

ACC2100 / ACF2100 Financial Accounting

Topic 1 Regulation & Financing Company Operations: Lecture Example

On 1 January 2016, Amarok Ltd had the following issued capital:

50,000 8% Redeemable preference shares issued at \$6 each	\$300,000
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On 1 March 2016, Amarok Ltd issued a prospectus inviting applications for 200,000 ordinary shares at an issue price of \$4. The shares were payable \$2 on application, \$1 on allotment (due 30 April), and \$1 on a final call.

By 31 March, applications had been received for 210,000 ordinary shares. On 4 April, the directors allotted 200,000 shares to applicants in proportion to the number of shares applied for. The surplus application was offset against allotment money payable.

All outstanding allotment money was received by the due date. The issue was underwritten at a commission of \$2,500 which was paid on 1 May. Share issue costs of \$3,000 were also paid on this date.

The final call was made on 2 May with money due by 31 May. All call money was received by the due date.

On 30 June, a 20 cent per share ordinary final dividend was declared and approved. This dividend was subsequently paid on 22 July.

On 20 February 2017, Amarok Ltd offered additional ordinary shares to ordinary shareholders through a 1 for 5 rights issue. The terms of the rights issue included an issue price of \$3.50 per share. All ordinary shareholders took up the offer.

On 31 March 2017, Amarok Ltd issued 25,000 ordinary shares privately to Faun Ltd at a price of \$3.80 per share.

On 10 April 2017, Amarok issued to existing ordinary shareholders 15,000 options to buy 15,000 ordinary shares. Each option costs 60 cents and entitles the holder to buy one ordinary share at a price of \$3.70, exercisable on 31 July 2017. All options were exercised on that date.

On 1 November 2017, the preference shares were redeemed out of profits at a 10% premium, with payment to former shareholders made on 2 November 2017.

Required:

Prepare the journal entries to record the transactions of Amarok Ltd for the events outlined above. Ignore preference share dividends.