

**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