

19 The profits of Bronte Ltd are:

| | |
|-----------------------------|----------|
| Year ended 31 December 2010 | nil |
| Year ended 31 December 2011 | \$60 000 |

Bronte Ltd has in issue 200 000 5% preference shares of \$1 each.

What is the profit available for distribution to ordinary shareholders for the year ended 31 December 2011, if the preference shares are (i) cumulative or (ii) non-cumulative?

| | (i) Cumulative | (ii) Non - cumulative |
|----------|----------------|--------------------------|
| A | \$40 000 | \$40 000 |
| B | \$40 000 | \$50 000 |
| C | \$50 000 | \$40 000 |
| D | \$50 000 | \$50 000 |

20 Which statements about debentures and ordinary shares are correct?

| | debentures | ordinary shares |
|----------|-------------------------------------|---|
| A | can be issued at a premium | are never issued at a premium |
| B | holders are owners of a company | holders are creditors of a company |
| C | interest is a charge against profit | dividends are an appropriation of profit |
| D | interest varies from year to year | dividends are paid at the same rate each year |

21 A company published the financial statements for the year ending 31 December 2011, an extract of which is detailed below.

| | \$ |
|---------------------------------------|---------|
| retained earnings at 1 January 2011 | 90 000 |
| profit for year | 10 000 |
| retained earnings at 31 December 2011 | 100 000 |
| share capital | 20 000 |

What is the return on capital employed based on average capital?

- A** 8.70% **B** 10.00% **C** 11.11% **D** 50.00%