

- 18** A business buys a vehicle for \$10 000 on 1 January Year 1 and sells it for \$6500 on 1 January Year 3, having depreciated it at 10 % a year using the straight line method.

The company provides a full year's depreciation in the year of purchase and none in the year of disposal.

Which amount for profit or loss will appear in the disposal account and on what side of the disposal account will it be shown?

- A** \$1500 on the credit side
- B** \$1500 on the debit side
- C** \$2500 on the credit side
- D** \$2500 on the debit side

- 19** A company raises cash by issuing 8 % debentures.

What is the effect on the company's profits and net current assets in the year of issue?

	profits	net current assets
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

- 20** A company is financed by 25 000 \$1 ordinary shares.

The company wishes to finance expansion by issuing 5000 \$1 ordinary shares at a premium of \$0.20 and \$10 000 debentures.

What will be the new equity figure in the statement of financial position?

- A** \$30 000 **B** \$31 000 **C** \$40 000 **D** \$41 000

- 21** What does the current ratio show?

- A** if inventory is being used efficiently
- B** the profit that has been made
- C** whether a business is able to pay its debts
- D** whether revenue is likely to increase or decrease