



- 4 H Limited prepares its financial statements to 30 April each year.

During the year ended 30 April 2025, the following took place:

- 1 The company made a profit for the year of \$26 700 after charging debenture interest.
- 2 A transfer of \$5000 was made to the general reserve.
- 3 A dividend of \$5340 was paid. No other dividends are payable for the year.

REQUIRED

- (a) Prepare the statement of changes in equity for H Limited for the year ended 30 April 2025.

H Limited
Statement of Changes in Equity for the year ended 30 April 2025

Details	Ordinary share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 May 2024	120 000	20 000	33 635	173 635
.....
.....
.....
On 30 April 2025

[4]

H Limited provided the following ledger account balances at 30 April 2025.

	\$
Fixtures and equipment at book value	155 000
Motor vehicles at book value	16 875
Inventory	28 120
Trade payables	26 815
Trade receivables	33 000
Provision for doubtful debts	990
Bank overdraft	5 195
5% Debentures (repayable 2029)	5 000





(b) Prepare the statement of financial position for H Limited at 30 April 2025.

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[5]

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Question	Answer	Marks																																										
4(a)	<div>H Limited Statement of Changes in Equity for the year ended 30 April 2025</div> <table><tr><th>Details</th><th>Ordinary Share capital \$</th><th>General reserve \$</th><th>Retained earnings \$</th><th>Total \$</th><th></th></tr><tr><td>On 1 May 2024</td><td>120 000</td><td>20 000</td><td>33 635</td><td>173 635</td><td></td></tr><tr><td>Profit for the year</td><td>.....</td><td>.....</td><td>26 700</td><td>26 700</td><td>(1) row</td></tr><tr><td>Transfer to general reserve</td><td>.....</td><td>5 000</td><td>(5 000)</td><td>–</td><td>(1) row</td></tr><tr><td>Dividends paid</td><td>.....</td><td>.....</td><td>(5 340)</td><td>(5 340)</td><td>(1) row</td></tr><tr><td>On 30 April 2025</td><td>120 000</td><td>25 000</td><td>49 995</td><td>194 995</td><td>(1)OF row</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	Details	Ordinary Share capital \$	General reserve \$	Retained earnings \$	Total \$		On 1 May 2024	120 000	20 000	33 635	173 635		Profit for the year	26 700	26 700	(1) row	Transfer to general reserve	5 000	(5 000)	–	(1) row	Dividends paid	(5 340)	(5 340)	(1) row	On 30 April 2025	120 000	25 000	49 995	194 995	(1)OF row							4
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Question	Answer				Marks
4(b)	H Limited				7
	Statement of Financial Position as at 30 April 2025				
		\$	\$	\$	
	Assets				
	Non-current assets at book value				
	Fixtures and equipment 155 000				
	Motor vehicles 16 875				
	<div style="text-align: right;">171 875 (1)</div>				
	Current Assets				
	Inventory 28 120				
	Trade receivables 33 000				
	Less Provision for Doubtful Debts 990				
	<div style="text-align: right;">32 010 (1) 60 130 (1)OF</div>				
	<div style="text-align: right;">232 005</div>				
	Total assets				
	Equity and Liabilities				
	Equity and Reserves				
Ordinary share capital 120 000 }					
General reserves 25 000 }(1)OF					
Retained earnings 49 995 }					
<div style="text-align: right;">194 995</div>					
Non-current Liabilities					
5% Debentures 5 000 (1)					
Current Liabilities					
Trade payables 26 815 (1)					
Bank overdraft 5 195 (1)					
<div style="text-align: right;">32 010</div>					
<div style="text-align: right;">232 005</div>					
Total Equity and Liabilities					

Question	Answer	Marks
4(c)	The total funds provided by the owners of a business (1) The difference between the assets and liabilities of a business (1) Max (1)	1
4(d)	$\frac{26\,700 + 250^*}{194\,995 \text{ OF} + 5\,000} = \frac{26\,950}{199\,995} \times \frac{100}{1} = 13.48\% \text{ (1)OF}$ <p>Alternative calculation</p> $\frac{26\,700 + 250^*}{171\,875 + 60\,130 \text{ OF} - 32\,010} = \frac{26\,950}{199\,995} \times \frac{100}{1} = 13.48\% \text{ (1)OF}$ <p>*Profit adjusted for interest on debentures 250 (5% × 5 000)]</p>	3
4(e)	<p>Points for issuing debentures</p> <p>There will be no liability once the debentures have been repaid (1)</p> <p>Issue of debentures will not reduce shareholders' stake in the company/ debenture holders do not take an active part in running the company/debenture holders do not have a vote (1)</p> <p>Only have relatively low amount of loans at present (1)</p> <p>Funds may be available quickly/relatively easy to obtain (1)</p> <p>Accept other valid points</p> <p>Max (2)</p> <p>Points against issuing debentures</p> <p>Interest on the debentures has to be paid/ debenture interest reduces profit/ fixed amount of debenture interest each year/ debenture interest needs to be paid even if the company makes a loss (1)</p> <p>May be secured against the assets of the company/are repaid before shareholders if company liquidated (1)</p> <p>Debentures have to be repaid/increase liabilities (1)</p> <p>Funds must be available when repayment is due (1)</p> <p>Already have commitment to repay existing debentures (1)</p> <p>Accept other valid points</p> <p>Max (2)</p> <p>Overall For and Against: Max (4)</p> <p>Recommendation (1)</p>	5