## Practice exercise 1

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

|  | $\mathbf{2 0 0 3}$ | $\mathbf{2 0 0 4}$ |
| :--- | ---: | ---: |
| Common shares | 50,000 | 50,000 |
| Retained earnings | $\underline{75,000}$ | $\underline{85,000}$ |
|  |  |  |
| Total Shareholders' equity | $\mathbf{1 2 5 , 0 0 0}$ | $\mathbf{1 3 5 , 0 0 0}$ |

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.

## Practice Question 3 - (a challenge!)

At the beginning of 2004, total assets were Dh $1,500,000$. During the year, net income of Dh 780,000 had been earned. Dividends declared and paid during the year were 300,000 . Also, the shareholders invested Dh 100,000 cash by buying more shares of the corporation.

At the end of 2004, total assets were Dh 2,000,000 and liabilities were Dh 1,250,000.

## Required:

a) Calculate equity at the end of 2004
b) Calculate equity at the beginning of 2004
c) Calculate liabilities at the beginning of 2004

