed options may be taken to any equity account, or left in an options "reserve" account. Legal and taxation implications must be considered.

Share Capital – A Ordinary	Dr	2 000	
Cash	Cr		2 000
(Payment of share issue costs)			

Exercise 2.12 SHARE ISSUE, OPTIONS, STATEMENT OF CHANGES IN EQUITY

- (a) Prepare general journal entries, including any closing entries required, to record the above transactions. (Narrations are not required, but show all workings.)
 (b) Prepare a statement of changes in equity for the year ended 30 June 2014.
 (c) Taiwan Ltd has recognised a 'Forfeited shares reserve' as part of equity. Explain how and why such a reserve would be created.

TAIWAN LTD

(a) – General Journal Entries

DATE	DETAILS			
20/09/13	Dividend declared	Dr	7 200	
	Dividend payable	Cr		7 200
27/09/13	Dividend payable	Dr	7 200	
	Cash	Cr		7 200
	(120 000 x 6c = \$7 200)			
31/10/13	Cash trust	Dr	100 000	
	Application	Cr		100 000
	(50 000 x \$2.00)			
05/11/13	Application	Dr	80 000	
	Share capital	Cr		80 000
	(40 000 x \$2.00)			
	Application	Dr	20 000	
	Calls in advance	Cr		20 000
	(10 000 x \$2)			
	Cash	Dr	100 000	
	Cash trust	Cr		100 000
15/11/13	Share capital	Dr	2 500	
	Cash	Cr		2500
	(Share issue costs)			
31/12/13	Dividend declared	Dr	4 800	
	Dividend payable	Cr		4 800
	([120 000 + 40 000] x 3c)			
01/02/14	Dividend payable	Dr	4 800	
	Cash	Cr		4 800

28/04/14	Cash	Dr	232 000	
	Share capital	Cr		232 000
	(80 000 x \$2.90)			
02/06/14	Application	Dr	195 000	
	Share capital	Cr		195 000
	(65 000 x \$3.00)			
02/06/14	Options	Dr	40 000	
	Share capital (65 000 x 0.50)	Cr		32 500
	Options reserve (15 000 x 0.50)			7 500
21/06/14	Cash	Dr	195 000	
	Application	Cr		195 000
30/06/14	Transfer to general reserve	Dr	30 000	
	General reserve	Cr		30 000
30/06/14	Profit and loss summary	Dr	69 420	
	Dividend declared	Cr		12 000
	Transfer to general reserve	Cr		30 000
	Retained earnings	Cr		27 420
	(Closing entry)			

(b)

Taiwan Ltd
Statement of Changes in Equity
for the year ended 30 June 2014

Comprehensive income for the period \$69 420

Movements of changes in equity during the period ending 30 June 2014 were:

Share capital

Balance at 1 July 2013	\$300 000
Issue of 40 000 ordinary shares, paid to \$2.00	80 000
Share issue costs	(2 500)
Issue of 80 000 ordinary shares @ \$2.90	232 000
Issue of 65 000 ordinary shares @ \$3.00 on exercise of options worth 50c	227 500
Calls in advance	<u>20 000</u>
Balance at 30 June 2014	<u>\$857 000</u>

Options

Balance at 1 July 2013	\$40 000
Transfer to share capital on exercise	(32 500)
Transfer to reserve on lapse	<u>(7 500)</u>
Balance at 30 June 2014	<u>\$ 0</u>

General reserve

Balance at 1 July 2013	\$30 000
Transfer from retained earnings	<u>30 000</u>
Balance at 30 June 2014	<u>\$60 000</u>

Forfeited shares reserve

Balance at 1 July 2013	\$2 000
Balance at 30 June 2014	<u>\$2 000</u>
	<u>4 000</u>

Options reserve

Balance at 1 July 2013	\$0
Transfer of lapsed options	<u>7 500</u>
Balance at 30 June 2014	<u>\$7 500</u>

Retained earnings

Balance at 1 July 2013	\$75 000
Dividends declared and paid	(12 000)
Transfer to general reserve	(30 000)
Profit for the period	<u>69 420</u>
Balance at 30 June 2014	<u>\$102 420</u>

(c)

Taiwan Ltd has recognised a “Forfeited Shares Reserve” as part of equity. Explain how and why such a reserve would be created.

