

**18** The following information is available for a limited company's financial year ended 31 December.

- 1 At 1 January the total equity was \$350 000. This included 100 000 ordinary shares of \$1 each.
- 2 On 30 June there was a rights issue of 10 000 ordinary shares for \$1.50 each. This was fully subscribed.
- 3 On 1 October the company paid a dividend of \$0.10 per ordinary share.
- 4 On 1 December a dividend was proposed totalling \$20 000.
- 5 Profit for the year was \$26 500.

What was the total equity on 31 December?

- A** \$360 500      **B** \$375 500      **C** \$380 500      **D** \$391 500

**19** Why would employees be interested in their employer's financial statements?

- A** to assess whether the business can continue to trade in the foreseeable future
- B** to compare their salaries with the employees of competitors
- C** to put a value on the reputation of the business
- D** to understand the impact of the business on the economy

**20** A business received a five-year loan of \$40 000. The loan was paid into the bank current account.

What was the effect of the loan?

	current ratio	return on capital employed
<b>A</b>	decreased	decreased
<b>B</b>	decreased	increased
<b>C</b>	increased	decreased
<b>D</b>	increased	increased