

**20** A company's share capital and reserves are:

	\$
non current (fixed) assets	250 000
net current assets	125 000
	375 000
share capital and reserves	
150 000 shares \$1 each	150 000
share premium	75 000
general reserve	125 000
profits retained	25 000
	375 000

The directors propose to issue bonus shares on the basis of one \$1 share for every three already held.

Following this the directors intend to make a rights issue on the basis of one new \$1 share for every four shares held, at a premium of \$0.20 per share.

What will the total net assets of the company be after the share issues?

- A** \$425 000      **B** \$435 000      **C** \$475 000      **D** \$485 000

**21** A business has current liabilities of \$4000 at its year end.

The quick (acid test) ratio is 1.5 : 1

The current ratio is 2.25 : 1

What is the value of inventory (stock) held at the year end?

- A** \$3000      **B** \$4000      **C** \$9000      **D** \$15 000

**22** A company's gross profit ratio for the year ended 31 December 2008 was 25 %. This increases to 28 % for the year ended 31 December 2009.

What could have been responsible for the increase?

- A** an increase in the cost of purchases during 2009  
**B** an increase in the volume of sales during 2009  
**C** an over-valuation of inventory (stock) as at 31 December 2009  
**D** an under-valuation of inventory (stock) as at 31 December 2009