The forfeited shares reserve can only have arisen if shareholders failed to pay a call made on their shares by the company. Corporate legislation or the company’s own rules must then allow the directors to forfeit those shares for non-payment of the call and to retain any monies already paid. Forfeiture will result in the cancellation of the shares, the elimination of the calls in arrears balance and the transfer of any monies by the shareholders to the reserve account titled ‘forfeited shares reserve’.

Exercise 2.13 SHARES, OPTIONS, DIVIDENDS AND RESERVE TRANSFERS

- (a) Prepare general journal entries to record the above transactions.
 (b) Prepare the equity section of the statement of financial position as at 30 June 2015.

MALDIVES LTD

(a)

2014

15/9	Preference dividend payable	Dr	4 500	
	Cash	Cr		4 500
	(Payment of preference dividend)			
	‘A’ Ordinary dividend payable	Dr	64 000	
	Cash	Cr		64 000
	(Payment of dividend of 16c per share on 400 000 shares)			
	‘B’ Ordinary dividend payable	Dr	28 800	
	Cash	Cr		28 800
	(Payment of dividend of 60% x 16c per share on 300 000 shares)			
30/11	Cash	Dr	121 600	
	Receivable – underwriter	Dr	30 400	
	Share capital – Ordinary A	Cr		152 000
	(Issue of 80 000 shares at \$1.90 each)			
	Share capital – Ordinary A	Dr	3 000	
	Receivable – underwriter	Cr		3 000
	(Underwriting costs)			
10/12	Cash	Dr	27 400	
	Receivable – underwriter	Cr		27 400
	(Payment from underwriter net of costs)			

2015

	Transfer to general reserve	Dr	35 000	
	General reserve	Cr		35 000
	(Transfer between reserves)			
28/2	Cash	Dr	126 000	
	Options *	Dr	24 000	
	Options reserve	Cr		3 000
	Share capital – Ordinary C	Cr		147 000
	(Issue of 70 000 ordinary C shares)			

* note: the issue price of lapsed options may be taken to any equity account, or left in an options “reserve” account. Legal and taxation implications must be considered.

30/4	Call – Ordinary B	Dr	240 000	
	Share capital – Ordinary B	Cr		240 000
	(Call of 80c per share on 300 000 shares)			
31/5	Cash	Dr	228 000	
	Call – Ordinary B	Cr		228 000
	(Receipt of 80c call on 285 000 shares)			
18/6	Share capital – Ordinary B	Dr	30 000	
	Forfeited shares account	Cr		18 000
	Call – Ordinary B	Cr		12 000
	(Forfeiture of 15 000 shares)			
26/6	Cash	Dr	27 000	
	Forfeited shares account	Dr	3 000	
	Share capital – Ordinary B	Cr		30 000
	(Reissue of 15 000 Ordinary B shares)			
27/6	Forfeited shares account	Dr	15 000	
	Cash	Cr		15 000
	(Refund to holders of forfeited shares)			
30/6	Dividend declared – ordinary A	Dr	96 000	
	Dividend declared – ordinary B	Dr	60 000	
	Dividend declared – ordinary C	Dr	14 000	
	Dividend payable – ordinary A	Cr		96 000
	Dividend payable – ordinary B	Cr		60 000
	Dividend payable – ordinary C	Cr		14 000
	(Provision for 20 c per share dividend)			
	Retained earnings	Dr	205 000	
	Dividend declared – Ordinary A	Cr		96 000
	Dividend declared – Ordinary B	Cr		60 000
	Dividend declared – Ordinary C	Cr		14 000
	Transfer to general reserve	Cr		35 000

(b)

