17 A company is formed with the issue of 100 000 6% non-cumulative preference shares of $1 each and 300 000 ordinary shares of $1 each issued at a premium of $0.20.

It earned profits of $3000, $16 000 and $31 000 in the first three years of trading. The directors wish to pay an ordinary dividend of 5% each year when possible.

What value of ordinary dividends does the company actually pay in years 2 and 3?

	year 2 $	year 3 $
A	7 000	15 000
B	7 000	18 000
C	10 000	15 000
D	10 000	18 000

18 A company had an issued share capital of 400 000 ordinary shares of $1 each. It then made a bonus issue of one share for every five held. This was later followed by a rights issue of one share for every three held.

What was the balance on the share capital account after these transactions?

A $480 000 **B** $533 333 **C** $613 333 **D** $640 000

19 Which action will increase the equity of a limited company?

A creating a general reserve

B issuing bonus shares

C issuing debentures

D issuing non-redeemable preference shares

20 Which action leaves the value of working capital unchanged?

A disposal of a non-current asset

B issuing shares for cash

C purchasing goods for resale on credit

D writing off an irrecoverable debt