

**15** The following information relates to the non-current assets of a business formed three years ago.

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cost at start of year 1	10 000
accumulated depreciation at end of year 3	6 000
profit for year 3	18 000

Depreciation has been consistently charged using the straight line method.

What would the profit be in year 3 if the method of depreciation for that year is changed to the reducing balance method at a rate of 25 %?

- A** \$16 500      **B** \$17 500      **C** \$18 500      **D** \$19 000

**16** What could be used to fund a bonus issue of shares?

- 1    asset revaluation reserve
- 2    general reserve
- 3    retained earnings
- 4    share premium

- A** 1 and 2 only  
**B** 1, 2 and 3 only  
**C** 1, 2, 3 and 4  
**D** 2 and 3 only

**17** An investor owns 10 000 5 % preference shares in Howdo Limited.

One year Howdo does not have enough profits to pay the preference dividend.

The investor is not too worried as he expects the profits to improve and he thinks the directors will pay the missed dividend the following year.

Which type of preference shares does the investor own?

- A** cumulative  
**B** non-cumulative  
**C** participating  
**D** redeemable