

20 A shareholder sells some ordinary shares for more than he paid for them.

What is the effect on the company statement of financial position?

| | ordinary share capital | share premium account |
|----------|------------------------|-----------------------|
| A | decrease | decrease |
| B | decrease | increase |
| C | no effect | decrease |
| D | no effect | no effect |

21 A business starts factoring its debts.

Which effect does this have on its current ratio and its short term cash flow?

| | current ratio | short term cash flow |
|----------|---------------|----------------------|
| A | decrease | improve |
| B | decrease | worsen |
| C | increase | improve |
| D | increase | worsen |

22 A company provides the following information.

| | profit for the year \$ | non-current asset turnover |
|------|---------------------------|-------------------------------|
| 2009 | 15 000 | 4 times |
| 2010 | 16 000 | 3.5 times |
| 2011 | 17 000 | 3 times |

Sales have remained constant throughout the three years.

Which statement correctly describes the trend?

- A** Profitability is decreasing and non-current assets are decreasing.
- B** Profitability is decreasing and non-current assets are increasing.
- C** Profitability is increasing and non-current assets are decreasing.
- D** Profitability is increasing and non-current assets are increasing.