MALDIVES LTD
Shareholders' Equity

Share capital:	
Ordinary A shares: 480 000 shares fully paid	\$949 000
Ordinary B shares: 300 000 fully paid	600 000
Ordinary C shares: 70 000 fully paid	147 000
Preference shares: 50 000 fully paid	<u>75 000</u>
	1 771 000
General reserve	35 000
Options reserve	3 000
Retained earnings	<u>113 000</u>
Total shareholders' equity	<u>\$1 922 000</u>

**Exercise 2.14 DIVIDENDS, SHARE ISSUES, SHARE BUY-BACK, OPTIONS
AND MOVEMENTS IN RESERVES**

- (a) Prepare the general journal entries to record the above transactions.
(b) Prepare the statement of changes in equity for Singapore Ltd for the year ended 31 December 2015.

SINGAPORE LTD

2015				
15/2	Dividend payable	Dr	25 000	
	Cash	Cr		25 000
	(Payment of dividend)			
May- June	Cash trust	Dr	550 000	
	Application	Cr		550 000
	(Application monies received during May-June 2008: 10 000 x \$55)			
20/6	Cash	Dr	550 000	
	Cash trust	Cr		550 000
	(Transfer on issue of shares)			
	Application	Dr	550 000	
	Share capital	Cr		550 000
	(Issue of shares: 10 000 x \$55)			
	Cash	Dr	825 000	
	Share capital	Cr		825 000
	(Placement of shares: 15 000 x \$55)			
	Share capital	Dr	137 500	
	Cash	Cr		137 500
	(Share issue costs: 10%[\$550 000 + \$825 000])			
25/6	Dividend paid	Dr	20 000	
	Cash	Cr		20 000
	(Interim dividend paid)			
30/6	Land	Dr	30 000	
	Deferred tax liability	Cr		9 000
	Asset revaluation reserve	Cr		21 000
	(Revaluation of land)			
1/7	Early adoption adjustment	Dr	55 000	
	Provision for insurance	Cr		55 000
	(Adjustment on early adoption of IAS X)			
22/7	Share capital	Dr	140 000	

	Repurchase of shares	Dr	140 000	
	Cash	Cr		280 000
	(Repurchase of 5 000 shares at \$56 per share)			
16/11	General reserve	Dr	240 000	
	Share capital	Cr		240 000
	(Bonus issue of 13 000 shares: No. of shares = 10%[95 000 + 5 000 + 10 000 + 25 000 – 5 000])			
	Share capital	Dr	24 000	
	Cash	Cr		24 000
	(Share issue costs: 10% x \$240 000)			
1/12	Cash	Dr	20 000	
	Options	Cr		20 000
	(Issue of options: 100 000 x 20c)			
31/12	Dividend declared	Dr	30 000	
	Dividend payable	Cr		30 000
	(Final dividend)			
	Transfer to general reserve	Dr	40 000	
	General reserve	Cr		40 000
	(Transfer between reserves)			
	Asset revaluation reserve	Dr	30 000	
	Transfer from asset revaluation reserve	Cr		30 000
	(Transfer between reserves)			
	Profit and Loss Summary	Dr	150 000	
	Transfer from ARR	Dr	30 000	
	Retained earnings	Dr	105 000	
	Dividend paid	Cr		20 000
	Early adoption adjustment	Cr		55 000
	Repurchase of shares	Cr		140 000
	Dividend declared	Cr		30 000
	Transfer to general reserve	Cr		40 000
	(Closing entry)			

