

17 A company has a bank balance of \$20 000.

The company's equity and reserves are shown.

| | \$ |
|--------------------------------|--------|
| ordinary shares of \$0.50 each | 10 000 |
| capital reserves | 5 000 |
| revenue reserves | 3 000 |

The directors wish to pay the maximum dividend possible.

How much of the bank balance will be used to pay the dividend?

- A** \$3000 **B** \$5000 **C** \$8000 **D** \$20 000

18 Which statement about rights issues is true?

- A** Shares can be sold to anyone.
- B** Shares can only be offered to existing shareholders.
- C** Shares cannot be sold at a premium.
- D** Shares cannot be sold at less than the market price.

19 A limited company's financial statements contain the following items.

- 1 bonus issue of ordinary shares
- 2 debenture interest
- 3 profit for the year
- 4 profit on disposal of non-current assets

Which items would be found in the statement of changes in equity?

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

20 A company issued 25 000 ordinary shares of \$0.50 each at a premium of 25%. They had a market value of \$1.50 each.

What is the value of ordinary share capital in the statement of financial position?

- A** \$12 500 **B** \$15 625 **C** \$31 250 **D** \$37 500