

Practice exercise 1

Al Jazira company's shareholders' equity portion of the balance sheet for the first two years of operations is given below:

	2003	2004
Common shares	50,000	50,000
Retained earnings	<u>75,000</u>	<u>85,000</u>
Total Shareholders' equity	125,000	135,000

The company made a net income of AED 120,000 during the year 2003.

How much did the company pay as dividends in 2003?

The company made a net income of AED 140,000 in 2004.

How much dividends did the company pay as dividends in 2004?

Practice exercise 2

Al Mumtaz Company began operating in 2001. In their first year, the company earned a net income of AED 100,000 and paid a dividend of AED 20,000. In 2002, the company earned a net income of AED 160,000 and paid 25% of their net income as dividend. In 2003, the company had a net loss of AED 70,000 and paid no dividends.

Required:

Calculate the retained earnings at the end of each year.

Prepare a Statement of Retained Earnings for 2002 only.