**Statement of Changes in Equity
for year ended 31 December 2015**

Comprehensive income for the period	<u>\$171 000</u>
Share capital:	
Balance at 1 January 2015 – 110 000 shares	\$3 590 000
Share issues: 25 000 shares	1 237 500
Repurchase of shares: 5 000 shares	(140 000)
Bonus issue: 13 000 shares	<u>216 000</u>
Balance at 31 December 2015 – 143 000 shares	<u>\$4 903 500</u>
Retained earnings:	
Balance at 1 January 2015	\$750 000
Profit for the period	150 000
Transfer from asset revaluation surplus	30 000
Dividends paid and provided	(50 000)
Early adoption of IAS 9X	(55 000)
Repurchase of shares	(140 000)
Transfer to general reserve	<u>(40 000)</u>
Balance at 31 December 2015	<u>\$645 000</u>
Asset revaluation reserve	
Balance at 1 January 2015	\$180 000
Increase – revaluation of land	21 000
Transfer to retained earnings	<u>30 000</u>
Balance at 31 December 2015	<u>\$171 000</u>
General reserve:	
Balance at 1 January 2015	\$240 000
Bonus issue of shares	(240 000)
Transfer from retained earnings	<u>40 000</u>
Balance at 31 December 2015	<u>\$40 000</u>
Options:	
Balance at 1 January 2015	\$0
Options issued	<u>20 000</u>
Balance at 31 December 2015	<u>\$20 000</u>

Statement of Financial Position (extract)

	2015	2014
Share capital	\$4 903 500	\$3 590 000
Options	20 000	0
General reserve	40 000	240 000
Asset revaluation reserve	170 000	180 000
Retained earnings	<u>645 000</u>	<u>750 000</u>
	<u>\$5 778 500</u>	<u>\$4 760 000</u>

Exercise 2.15 SHARE ISSUES, OPTIONS, RIGHTS ISSUES, DIVIDENDS, RESERVE TRANSFERS

- (a) Prepare general journal entries to record the transactions relating to share issues and options for the year ending 30 June 2014.
- (b) Prepare general journal entries, including any closing entries required, to record the transactions relating to dividends and reserve transfers for the year ended 30 June 2014.
- (c) If the company's constitution required all dividends to be approved by the shareholders at the annual general meeting before they could be paid, explain how and why your recording of the dividend payment on 29 September 2013 would change. Assume shareholder approval was granted on 20 September 2013.

YEMEN LTD

(a) GENERAL JOURNAL ENTRIES

DATE	DETAILS			
15/07/13	Share capital (24 000 x \$2.40)	Dr	57 600	
	Call (24 000 x \$0.80)	Cr		19 200
	Forfeited shares liability (24 000 x \$1.60)	Cr		38 400
26/07/13	Forfeited shares liability	Dr	38 400	
	Cash	Cr		38 400
01/09/13	Application – preference shares	Dr	302 400	
	Receivable from underwriter	Dr	56 000	
	Share capital - preference	Cr		358 400
	(280 000 – 24 000 = 256 000/2 = 128 000 x \$2.80)			
10/09/13	Share capital	Dr	5 000	
	Cash	Dr	51 000	
	Receivable from underwriter	Cr		56 000
	(40 000/2 = 20 000 shares x \$2.80 - \$5 000 share issue costs)			
21/09/13	Cash	Dr	302 400	
	Application – preference	Cr		302 400
02/04/13	Cash	Dr	8 000	
	Options	Cr		8 000
	(80 000 x \$0.10)			

(b)

29/09/13	Dividend payable	Dr	28 000	
	Cash	Cr		28 000
	(280 000 x 10c)			
02/01/13	General reserve	Dr	192 000	
	Share capital – ordinary	Cr		192 000
	(256 000/4 = 64 000 x \$3.00)			
30/06/13	General reserve	Dr	30 000	
	Transfer from general reserve	Cr		30 000
	Dividend declared	Dr	43 520	
	Dividends payable	Cr		43 520
	(Ordinary 256 000 + 64 000 x 8c = \$25 600			
	Preference \$358 400 x 5% = \$17 920)			
	Transfer from general reserve	Dr	30 000	
	Retained earnings	Dr	49 520	
	Dividend declared	Cr		43 520
	Profit and loss summary	Cr		36 000

- (c)** IAS 10 mandates that no liability can be raised for dividend declared prior to end of reporting period if shareholder approval is required. As a consequence, no recognition of the dividend would have occurred in the prior period. When the approval is obtained the dividends can be paid. The entry to record the payment would change to:

Dividend declared	Dr	28 000	
Cash	Cr		28 000

This is necessary to remove the profits being distributed from retained earnings and to record the cash payment to shareholders. No liability is recognised as the reduction in equity takes place simultaneously with the cash payment.

