

19 At 1 January 2009 the capital structure of a company was as follows.

	\$
issued share capital 100 000 ordinary shares of \$1 each	100 000
share premium account	30 000

On 1 April 2009 the company made a rights issue of 20 000 shares of \$1 each for \$36 000.

On 1 June 2009 a bonus issue of one share for every six in issue was made. The share premium account was used for this purpose.

What is the balance on the share premium account at 31 December 2009?

- A** \$26 000 **B** \$34 000 **C** \$46 000 **D** \$56 000

20 When is a share premium account opened?

- A** when shares are issued at a price above nominal value
B when shares are redeemed by the company at a premium
C when shares are sold by a shareholder at a price above their nominal value
D when the company issues bonus shares

21 A company buys and re-sells goods. It has a higher gross profit margin than its rivals.

Which reason could explain this?

- A** Rival companies pay less for goods than the company.
B Rival companies spend less on advertising than the company.
C The company charges a higher selling price than its rivals.
D The company charges a lower price than its rivals.

22 A business has trade payables (creditors) of \$8000 and a bank overdraft of \$2000. Its current ratio is 2 : 1 and its quick (acid test) ratio is 1.5 : 1.

What is the value of its inventory (stock)?

- A** \$4000 **B** \$5000 **C** \$28 000 **D** \$35 000