

- 17** The income statement of X Limited for 2020 showed an incorrect profit figure because \$10 000 of goods had been counted twice when closing inventory was valued. This incorrect inventory value was carried forward as the opening inventory for 2021.

In February 2021 the directors paid a dividend equal to 40% of the profit for 2020.

What were the effects of the error in inventory valuation?

	dividend paid in 2021	retained earnings at 31 December 2021
<b>A</b>	decrease of \$4000	decrease of \$4000
<b>B</b>	decrease of \$4000	increase of \$14 000
<b>C</b>	increase of \$4000	decrease of \$4000
<b>D</b>	increase of \$4000	decrease of \$14 000

- 18** A company has the following items in its statement of financial position.

	\$
ordinary shares of \$0.50 each	900 000
retained earnings	450 000
long-term bank loan	30 000

The company then issues 100 000 bonus shares of \$0.50 each to its shareholders.

What is the total equity after the issue of the bonus shares?

- A** \$1 300 000      **B** \$1 350 000      **C** \$1 380 000      **D** \$1 400 000

- 19** Which ratios are usually calculated to measure the efficiency of a business?

- 1 current
- 2 gross margin
- 3 inventory turnover
- 4 trade receivables turnover

- A** 1 and 2      **B** 1 and 3      **C** 2 and 3      **D** 3 and 4