Exercise 2.16 OPTIONS, SHARES, DIVIDENDS, RESERVES**Provide journal entries in relation to:****(a) issue of shares on exercise of options, and related transfers to/from reserves****(b) issue of shares to public****(c) dividends****(d) movements in general reserve.*****Note: None of the entries should contain the account Retained Earnings.*****PHILIPPINES LTD**

DATE	DETAILS		Dr	Cr
(i)	Cash	Dr	150 000	
	Share capital	Cr		150 000
	(50 000 x \$3.00)			
	Options	Dr	24 000	
	Share capital (50 000 x 0.40)	Cr		20 000
	Options reserve (10 000 x 0.40)	Cr		4 000
(ii)	Cash trust	Dr	252 000	
	Application	Cr		252 000
	([80 000 x \$2.90] + \$20 000)			
	Application	Dr	232 000	
	Share capital	Cr		232 000
	(80 000 x \$2.90)			
	Application	Dr	20 000	
	Calls in advance	Cr		20 000
	Cash	Dr	252 000	
	Cash trust	Cr		252 000
(iii)				
	Share capital	Dr	2 500	
	Cash	Cr		2500
	(Share issue costs)			
	Dividend declared	Dr	8 000	
	Dividend payable	Cr		8 000
	Dividend paid	Dr	4 000	
	Cash	Cr		4 000
(iv)	Transfer to general reserve	Dr	30 000	
	General reserve	Cr		30 000
	General reserve	Dr	80 000	
	Share capital	Cr		80 000

**Exercise 2.17 DIVIDENDS, SHARE-ISSUES, OPTIONS, RESERVE
TRANSFERS**

- (a) Prepare general journal entries and closing entries to record the above transactions and events.
- (b) Prepare the following general ledger accounts (T format) for the period 30 June 2012 to 30 June 2015:
- Share capital (Ordinary A)
 - Share capital (Ordinary B)
 - Share capital (Preference).

MONGOLIA LTD

1. JOURNAL ENTRIES

2012				
30/09	Final dividend payable	Dr	28 750	
	Cash	Cr		28 750
	([Ord A: 120 000 x 10c = 12 000] + [Ord B: 150 000 x 10c x 105/180 = 8 750] + [Pref: 100 000 x 8% = 8 000])			
31/10	NO ENTRY			
30/11	Cash Trust	Dr	40 000	
	Application - Options	Cr		40 000
	(Applications for 50 000 options at 50 cents each)			
	Application - Options	Dr	40 000	
	Options	Cr		40 000
	(50 000 Ord A options allotted @ 80c/option)			
	Cash	Dr	40 000	
	Cash Trust	Cr		40 000
	(Transfer on issue of options)			
2013				
15/01	Call (Ordinary B)	Dr	75 000	
	Share cap (Ordinary B)	Cr		75 000
	(Ord B call: 150 000 x 50c)			
	Calls in advance	Dr	15 000	
	Call (Ordinary B)	Cr		15 000
	(Transfer of calls in advance)			
15/02	Cash	Dr	60 000	
	Call (Ordinary B)	Cr		60 000
	(Call monies received: 75 000 – 15 000)			
20/04	Share capital (Preference)	Dr	50 000	
	Share buyback	Dr	5 000	
	Cash	Cr		55 000
	(Buyback of 50 000 pref shares @ \$1.10/share)			

