3 The draft profit of L plc for the year ended 30 June 2024 was calculated at $58 340. The directors have discovered some errors in the accounting records. The draft profit had been calculated **before** correcting the following:

1 Closing inventory had been overstated by $2800.

2 Returns outwards of $570 had been debited to the Purchases account.

3 Distribution costs included a payment of $4320 for advertising covering the **three years** ending 31 March 2027.

(a) Calculate the revised profit for the year ended 30 June 2024.

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..... [4]

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Additional information

1 The share capital of L plc comprised ordinary shares of $0.50 each.

2 During the year ended 30 June 2024 the following transactions took place.

Date	Transaction
31 August 2023	Paid a final dividend of $0.05 per share on all shares in issue at that date.
31 December 2023	Made a bonus issue of one ordinary share for every seven shares held at that date. The directors decided to leave the reserves in the most flexible form.
31 March 2024	Paid an interim dividend of 2% on all shares in issue at that date.
31 March 2024	Made a rights issue of one ordinary share for every four shares held at a premium of $0.20 per share. The rights issue was fully taken up.
30 June 2024	Property was revalued downwards by $8000.

3 The value of ordinary share capital at 30 June 2024 was $200 000.

(b) Calculate the value of ordinary share capital at 1 July 2023.

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.....

..... [3]

(c) Complete the statement of changes in equity for the year ended 30 June 2024.

L plc
Statement of changes in equity for the year ended 30 June 2024

	Share capital $	Share premium $	Revaluation reserve $	Retained earnings $	Total $
At 1 July 2023		19200	6500	18400	
Final dividend					
Bonus issue					
Interim dividend					
Rights issue					
Revaluation					
Profit for the year					
At 30 June 2024	200000				

[8]

[Total: 15]

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Calculate the revised profit for the year ended 30 June 2024.

$60 640 (4) W

Working

<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Draft profit</td><td>58 340</td><td></td></tr>
<tr><td>Closing inventory</td><td>(2 800)</td><td>(1)</td></tr>
<tr><td>Returns outwards</td><td>1 140</td><td>(1)</td></tr>
<tr><td>Advertising</td><td>3960</td><td>(1)</td></tr>
<tr><td>Revised profit</td><td>60 640</td><td>(1)OF</td></tr>
</table>
</td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Calculate the value of ordinary share capital at 1 July 2023.

$140 000 (3) W

Working

<table>
<tr><td>Share capital</td><td>$</td><td></td></tr>
<tr><td>Closing balance</td><td>200 000</td><td></td></tr>
<tr><td>Rights issue</td><td>(40 000)</td><td>(1)</td></tr>
<tr><td>Bonus issue</td><td>(20 000)</td><td>(1)</td></tr>
<tr><td>Opening balance</td><td>140 000</td><td>(1)OF</td></tr>
</table></td><td>3</td></tr>
</table>

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Question	Answer	Marks
3(c)	**Complete the statement of changes in equity for the year ended 30 June 2024.**	**8**

	Share capital $	Share premium $	Revaluation reserve $	Retained earnings $	Total $
At 1 July 2023	140 000	19 200	6 500	18 400	184 100 **(1)OF row**
Final dividend				(14 000)	(14 000) **(1)OF row**
Bonus issue	20 000	(19 200)		(800)	– **(1)OF row**
Interim dividend				(3 200)	(3 200) **(1)OF row**
Rights issue	40 000	16 000			56 000 **(1)OF row**
Revaluation			(6 500)	(1 500)	(8 000) **(1) row**
Profit for the year				60 640	60 640 **(1)OF row**
At 30 June 2024	200 000	16 000	–	59 540	275 540 **(1)OF row**

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