MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

ADVANCED MATRICULATION LEVEL
2025 SECOND SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	I
DATE:	29th August 2025
TIME:	9:00 a.m. to 12:05 p.m.

This paper contains **THREE** sections. Follow the instructions below.

SECTION A
Answer all **FIVE** questions from this section. Each question carries 4 marks.

SECTION B
Answer question 6. **This question is compulsory** and carries 30 marks.

SECTION C
Answer any **TWO** questions from this section. Each question carries 25 marks.

You must show the workings leading up to your answers.
Candidates may only use non-programmable calculators in this examination.

SECTION A
Answer all FIVE questions in this section. Each question carries 4 marks.

1. a) What are goods sold on a sale-or-return basis? (1)
   b) How are goods sold on a sale-or-return basis accounted for by the seller? (2)
   c) How are goods sold on a sale-or-return basis reported in the financial statements of the seller? (1)

2. a) Define depreciation. (1)
   b) Briefly describe **FOUR** causes of depreciation. (2)
   c) Which accounting concept is applied when accounting for depreciation? (1)

3. In the context of a manufacturing concern:
   a) Describe unrealized profits and explain how they are accounted for. (3)
   b) Give **ONE** reason why a manufacturing concern would account for unrealized profits. (1)

4. In the context of a non-profit organization:
   a) Explain the difference between ordinary membership fees and life membership fees. (1)
   b) Describe the accounting treatment for the **TWO** types of membership fees mentioned in 4 a), highlighting the underlying accounting concept. (3)

5. a) Identify the objective of preparing financial statements according to the IASB's Conceptual Framework. (1)
   b) In order for financial statements to achieve their objective, the financial information included should have certain qualitative characteristics. Briefly describe **THREE** of the qualitative characteristics mentioned in the IASB's Conceptual Framework. (3)

(Total: 20 marks)

Please turn the page.

SECTION B

Answer Question 6 in this section. This question is compulsory and carries 30 marks.

6. Black Dog Ltd, is a toy and miniature model retailer, with establishments around Gozo and Malta. You are preparing to close off its annual financial statements and have been provided with the following trial balance as at 31 December 2024:

	DR €	CR €
Freehold Premises (Cost/Depreciation)	12,617,000	3,028,080
Furniture, fixtures & fittings (Cost/Depreciation)	2,050,100	980,556
Motor Vehicles (Cost/Depreciation)	103,000	45,702
Inventory	1,180,000	
Trade Receivables	840,000	
Allowance for expected credit losses		4,000
Cash at Bank	772,603	
Trade Payables		755,165
Loans		2,500,000
Ordinary Share Capital (€1 Nominal)		8,000,000
Retained Earnings		1,600,000
Sales		8,201,050
Purchases	3,238,541	
Water and Electricity	762,937	
Legal Fees	5,000	
Sales and Marketing costs	94,440	
Loan Interest paid	10,000	
Wages and Salaries	2,050,263	
Directors' remuneration	195,000	
Administration Expenses	838,230	
Maintenance and repair costs	316,434	
Motor Vehicles repairs	41,005	
	25,114,553	**25,114,553**

Further information:

a) The value of the closing inventory was €1,120,000. Items which had originally cost €20,000 were identified as defective beyond repair and needed to be discarded. The estimated cost of disposal is €1,000.

b) Two employees working in the warehouse of the company claimed to have been injured and have sued the company. One of them was awarded a compensation of €50,000 by court order. The other has filed a judicial suit for €10,000 in damages. However, the company's lawyers have advised that the claimant has a weak case, and it is highly likely that the court will favour the company.

c) During the final two months of the year, the company accepted a large contract of sale on credit. €950,000 of these sales were not recorded in the above trial balance.

d) Trade receivables include an amount of €150,000 which are long overdue. The company engaged external credit management advisors who have reported that the specified debtor is in financial difficulties and as such only €75,000 of the amount due will most likely be recovered. Based on their in-house historical analysis of companies with similar profile to this customer, the directors feel that 10% of the remaining balance may prove difficult to recover.

