

- 16** During the year ended 31 December 2018 a business made a profit of \$31 000. A dividend of 8% was paid on the 200 000 ordinary shares of \$0.50 each, and \$12 000 was transferred to general reserve.

The retained earnings of the business on 31 December 2018 amounted to \$68 000.

What was the balance of retained earnings on 1 January 2018?

- A** \$41 000 **B** \$57 000 **C** \$65 000 **D** \$79 000

- 17** A company had an issued share capital of \$400 000 made up of ordinary shares of \$0.50 fully paid. The following transactions took place.

- 1 An issue of bonus shares on the basis of one ordinary share for every four ordinary shares already held was made.
- 2 Later, a rights issue of ordinary shares of one new share for every two already held at a premium of \$0.15 per share was made. This issue was fully subscribed.

By how much will the company's bank account be increased?

- A** \$125 000 **B** \$162 500 **C** \$250 000 **D** \$325 000

- 18** A reduction in which item would improve a business's profit margin?

- A** depreciation charge
B drawings
C trade payables turnover (days)
D trade receivables turnover (days)

- 19** A company's financial statements showed the following.

	\$000
revenue	250
cost of sales	(60)
distribution costs	(45)
administrative expenses	(10)
income from investments	5
finance costs	(20)

What is the operating expenses to revenue ratio?

- A** 22% **B** 28% **C** 30% **D** 46%