

17 The profits of Bronte Limited are as follows.

year ended 31 December 2013 nil
year ended 31 December 2014 \$60 000

Bronte Limited 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 2014, if the preference shares are (i) cumulative or (ii) non-cumulative?

	cumulative \$	non-cumulative \$
A	40 000	40 000
B	40 000	50 000
C	50 000	40 000
D	50 000	50 000

18 A limited company issues 5000 ordinary shares of \$2 each at a premium of \$0.50.

What is the effect on share capital and liquidity?

	share capital \$	liquidity
A	increase 10 000	improve
B	increase 10 000	no effect
C	increase 12 500	improve
D	increase 12 500	no effect

19 A new business was established with opening capital of \$20 000.

At the end of the first year, assets less liabilities were \$26 000. The owner withdrew \$7000 as drawings during the year and this resulted in a bank overdraft of \$5000 at the end of the year.

What was the profit during the first year?

A \$8000 **B** \$12000 **C** \$13000 **D** \$18000