

18 When a company is short of liquid funds, for what purpose may the reserves be used?

- A** to finance the take-over of another business the company is anxious to acquire
- B** to maintain dividends during periods of low profitability
- C** to pay creditors promptly so as to obtain discounts
- D** to write down assets whose value to the business has fallen

19 A company's share capital consists of 150 000 ordinary shares of \$0.50 each.

It makes a rights issue of 1 ordinary share for every 3 already held at \$1.20 per share.

It then makes a bonus issue of 1 share for every 5 held.

Which amount will be shown in the Balance Sheet for share capital?

- A** \$120 000 **B** \$145 000 **C** \$155 000 **D** \$165 000

20 Which statement about bonus shares is true?

- A** They may be issued as repayment of debentures.
- B** They may be issued at a premium.
- C** They may be issued to the holders of preference shares.
- D** They may be issued using the premium received from an issue of preference shares.

21 The table shows the gross profit margin and net profit margin of a company.

	year ended 31 March 2003	year ended 31 March 2004
	%	%
gross profit margin	38.6	40.1
net profit margin	13.5	13.1

What caused these changes between 2003 and 2004?

- A** a change in products sold leading to lower selling costs
- B** a loss of trade discounts on purchases but an increase in cash discounts taken from suppliers
- C** an advertising campaign to promote higher sales leading to higher selling prices
- D** an increase in both production and selling costs