

- 2 Gallanna Homes plc had the following balances at the start of the financial year on 1 April 2023.

	£ 000
Share Capital (Ordinary Shares of £1 each)	65 000
Share Premium	13 000

To expand the business, the directors decided to issue additional ordinary shares to existing shareholders.

During the year ended 31 March 2024, the following took place.

- On 7 April 2023 the company offered 12 000 000 ordinary shares at a price of £1.20 on the following terms:
  - 10 pence (£0.10) on application
  - 40 pence (£0.40) on allotment (including the 20 pence (£0.20) premium)
  - 30 pence (£0.30) first call
  - 25 pence (£0.25) second call
  - 15 pence (£0.15) third and final call.
- On 3 May 2023 applications for 13 560 000 shares had been received. The directors rejected applications for 1 560 000 shares and allotted the shares to the successful applicants.
- On 24 July 2023 monies were returned to the unsuccessful applicants.
- On 31 August 2023 the balances due on allotment were fully received.
- On 18 November 2023 the first call was made and the amounts were fully received.
- On 31 January 2024 the second call was made and the amounts were fully received.
- On 15 March 2024 the third and final call was made and the amounts were fully received.

### Required

- (a) Prepare the following ledger accounts to record the transactions for the financial year ended 31 March 2024.
- (i) Ordinary share capital. (7)
  - (ii) Share premium. (3)
  - (iii) Application and allotment. (6)
  - (iv) First call. (3)
  - (v) Second call. (2)
  - (vi) Third and final call. (3)
  - (vii) Bank account (showing extracts relevant to the share issue only). (6)

You should show the following where relevant:

- dates
  - opening balances at the start of the financial year at 1 April 2023
  - closure of any relevant accounts during the financial year ended 31 March 2024
  - closing balances at the end of the financial year at 31 March 2024
  - opening balances at the start of the financial year at 1 April 2024.
- (b) State if the issue of the shares was a bonus issue or a rights issue of shares. (1)
- (c) Explain **two differences** between a bonus issue of shares and a rights issue of shares. (4)
- (d) Explain **one** example of how an issue of bonus shares has the same effect as a rights issue of shares. (2)

On 1 April 2023, before the issue of the shares, the following information applied.  
The:

- gearing ratio of Gallanna Homes was 22%
- total figure for equity, reserves and non-current liabilities was £200 000 000

### Required

- (e) Calculate the gearing ratio of Gallanna Homes plc after the issue of the shares. (6)

Gallanna Homes plc had also considered the issue of a debenture to raise the funds required.

- (f) Evaluate the decision of Gallanna Homes plc to issue ordinary shares instead of a debenture. (12)