e) Freehold premises are depreciated over 50 years on a straight-line method basis. Furniture, Fixtures and fittings are depreciated over their estimated useful life of 10 years on a straight-line basis. Motor vehicles are depreciated using the reducing balance method at 15% per annum. A full year's depreciation is taken on all property, plant and equipment in the year of acquisition.

f) Credit purchases of €180,000 were completely overlooked and not recorded in the books. Due to late payment, the company incurred €5,400 as a late payment fee, to be paid with the balance.

g) The loan account in the trial balance includes a new loan of €1,700,000 at 2% interest, which was taken out halfway throughout the year. No interest has been paid to date on this new loan. The interest paid in the above trial balance pertains to loans which existed at the beginning of the year. These bear interest at 2.5% per annum.

h) Wages of €175,000 were unpaid as at year end. Administration fees of €25,000 were paid for services to be rendered in 2025.

Required:

A. Prepare a Statement of Profit or Loss for the year ended 31 December 2024. (17)

B. Prepare a Statement of Financial Position as at 31 December 2024. (13)
*(Note that these financial statements are **not** intended for publication purposes)*

(Total: 30 marks)

Please turn the page.

SECTION C

Answer any TWO questions from this section. Each question carries 25 marks.

7. Alexia is a sole trader, dealing in clothing and footwear. On the night of 16 August 2025, her warehouse was flooded due to a burst water pipe, and all her inventory was completely ruined. Alexia's stock was fully insured, and she is entitled to claim the value at cost of the inventory which she lost. Alexia has asked you to help her in determining the value of stock destroyed. The insurance company is also asking for a profit or loss account up to the date of the incident.

   Alexia has provided you with the following information:

   a) The last stocktaking exercise took place on 31 December 2024. At that date, inventory was valued at €136,000.
   b) Alexia's statement of financial position as at 31 December 2024 shows trade receivables and trade payables of €142,780 and €106,930, respectively.
   c) Outstanding sales invoices as at 16 August 2025 amounted to €123,090.
   d) Invoices received from suppliers and still unpaid as at 16 August 2025 amounted to €114,500.
   e) In February and June 2025, Alexia had taken some clothes and shoes for personal use. The sales value of the appropriated goods amounted to €600 and €820, respectively.
   f) Alexia's Cash Book records the following transactions between 1 January and 16 August 2025:

	€
Cash sales	28,470
Receipts from trade receivables	243,800
Returns in	1,420
Cash purchases	6,900
Payments to trade payables	184,700
Returns out	980

   g) Alexia trades at a uniform gross profit mark-up of 25%.
   h) Her net profit margin normally reaches 12%. Expenses are apportioned between selling and distribution and administrative expenses in the ratio 6:8.
   i) Following the accident, Alexia has incurred repairs and cleaning expenses amounting to €2,500, which are not part of normal operations.

Required

A. Draft a Trading Account to estimate the value of the inventory at cost as at the date of the accident. (15)

B. Prepare a Profit or Loss account for Alexia for the period 1 January to 16 August 2025. (5)

C. Compute the rate of stock turnover for the period 1 January to 16 August 2025 and discuss its significance. (5)

(Total: 25 marks)

8. The following is the Statement of Financial Position of Seafood plc for the year ended 31 December 2024 with corresponding prior year figures:

	31 December 2024		31 December 2023	
	€'000	€'000	€'000	€'000
Non-current assets		1,580		1,260
Accumulated depreciation		(710)		(540)
		870		720
Current assets:				
Inventories	340		260	
Trade receivables	230		270	
Bank	97	667	-	530
		1,537		***1,250***
Financed by:				
Share capital				
(Ordinary shares of €0.80 each)		980		800
Share Premium		20		-
Revaluation reserve		50		-
Retained earnings		120		90
		1,170		890
6% Debentures		100		-
Current liabilities:				
Trade payables	240		280	
Accruals	27		50	
Bank overdraft	-	267	30	360
		1,537		***1250***

Additional notes for the year ended 31 December 2024:

a) The company had paid a dividend of €0.05 per share existing at the beginning of 2024.
b) During the year, the company made a bonus issue of 1 for every 8 Ordinary Shares. This was followed by an issue of 100,000 Ordinary Shares at €1 each.
c) The 6% debentures were issued on 1 July 2024. Interest is payable annually in arrears.
d) Based on a professional valuation, the directors had increased the value of land by €50,000. This was the first revaluation made by the company.
e) A motor vehicle, which had originally cost €18,700 and accumulated depreciation of €9,800, was disposed of for €6,900 during the last quarter of the year.

