

18 The following actions took place in respect of a limited company.

- 1 A transfer of \$50 000 was made from retained earnings to general reserve.
- 2 An issue of 200 000 ordinary shares of \$1 each at a price of \$2.50 each was made.
- 3 Non-current assets with a carrying value of \$1 250 000 were revalued at \$1 500 000.
- 4 Ordinary dividends of \$100 000 were proposed.

What was the increase in the company's total equity?

- A** \$450 000 **B** \$500 000 **C** \$650 000 **D** \$750 000

19 Gordon sells goods on credit to Sybil.

Which information from Sybil's financial statements is of greatest interest to Gordon?

- A** current ratio
B gross profit margin
C mark-up
D return on capital employed

20 Which actions would, in general, improve the acid test ratio of a business in the short term?

- 1 delaying trade payables
- 2 selling inventory
- 3 selling surplus non-current assets
- 4 trade receivables paying their debts

- A** 1 and 4 **B** 2 and 3 **C** 3 only **D** 4 only

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

The acid test ratio was 1.5 : 1.

The current ratio was 2.25 : 1.

What was the value of inventory held at the year end?

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