

**17** The profits of Bronte Limited are as follows.

year ended 31 December 2013	nil
year ended 31 December 2014	\$60 000

Bronte Limited has in issue 200 000 5% preference shares of \$1 each.

What is the profit available for distribution to ordinary shareholders for the year ended 31 December 2014, if the preference shares are (i) cumulative or (ii) non-cumulative?

	cumulative \$	non-cumulative \$
<b>A</b>	40 000	40 000
<b>B</b>	40 000	50 000
<b>C</b>	50 000	40 000
<b>D</b>	50 000	50 000

**18** A limited company issues 5000 ordinary shares of \$2 each at a premium of \$0.50.

What is the effect on share capital and liquidity?

	share capital \$	liquidity
<b>A</b>	increase 10 000	improve
<b>B</b>	increase 10 000	no effect
<b>C</b>	increase 12 500	improve
<b>D</b>	increase 12 500	no effect

**19** A new business was established with opening capital of \$20 000.

At the end of the first year, assets less liabilities were \$26 000. The owner withdrew \$7000 as drawings during the year and this resulted in a bank overdraft of \$5000 at the end of the year.

What was the profit during the first year?

**A** \$8000      **B** \$12000      **C** \$13000      **D** \$18000