Required:

A. Prepare a Statement of Cashflows for the year ended 31 December 2024. (22)
B. Describe **TWO** differences between a Statement of Cashflows and a Statement of Profit or Loss. (3)

(Total: 25 marks)

Please turn the page.

9. The following are the financial statements of Penguin plc and of Otter plc for the year ended 31 December 2024:

	Penguin plc		Otters plc	
	€	**€**	**€**	**€**
Statement of Profit or Loss				
Revenue		1,650,000		2,130,000
Cost of sales		(1,100,000)		(1,065,000)
Gross profit		550,000		1,065,000
Operating expenses				
Administration	125,000		386,000	
Selling	85,000	(210,000)	254,000	(640,000)
		340,000		425,000
Finance costs		-		(12,000)
Net profit		**340,000**		**413,000**
Statement of Financial Position				
Non-current assets		400,000		750,000
Current assets:				
Inventories	24,600		61,200	
Trade receivables	85,600		42,300	
Bank	71,800	182,000	-	103,500
		582,000		**853,500**
Equity:				
Ordinary share capital		400,000		600,000
Share premium		60,000		-
Retained earnings		54,000		14,000
		514,000		614,000
Non-current liabilities:				
6% debentures				200,000
Current liabilities:				
Trade payables	40,000		14,000	
Accruals	28,000		11,500	
Bank Overdraft	--		14,000	
		68,000		39,500
		582,000		**853,500**

Other information:

a) Opening inventories: **€**

Penguin	42,400
Otters	58,800

b) All sales were on credit terms.

c) Penguin's capital was made up of shares of €0.50 each while Otters' shares were of €1 each.

Required:

A. Compute adequate ratios to assess the following areas for **both** companies:
   i. Profitability (4 ratios); (8)
   ii. Liquidity (2 ratios); (4)
   iii. Efficiency (2 ratios); (4)
   iv. Capital structure (2 ratios). (4)

B. Draw up a short report highlighting the strengths and weaknesses of Penguin plc and Otter plc based on your workings in question A above. (5)

(Total: 25 marks)

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

L-Università ta' Malta

ADVANCED MATRICULATION LEVEL
2025 SECOND SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	II
DATE:	1st September 2025
TIME:	9:00 a.m. to 12:05 p.m.

This paper contains **THREE** sections. Follow the instructions below.

SECTION A
Answer all **FIVE** questions from this section. Each question carries 4 marks.

SECTION B
Answer question 6. **This question is compulsory** and carries 30 marks.

SECTION C
Answer any **TWO** questions from this section. Each question carries 25 marks.

You must show the working leading up to your answers.
Candidates may only use non-programmable calculators in this examination.

SECTION A

Answer all FIVE questions in this section. Each question carries 4 marks.

1. Distinguish between the following types of remuneration, briefly describing the circumstances that would be suitable for **each** method:
   a) The time rate method; (1)
   b) The piece rate method; (1)
   c) The guaranteed piece rate method; and (1)
   d) The bonus on time saved method. (1)

2. a) Define labour turnover. (1)
   b) Describe **TWO** causes of a high labour turnover. (2)
   c) Provide **ONE** reason why a high labour turnover should be avoided. (1)

3. A company has established the material standard cost of one unit to be €25, made up of 10 kg at €2.50 per kg. During the month of August 2025, the company produced 1,200 units, using 11,800 kg of material costing €30,700.
   a) Calculate the material usage variance and material price variance for the month of August. (2)
   b) Provide **ONE** reason that may have caused the material usage variance and **ONE** reason that may have caused the material price variance. (1)
   c) Explain how the material usage variance and the material price variance could be interlinked. (1)

4. In absorption costing, the total fixed production overhead variance can be called over-absorbed or under-absorbed overhead.
   a) Identify **TWO** reasons why a total fixed production overhead variance may arise. (2)
   b) Are over-absorbed overheads a favourable or an adverse variance? Why? (2)

5. Discuss **TWO** differences between management accounting and financial accounting. (4)

(Total: 20 marks)

Please turn the page.

