

- 17** Hilary and Lee commenced in partnership on 1 January 2005. There was no partnership agreement concerning the division of interest on the loan or of profits.

| | Hilary \$ | Lee \$ |
|-----------------------|--------------|-----------|
| capital contributions | 5000 | 600 |
| loan to partnership | — | 1000 |

At the year end, 31 December 2005, net profit before the loan interest was \$8850.

What would be Hilary's share of the profit?

- A** \$4400 **B** \$4425 **C** \$4800 **D** \$4827

- 18** An extract from the accounts of a manufacturing company shows:

| | \$ |
|---|---------|
| direct factory labour | 476 200 |
| indirect factory labour | 52 470 |
| factory supervisor's salary | 18 200 |
| opening stock of raw materials | 21 500 |
| heat, light and power | 22 600 |
| purchases of raw materials | 184 300 |
| depreciation charge for factory machinery | 16 700 |
| factory cleaning costs | 18 300 |
| closing stock of raw materials | 17 900 |

What is the prime cost of production?

- A** \$660 500 **B** \$664 100 **C** \$680 800 **D** \$716 570

- 19** A director-owned company needs additional funds.

Which method of finance might lead to a reduction of the director's control of the business?

- A** bank loan
B debenture
C ordinary share issue
D preference share issue