

ACC/ACF2100 Financial Accounting

Topic 1 Regulation & Financing Company Operations: Presentation Question

At 30 June 2017, the trial balance of Arion Ltd included the following equity:

Share capital (2,000,000 ordinary shares fully paid)	\$5,000,000
Share capital (300,000 10% preference shares fully paid)	\$600,000
Retained earnings	\$860,000
General reserve	\$155,000

On 1 August 2017, Arion Ltd issued a prospectus offering 750,000 ordinary shares to the public at an issue price of \$2. The shares were payable \$1 on application (due 30 August), 50c on allotment (due 22 September), and 50c on a final call. The purpose of the ordinary share issue was to fund the redemption of the preference shares.

By 30 August, applications had been received for 800,000 ordinary shares. The shares were then allotted with a refund being provided to unsuccessful applicants.

The issue was underwritten at a commission of \$8,400 which was paid on 2 September. Share issue costs of \$4,500 were also paid on this date. All outstanding allotment money was received by the due date.

The final call was made on 5 November with money due by 1 December. All money was received by the due date.

On 5 January 2018, Arion Ltd paid an ordinary interim dividend of 20 cents per share.

On 31 January 2018, the preference shares were redeemed for \$2.50 per share, with payment to former shareholders made on 1 February 2018.

Required:

Prepare the journal entries to record the transactions of Arion Ltd for the events outlined above. Explain why each of the journals entries is made.