SECTION B

Answer Question 6 in this section. This question is compulsory and carries 30 marks.

6. Flower Tile Ltd, a tile retailer, has been in business for several years. Recently, it has been facing significant challenges. Although the construction industry is booming, the ceramic tile industry has become fiercely competitive, and the company is struggling with declining revenues, profits and cash flow. The following forecast information has been provided by the management of Flower Tile Ltd:

a) Projected statement of financial position as at 30 September 2025

	€	€
Non-Current Assets		
Property, plant and equipment		307,500
Current Assets		
Inventory	64,000	
Trade receivables	168,000	232,000
		539,500
Share Capital		78,000
Retained earnings		139,600
		217,600
Non-Current Liabilities		
5% Loan 2035		150,000
Current liabilities		
Bank overdraft	81,000	
Trade payables	74,400	
Income tax due (see note j)	12,500	
Accrued expenses (see note h)	4,000	171,900
		539,500

b) Estimated gross sales (before deducting any cash discounts) for the period August 2025 to January 2026 are as follows:

	€
August	160,000
September	150,000
October	240,000
November	180,000
December	210,000
January	240,000

c) Selling prices are set at a uniform gross profit mark-up of 50%.

d) 20% of each month's sales are received in the same month of the sale and these customers qualify for a 5% cash discount. 50% of each month's sales are received in the first month following the sale and the remaining balance of 30% is received in the second month following the sale. This credit policy has been in force throughout 2025. It has been noted that 1% of the receipts expected in the second month do not materialise. The directors of Flower Tile Ltd would like to take this element of bad debts into consideration when computing the budget, without creating an allowance for expected credit losses.

e) In line with the company's inventory policy, the purchasing manager ensures that at the end of each month the inventory level covers 40% of the projected sales of the following month.

f) 40% of the purchases are paid for immediately and the company benefits from a 2% cash discount. The remainder are paid in the month following the month of purchase. Even this credit policy has been in force throughout 2025.

g) Wages and salaries, totaling €11,000 per month, are paid within the month they are incurred.

h) The accrued expenses in the statement of financial position on 30 September 2025 refer to other selling and administration overheads which are €8,000 per month. One quarter of this is paid in the month incurred. One half of the stated amount is paid in the following month. The remainder represents the depreciation on the non-current assets of the company.

i) Capital expenditure commitments are due for payment in December 2025. These amount to €25,000 and relate to a new delivery van which costs €45,000. The remaining balance will be paid in equal instalments over the next 12 months. At the end of December, the company is planning to sell its old van for €4,600 which will be €600 more than its book value at that date. No adjustment is required to the depreciation amount in note (h) above.

j) Income tax due of €12,500 is expected to be paid by the end of December 2025. Assume that there are no other tax implications.

k) The interest on the 5% loan is payable twice annually, at the end of September and March.

Required:

A. Prepare a detailed monthly cash budget for the 3 months ending 31 December 2025 for Flower Tile Ltd. (15)

B. Draft a projected Profit or Loss Statement for the 3 months ending 31 December 2025 and a Statement of Financial Position as at that date. (15)

(Total: 30 marks)

Please turn the page.

SECTION C
Answer any TWO questions from this section. Each question carries 25 marks.

7. Candle House Ltd held 1,200 units of one particular stock item on 1 March 2025, valued in the financial statements at €120,000.

The following purchases were made during the month of March 2025:

Date	Units	Total cost including 18% VAT - €
02-Mar	1,000	129,800
07-Mar	1,400	180,068
15-Mar	2,200	329,692
20-Mar	1,900	307,154

VAT on purchases is recoverable.

Details of sales carried out during the same month are as follows:

Date	Units	Total sales proceeds including 18% VAT - €
05-Mar	1,300	271,400
12-Mar	1,500	306,800
18-Mar	1,100	236,000
25-Mar	1,600	342,200

The following additional information has been made available:

	Normal	**Maximum**	**Minimum**
Consumption per day	140 units	200 units	120 units

The re-order period is between 8 to 12 days and the re-order quantity is 2,200 units.

