

- 17** A company is formed with the issue of 100 000 6% non-cumulative preference shares of \$1 each and 300 000 ordinary shares of \$1 each issued at a premium of \$0.20.

It earned profits of \$3000, \$16 000 and \$31 000 in the first three years of trading. The directors wish to pay an ordinary dividend of 5% each year when possible.

What value of ordinary dividends does the company actually pay in years 2 and 3?

	year 2 \$	year 3 \$
A	7 000	15 000
B	7 000	18 000
C	10 000	15 000
D	10 000	18 000

- 18** A company had an issued share capital of 400 000 ordinary shares of \$1 each. It then made a bonus issue of one share for every five held. This was later followed by a rights issue of one share for every three held.

What was the balance on the share capital account after these transactions?

- A** \$480 000 **B** \$533 333 **C** \$613 333 **D** \$640 000

- 19** Which action will increase the equity of a limited company?

- A** creating a general reserve
- B** issuing bonus shares
- C** issuing debentures
- D** issuing non-redeemable preference shares

- 20** Which action leaves the value of working capital unchanged?

- A** disposal of a non-current asset
- B** issuing shares for cash
- C** purchasing goods for resale on credit
- D** writing off an irrecoverable debt