30/06	Final dividend declared	Dr	31 000	
	Final dividend payable	Cr		31 000
	([Ord A: 120 000 x 10c = 12 000] + [Ord B: 150 000 x 10c = 15 000] + [Pref: 50 000 x 8% = 4 000])			
	General reserve	Dr	20 000	
	Transfer from general reserve	Cr		20 000
	(Transfer from general reserve)			
	P&L summary	Dr	44 000	
	Transfer from general reserve	Dr	20 000	
	Share buyback	Cr		5 000
	Final dividend declared	Cr		31 000
	Retained earnings	Cr		28 000
	(Closing entry)			
30/09	Final dividend payable	Dr	31 000	
	Cash	Cr		31 000
	(Payment of final dividend)			
15/12	Interim dividend	Dr	13 500	
	Cash	Cr		13 500
	([Ord A: 120 000 x 5c = 6 000] [Ord B: 150 000 x 5c = 7 500])			
2014				
31/1	NO ENTRY			
28/02	Allotment (Ordinary B)	Dr	36 000	
	Share capital (Ordinary B)	Cr		36 000
	(120 000/5 = 24 000 Ord B shares issued - rights issue at \$1.50 per share)			
15/03	Cash	Dr	36 000	
	Allotment (Ord B)	Cr		36 000
	(Receipt of monies under rights issue)			
30/06	P&L summary	Dr	56,000	
	Interim dividend	Cr		13 500
	Retained earnings	Cr		42 500
	(Closing entry)			
	General reserve	Dr	47 990	
	Share capital (Ordinary A)	Cr		14 400
	Share capital (Ordinary B)	Cr		27 840
	Share capital (Preference)	Cr		5 750
	(1-for-10 bonus issue: [Ord A: 120 000/10 x \$1.20 = 14 400] [Ord B: {150 000+24 000}/10 x \$1.60 = 27 840] [Pref: 50 000/10 x \$1.15 = 5 750])			
30/11	Options	Dr	40 000	

	Share capital (Ordinary A)	Cr	32 000	
	Options reserve	Cr	8 000	
	(Transfer of options balance: Share capital: 40 000 x 80c Options reserve: 10 000 x 80c)			
	Application (Ordinary A)	Dr	28 000	
	Share capital (Ord A)	Cr		28 000
	(40 000 ord A shares allotted under option issue at 70c per share)			
20/12	Cash	Dr	28 000	
	Application (Ordinary A)	Cr		28 000
	(Receipt of monies under option issue)			
2015				
10/01	Interim dividend	Dr	18 170	
	Cash	Cr		18 170
	([Ord A: {120 000 + 12 000 + 40 000} x 5c = 8 600] [Ord B: {150 + 24 + 17 400} x 5c = 9 570])			
30/06	Final dividend declared	Dr	40 800	
	Final dividend payable	Cr		40 800
	([Ord A: 172 000 x 10c = 17 200] [Ord B: 191 400 x 10c = 19 140] [Pref: {50 000 + 5 750} x 8% = 4 460])			
	P&L summary	Dr	48 000	
	Retained earnings	Dr	10 970	
	Interim dividend	Cr		18 170
	Final dividend declared	Cr		40 800
	(Closing entry)			

2. Ledger Accounts**SHARE CAPITAL (ORDINARY A)**

			30/06/12	Bal b/d	132 000
30/06/14	Bal c/d	<u>146 400</u>	30/06/14	General reserve	<u>14 400</u>
		<u>146 400</u>			<u>146 400</u>
			30/06/14	Bal b/d	146 400
31/12/14	Bal c/d	<u>206 400</u>	30/11/14	Options	32 000
		<u>206 400</u>		Application	<u>28 000</u>
					<u>206 400</u>
			31/12/14	Bal b/d	206 400

SHARE CAPITAL (ORDINARY B)

			30/06/12	Bal b/d	105 000
30/06/13	Bal c/d	<u>180 000</u>	15/01/13	Call	<u>75 000</u>
		<u>180 000</u>			<u>180 000</u>
			30/06/13	Bal b/d	180 000
			28/02/14	Application	36 000
30/06/14	Bal c/d	<u>243 840</u>	30/06/14	General Reserve	<u>27 840</u>
		<u>243 840</u>			<u>243 840</u>
			30/06/14	Bal b/d	243 840

