

20 The following is an extract from the statement of financial position of a company.

	\$
ordinary shares of \$0.25 each	35 000
6% cumulative preference shares	40 000

No dividend was paid on the preference shares last year but the directors propose to pay a dividend this year. The directors also propose a final ordinary share dividend of \$0.05 per share.

What is the amount of dividends to be paid?

	ordinary shares \$	cumulative preference shares \$
A	1750	2400
B	1750	4800
C	7000	2400
D	7000	4800

21 A shareholder in a company sells his shares to another person.

What is the effect on the share capital account of the company?

- A** It is increased by any premium paid for the shares.
- B** It is increased by the selling price of the shares.
- C** It is reduced by the value of shares sold.
- D** It remains unaltered.

22 The following shows extracts from the statement of financial position of a company.

	at 30 September \$
non-current assets	120 000
inventory	35 000
trade receivables	23 000
cash at bank (debit balance)	12 000
trade payables	15 000
bank loan repayable within 12 months	40 000

What is the acid test (liquid) ratio?

- A** 0.64:1
- B** 1.27:1
- C** 2.33:1
- D** 4.67:1