

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.