

- 16 The equity of a company included the following:

	\$
ordinary shares of \$1 each	1 500 000
share premium account	600 000

The market price of one share was \$1.50.

The company made a fully subscribed rights issue of 500 000 ordinary shares at \$1.20 per share.

What was the balance on the ordinary share capital account and share premium account after the issue?

	ordinary share capital account \$	share premium account \$
<b>A</b>	2 000 000	700 000
<b>B</b>	2 000 000	850 000
<b>C</b>	2 100 000	600 000
<b>D</b>	2 250 000	600 000

- 17 A company provides the following financial information at the end of the financial year.

	\$000
retained earnings at the start of the year	50
profit for the year	120
ordinary dividends paid during the year	70
ordinary dividends proposed payable in the next financial year	30
transfer to general reserve	20

What is the amount of retained earnings at the end of the financial year?

- A** \$50 000      **B** \$70 000      **C** \$80 000      **D** \$100 000

- 18 Which accounting ratio could **not** be used to assess the ability of a business to pay its trade payables?

- A** current ratio  
**B** expenses to revenue ratio  
**C** liquid (acid test) ratio  
**D** trade receivables turnover