20 A company's share capital and reserves are:

	$
non current (fixed) assets	250 000
net current assets	125 000
	375 000
share capital and reserves	
150 000 shares $1 each	150 000
share premium	75 000
general reserve	125 000
profits retained	25 000
	375 000

The directors propose to issue bonus shares on the basis of one $1 share for every three already held.

Following this the directors intend to make a rights issue on the basis of one new $1 share for every four shares held, at a premium of $0.20 per share.

What will the total net assets of the company be after the share issues?

A $425 000 **B** $435 000 **C** $475 000 **D** $485 000

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

The quick (acid test) ratio is 1.5 : 1

The current ratio is 2.25 : 1

What is the value of inventory (stock) held at the year end?

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

22 A company's gross profit ratio for the year ended 31 December 2008 was 25 %. This increases to 28 % for the year ended 31 December 2009.

What could have been responsible for the increase?

A an increase in the cost of purchases during 2009

B an increase in the volume of sales during 2009

C an over-valuation of inventory (stock) as at 31 December 2009

D an under-valuation of inventory (stock) as at 31 December 2009