

- 17** A company had sufficient balances in each of the share premium, general reserve and retained earnings accounts to issue bonus shares. During the year, bonus shares were issued. The directors decided to keep the reserves in their most flexible form.

Which ledger account will be debited on the issue of the bonus shares?

- A** bank
- B** general reserve
- C** retained earnings
- D** share premium

- 18** X Limited had the following equity on 1 January.

	\$
ordinary share capital (\$1 shares)	400 000
share premium	30 000
general reserve	10 000
retained earnings	70 000

During the year ended 31 December, the following transactions took place.

- 1 January a bonus issue of 1 ordinary share for every 8 ordinary shares; it is the company's policy to keep its reserves in the most flexible form
- 1 July an issue of debentures for \$150 000
- 1 December a rights issue of 1 ordinary share for every 15 ordinary shares at a price of \$1.60 per share; the rights issue was fully taken up
- 31 December profit for the year ended 31 December was \$120 000

What was the total equity at 31 December?

- A** \$678 000 **B** \$728 000 **C** \$828 000 **D** \$878 000

- 19** Which three key users of financial statements will be most interested in the statement of profit or loss?

- A** employees, environmental bodies, government
- B** public, environmental bodies, suppliers
- C** public, suppliers, potential investors
- D** shareholders, government, potential investors