

- 15** A company's profit from operations has increased by 10% in a year, whilst its gross profit has only increased by 5%.

Which factors could explain this?

- 1 a decrease in finance costs
- 2 a decrease in distribution costs
- 3 an increase in rent received
- 4 an increase in selling prices

**A** 1 and 2      **B** 1 and 4      **C** 2 and 3      **D** 3 and 4

- 16** A company has 1 000 000 ordinary shares of \$1 issued at \$2.50. It also has a 5% debenture of \$300 000.

Profit from operations for the year was \$465 000.

The directors paid an 8% ordinary share dividend during the year.

By which amount did the retained earnings increase during the year?

**A** \$250 000      **B** \$370 000      **C** \$385 000      **D** \$400 000

- 17** A company issues 100 000 new \$1 ordinary shares at a premium of \$0.20 each.

Which effect does this have on the statement of financial position?

- A** Equity increases by the nominal value of the shares but decreases by the value of the premium.
- B** Equity increases by the nominal value of the shares only.
- C** Net assets increase by the nominal value of the shares plus the value of the premium.
- D** Net assets increase by the nominal value of the shares but decrease by the value of the premium.

- 18** The trial balance on 31 December 2015 showed the following information.

	\$
ordinary share capital (\$1 shares)	500 000
retained earnings	300 000

On 1 January 2016 the directors created the general reserve of \$70 000. At the same time 200 000 ordinary shares were issued for \$300 000.

By which amount did the total reserves increase on 1 January 2016?

**A** \$100 000      **B** \$170 000      **C** \$300 000      **D** \$370 000