SHARE CAPITAL (PREFERENCE)

20/04/13	Cash	50 000	30/06/12	Bal b/d	100 000
30/06/13	Bal c/d	<u>50 000</u>			<u>100 000</u>
		<u>100 000</u>			
			30/06/13	Bal b/d	50 000
30/06/14	Bal c/d	<u>55 750</u>	30/06/14	General Reserve	<u>5 750</u>
		<u>55 750</u>			<u>55 750</u>
			30/06/14	Bal b/d	55 750

Exercise 2.18 DIVIDENDS, SHARE ISSUES, FORFEITURE OF SHARES

- (a) Prepare general journal entries and closing entries to record the above transactions.
 (b) Prepare the Options and Retained Earnings ledger accounts for the period 30 June 2012 to 30 June 2013.

MALAYSIA LTD

1. JOURNAL ENTRIES

02/08/11	Final dividend declared	Dr	11 000	
	Final dividend payable	Cr		11 000
15/08/11	Final dividend payable	Dr	11 000	
	Cash	Cr		11 000
01/10/11	NO ENTRY			
31/10/11	Cash trust	Dr	26 250	
	Application - Ordinary (75 000 x 35c)	Cr		26 250
02/11/11	Application – Ordinary	Dr	21 000	
	Allotment – Ordinary	Dr	21 000	
	Share capital – Ordinary (60 000 shares issued at 70c per share)	Cr		42 000
	Application	Dr	5 250	
	Allotment	Cr		5 250
	(Surplus application money transferred to allotment)			
	Cash	Dr	26 250	
	Cash trust	Cr		26 250
	Share capital	Dr	1 500	
	Cash (Share issue costs)	Cr		1 500
30/11/11	Cash	Dr	15 750	
	Allotment – Ordinary	Cr		15 750
05/01/12	Interim dividend paid	Dr	6 750	
	Cash ([100 000 x 5c = 5 000] + [60 000 x 5c x 70/120 = 1 750])	Cr		6 750
31/01/12	Call – Ordinary	Dr	30 000	
	Share capital – Ordinary (60 000 x 50c)	Cr		30 000

28/02/12	Cash	Dr	28 500	
	Call – Ordinary	Cr		28 500
20/03/12	Share capital – Ordinary	Dr	3 600	
	Call – Ordinary	Cr		1 500
	Forfeited share reserve	Cr		2 100
	(Call: 3 000 x 50c FSR: 3 000 x 70c)			
31/03/12	Allotment – Ordinary	Dr	13 200	
	Share capital – Ord	Cr		13 200
	(12 000 x \$1.10)			
	Options	Dr	7 500	
	Share capital – Ordinary	Cr		6 000
	Options reserve	Cr		1 500
	(Options: 15 000 x 50c Capital: 12 000 x 50c Options reserve: 3 000 x 50c)			
30/04/12	Cash	Dr	13 200	
	Allotment – Ordinary	Cr		13 200
31/05/12	General reserve	Dr	65 700	
	Share capital – Ordinary	Cr		50 700
	Share capital – Preference	Cr		15 000
	(Ord: [100 000 + 60 000 – 3 000 + 12 000]/4 x \$1.20 Pref: 50 000/4 x \$1.20)			
30/06/12	P&L summary	Dr	29 460	
	Final dividend declared	Cr		11 000
	Interim dividend paid	Cr		6 750
	Retained earnings	Cr		11 710

2. Ledger Accounts

OPTIONS					
31/03/12	Share cap/OR GJ	<u>7 500</u>	30/06/11	Bal b/d	<u>7 500</u>
RETAINED EARNINGS					
30/06/12	Bal c/d	<u>148 050</u>	30/06/11	Bal b/d	136 340
		<u>148 050</u>	30/06/12	P&L GJ	<u>11 710</u>
					<u>148 050</u>
			30/06/12	Bal b/d	148 050