Required:

A. Calculate the value of inventory as at 31 March 2025 using the following methods of valuation:
   i. First In First Out (FIFO); and (5)
   ii. Weighted Average Cost (AVCO) (5)
   Note: The stock value per unit is to be calculated correct to 2 decimal places.

B. Calculate the profit for the month of March 2025 using **each** method of inventory valuation mentioned in question A. (4)

C. On the basis of the rate of consumption registered during the month of March 2025, calculate:
   i. Re-order level; (2)
   ii. Minimum stock level; and (2)
   iii. Maximum stock level. (2)

D. Define inventory valuation. Outline **TWO** reasons why inventory valuation is important. (5)

(Total: 25 marks)

8. Softy is a fabric conditioner produced for the local market, which undergoes two processes, namely, the mixing of ingredients during Process A and putting in additives and bottling in Process B. The output of Process A is the input of Process B. The output from Process B is transferred to finished inventory. The following information is available for the month of August 2025:

Process A

Material A	12,000 litres at €1 per litre
Labour	1,100 hours at € 10.20 per hour
Overheads	€ 4,900
Normal Loss	10% of volume input
Output	10,200 litres
Sale of scrap	€0.10 per litre

There was no work in process at the beginning and end of the month for Process A.

Process B

Material B	11,200 litres at €1.90 per litre
Packing Material	€740
Labour	800 hours at € 12.70 per hour
Overheads	€ 6,700
Output	20,500 litres
Sale of scrap	€1.00 per litre

There was no work in process at the beginning or end of the month for Process B. Packing material is only added to good output when 100% complete.

Required:

A. Prepare the **TWO** Process Accounts, and the Abnormal loss or Abnormal gain accounts for **each** process. (21)

B. Describe **TWO** differences between job costing and process costing. (4)

(Total: 25 marks)

Please turn the page.

9. Advsmart Ltd was set up three years ago, producing stainless steel double-wall insulated vacuum bottles which are lightweight and dishwasher safe. Demand for these bottles has increased significantly during the last year and Advsmart's management is currently discussing plans for the next financial year. The chief financial officer has provided the following budgeted information for vacuum bottles:

Selling price per bottle		€60.00
Variable production cost per bottle:		
Direct material (0.75kg at €20/kg)	€15.00	
Direct labour (1.5 hours at €12/hr)	€18.00	
Variable overheads	€6.00	€39.00
Fixed production costs		€26,000 per annum
Fixed selling and distribution costs		€10,000 per annum
Sales commission		5% of selling price
Sales		10,000 bottles

Following the increased demand for these vacuum bottles, the sales director has recommended that the company introduces another product in the market next year: a lightweight stainless steel travel mug which is also leakproof. These mugs will be produced using the same material as the vacuum bottles. Market research studies have been undertaken and the following information has been shared with the company's management during the last board meeting:

a) There will be no change in the demand for bottles if travel mugs are introduced on the market: - 10,000 bottles are still expected to be sold at a price of €60 per bottle.
b) During the first year, demand for travel mugs is expected to be 6,000 at a selling price of €30 per mug. To produce one mug, 0.4 kg of material is required. Total variable production costs are estimated at €18 per mug. The same rate of sales commission will be applied.
c) If both the vacuum bottles and the travel mugs are produced, fixed costs are expected to increase to €45,000 in total.
d) The purchasing director has just received information from the company's main supplier that direct material will be limited to 8,625kg next year.

Required:

A. For the vacuum bottles **only**, calculate:
   i. The break-even point in units and sales value. (3)
   ii. The percentage by which the budgeted sales can fall before the company begins to make a loss. (2)
   iii. The contribution/sales (C/S) ratio. (2)

B. The board of directors has agreed to produce both the vacuum bottles and the travel mugs next year. However, they require more information on the number of bottles and travel mugs which should be produced to maximise profits.
   i. Prepare a statement advising the board on the most profitable option if direct material will be limited to 8,625kg; (9)
   ii. Calculate the total expected profit for the next financial year based on your recommendation in question B.i. (4)

C. Define the term 'limiting factor'. Describe **TWO** reasons why limiting factor analysis is important in planning and decision-making. (5)

(Total: 25 marks)