

15 J and K shared profits equally.

Their capital account balances were J \$400 000 and K \$160 000.

L was admitted as a partner. The three partners then shared profits equally.

On admission of L as a partner, assets were increased in value by \$210 000. L paid in capital equal to the average new capital balances of J and K.

What was the capital paid in by L?

- A** \$175 000 **B** \$280 000 **C** \$350 000 **D** \$385 000

16 The statement of financial position of a business on 31 December 2017 showed the following.

| | \$ |
|-------------------|---------|
| retained earnings | 136 000 |
| general reserves | 28 000 |
| share premium | 55 000 |

During the year ended 31 December 2017 the business had made a profit for the year of \$25 000 and had transferred \$10 000 to the general reserve.

What was the total of revenue reserves on 1 January 2017?

- A** \$101 000 **B** \$139 000 **C** \$149 000 **D** \$194 000

17 A company provides the following information.

| | \$ |
|--------------------------------|---------------|
| ordinary shares of \$0.50 each | 84 000 |
| retained earnings | 50 000 |
| | <hr/> 134 000 |

The following transactions then take place.

- 1 The company makes a rights issue of one new ordinary share for every two held, at \$1.30. The issue was fully subscribed.
- 2 A bonus issue of two new ordinary shares for every three held was then made.

What is the maximum possible balance of the retained earnings after these transactions?

- A** \$8400 **B** \$16 800 **C** \$33 200 **D** \$41 600