



4 Y Limited is a public limited company.

REQUIRED:

(a) State **one** difference between a public limited company and a private limited company.

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[1]

(b) Explain the difference between issued share capital and called up share capital.

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[2]

(c) State **two** benefits of operating as a limited company.

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[2]

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Y Limited's financial year ends on 31 December each year. On 1 January 2023, the company had:

800 000 ordinary shares of \$1 each, issued and fully paid.

300 000 5% redeemable preference shares of \$0.50 each.

Retained earnings of \$62 000.

General reserves of \$78 000.

Y Limited provided the following information:

Proposed final ordinary share dividend of \$43 000 for the year ended 31 December 2022 was paid on 31 March 2023.

Interim ordinary share dividend of \$40 000 was paid on 30 September 2023.

Profit for the year ended 31 December 2023 was \$126 000 (before the payment of preference share dividend).

On 31 December 2023:

The company decided to transfer \$32 000 to its general reserve.

Agreed a final ordinary share dividend for the year of 6%.

REQUIRED:

(d) Prepare the statement of changes in equity for Y limited for the year ended 31 December 2023

Y Limited
Statement of changes in equity for the year ended 31 December 2023

	Ordinary Share Capital \$	General Reserve \$	Retained Earnings \$	Total \$
On 1 January 2023
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.....
.....
.....
On 31 December 2023

[7]





- (e) Using the information from your statement of changes in equity in **4(d)**, prepare an extract from the statement of financial position at 31 December 2023 showing **the equity and reserves section only**.

Y Limited
Extract from Statement of financial position at 31 December 2023

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[Total: 20]

Question	Answer	Marks																																																		
4(a)	Either - A public limited company is allowed to offer its shares to the public whereas a private limited company cannot. Or - A public limited company has to publish its financial statements whereas a private limited company does not.	1																																																		
4(b)	Issued share capital is the amount of share capital issued to the shareholders (1) Called up share capital is the part of issued share capital for which payment has been requested from the shareholders (1)	2																																																		
4(c)	Liability for the debts of the company is limited to the amount invested by the shareholder (1) Separate legal identity / legal action cannot be taken against the individual shareholders of the company (1) Access to additional capital / easier to obtain loans (1) Has continuity of existence (1) Accept other valid points Max 2	2																																																		
4(d)	<table><tr><th colspan="5">Y Limited</th></tr><tr><th colspan="5">Statement of changes in equity for the year ended 31 December 2023</th></tr><tr><th></th><th>Ordinary Share Capital</th><th>General Reserve</th><th>Retained Earnings</th><th>Total</th></tr><tr><th></th><th>\$</th><th>\$</th><th>\$</th><th>\$</th></tr><tr><td>On 1 January 2023</td><td>800 000</td><td>78 000</td><td>62 000</td><td>940 000</td></tr><tr><td>Profit for the year</td><td></td><td></td><td>118 500</td><td>118500</td></tr><tr><td>Dividend paid (final)</td><td></td><td></td><td>(43 000)</td><td>(43000)</td></tr><tr><td>Dividend paid (interim)</td><td></td><td></td><td>(40 000)</td><td>(40000)</td></tr><tr><td>Transfer to general reserve</td><td></td><td>32 000</td><td>(32 000)</td><td>–</td></tr><tr><td>On 31 December 2023</td><td>800 000</td><td>110 000</td><td>65 500</td><td>975500</td></tr></table> <p>(1) (2)* (1) (1) (1) (1)OF</p> <p>* 2 marks if adjusted for preference share dividends, 1 mark if not adjusted \$126 000</p>	Y Limited					Statement of changes in equity for the year ended 31 December 2023						Ordinary Share Capital	General Reserve	Retained Earnings	Total		\$	\$	\$	\$	On 1 January 2023	800 000	78 000	62 000	940 000	Profit for the year			118 500	118500	Dividend paid (final)			(43 000)	(43000)	Dividend paid (interim)			(40 000)	(40000)	Transfer to general reserve		32 000	(32 000)	–	On 31 December 2023	800 000	110 000	65 500	975500	7
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Question	Answer	Marks															
4(e)	<p style="text-align: center;">Y Limited</p> <p style="text-align: center;">Extract from Statement of financial position at 31 December 2023</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"><u>Equity</u></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 50%;"></td> </tr> <tr> <td>Ordinary Shares</td> <td style="text-align: right;">800 000</td> <td>(OF)</td> </tr> <tr> <td>General reserve</td> <td style="text-align: right;">110 000</td> <td>(OF)</td> </tr> <tr> <td>Retained earnings</td> <td style="text-align: right;"><u>65 500</u></td> <td>(OF)</td> </tr> <tr> <td>*mark for inclusion of all items in correct order</td> <td style="text-align: right;"><u>975 500</u></td> <td>(1)OF</td> </tr> </table>	<u>Equity</u>	\$		Ordinary Shares	800 000	(OF)	General reserve	110 000	(OF)	Retained earnings	<u>65 500</u>	(OF)	*mark for inclusion of all items in correct order	<u>975 500</u>	(1)OF	2
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General reserve	110 000	(OF)															
Retained earnings	<u>65 500</u>	(OF)															
*mark for inclusion of all items in correct order	<u>975 500</u>	(1)OF															

Question	Answer		Marks
4(f)	Issuing debentures	Issuing ordinary shares	5
	Annual interest is payable (1)	A dividend may be paid (1)	
	Are a liability\are a loan\must be repaid (1)	Do not have to be repaid (1)	
	If company is wound up they are repaid before ordinary shareholders (1)	If company is wound up they are repaid after debenture holders (1)	
	Debenture holders are not members of the company/cannot vote (1)	Shares will carry same voting rights/rank equally as existing shares (1)	
	Issue of debentures will not dilute the control of the existing ordinary shareholders (1)	May dilute control of existing shareholders (1) (if some purchase a greater proportion of shares)	
	Interest is a fixed amount (1) (and so can be budgeted for)	Dividend is not fixed (and may depend on profit levels) (1)	
	Interest must be paid irrespective of profits (1)	Directors can decide on amount of dividend they will pay (1)	
	May be secured on the non-current assets of the company (1)	May take longer to raise the funds (1)	
	Issue may not raise adequate funds (1)	Issue may not raise adequate funds (1)	
Max (3)	Max (3)		
Recommendation (1)			
4(g)	Non-current liabilities / Long-term-liabilities		1