

- 19** The trial balance of a company at 31 December at the end of year 1 included the following amounts.

	\$
Ordinary share capital (\$0.50 shares)	800 000
Share premium	200 000
Retained earnings	1 000 000

On 1 January in year 2 the company made a rights issue of 400 000 shares at a premium of \$0.70 per share. This was fully taken up.

On 1 July in year 2 the company issued bonus shares at the rate of one new share for every four held.

The policy is to maintain reserves in their most flexible form.

What is the balance on the share premium account after these transactions?

- A** \$230 000 **B** \$330 000 **C** \$355 000 **D** \$480 000

- 20** Jim is a manager in a limited company. He also owns a few of its shares.

Why has he been looking at its most recent financial statements?

- A** to discover the profit made by his department as he might receive a bonus
- B** to find out if the company made a profit, making his job more secure
- C** to know if dividends will increase over the next five years, improving his income
- D** to see if the company has a good reputation, increasing the value of his shares