

**20** Which statement is correct?

- A** A bonus issue of shares will increase the amount of cash available to the company.
- B** A rights issue of shares is always made at the nominal value of the shares.
- C** A rights issue of shares will increase the amount of cash available to the company.
- D** If shares are issued at an amount that is more than the nominal value of the shares, the excess must be debited to the share premium account.

**21** A company balance sheet shows the following:

	\$000
\$1 ordinary shares	500
retained earnings	400
10 % debentures	<u>300</u>
	<u>1 200</u>
net assets	<u>1 200</u>

A fully subscribed 1 for 4 rights issue at \$2 per share is made and 50 % of the debentures are repaid at par.

What are the net assets following these changes?

- A** \$1 100 000    **B** \$1 175 000    **C** \$1 225 000    **D** \$1 300 000

**22** The table shows extracts from a company's Balance Sheets at 31 December 2004 and at 31 December 2005.

	31 December 2004 \$m	31 December 2005 \$m
ordinary shares of \$1 each	100	130
share premium account	50	80

On 1 July 2005 there was a bonus issue of 1 ordinary share for every 10 held.

On 1 October 2005 there was a rights issue.

There were no other reserve balances.

How much cash was received from the issue of shares in the year ended 31 December 2005?

- A** \$20 m    **B** \$30 m    **C** \$50 m    **D** \$60 m