MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

INTERMEDIATE MATRICULATION LEVEL
2026 FIRST SESSION

SUBJECT:	**Accounting**
DATE:	19th May 2026
TIME:	9:00 a.m. to 12:05 p.m.

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

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

Section B
Answer question 6. This question carries 30 marks.

Section C
Answer any **ONE** question from this section. This section carries 25 marks.

Section D
Answer any **ONE** question from this section. This section 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. Identify **FOUR** users of financial information and describe their information needs. (4)

2. Distinguish between:
   a) Authorised share capital and issued share capital; and (2)
   b) Ordinary shares and debentures. (2)

3. First in first out (FIFO) and weighted average cost (AVCO) are two methods of inventory valuation.
   a) Highlight the difference between the two methods; and (2)
   b) Explain the effect of **each** method on reported profits, in times of rising prices. (2)

4. Methods of employee remuneration include the time rate and piece rate methods.
   a) Briefly describe **each** remuneration method, highlighting the circumstances when **each** method would be suitable; and (2)
   b) Highlight **ONE** advantage and **ONE** disadvantage of **each** remuneration method. (2)

5. a) Draft a break-even chart showing the total sales, total cost, break-even point, budget profit; and (2)
   b) Describe **TWO** limitations of break-even analysis. (2)

(Total: 20 marks)

SECTION B

Answer Question 6. This question carries 30 marks.

6. The trial balance of Piano Limited as at 31 December 2025 is shown below:

	€	€
Sales		170,300
Purchases	39,700	
Property, plant and equipment	89,000	
Motor vehicles	70,000	
Accumulated depreciation at 1 January 2025:		
Property, plant and equipment		25,500
Motor vehicles		22,500
Inventories at 1 January 2025	7,900	
Returns in	3,000	
Carriage in	3,000	
Carriage out	1,500	
Distribution costs	2,500	
Administrative expenses	16,000	
Employees' remuneration	40,000	
Directors' remuneration	15,500	
Allowance for expected credit losses at 1 January 2025		3,000
Loan interest paid	1,200	
Rent received		6,200
Trade receivables	49,000	
Trade payables		2,500
Cash	10,500	
Bank	29,700	
6% bank loan		40,000
Interim dividend	10,000	
Retained earnings		11,500
Ordinary share capital		100,000
Share premium		5,000
General reserve		2,000
	388,500	**388,500**

Additional information for the year ended 31 December 2025:

a) The inventory of goods at year-end was valued at €8,500.

b) A motor vehicle purchased on 5 August 2022 for €27,000 was scrapped after it was involved in an accident. The company received €2,000 from the insurance company and credited this amount in the Sales Account. No other entry was done in the books.

c) The company's depreciation policy is as follows:
Property, plant and equipment: 15% on net book value.
Motor vehicles: 15% on cost.
A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
None of the assets had been fully depreciated by 31 December 2025.

d) Administration expenses include a prepayment of €500.

e) Trade receivables include a debt of €2,000 which is to be written off as the debtor has been declared bankrupt. In addition, the company wants to make a specific allowance of €1,500 for a trade receivable balance which is expected to result in a credit loss.

f) The loan was issued on 1 February 2025. Interest is payable half-yearly on 31 July and 30 January. The interest due on 31 July 2025 was paid on the due date.

g) Audit fees amounting to €6,500 have not been provided for.

h) A bonus issue of €25,000 was made on 1 November 2025, utilising retained earnings. The bonus issue has been properly recorded in the accounts of Piano Limited.

Required:

A. Prepare the statement of profit or loss of Piano Limited for the year ended 31 December 2025. (14)

B. Prepare the statement of changes in equity and the statement of financial position as at 31 December 2025. (11)

C. Describe **TWO** main differences between a public and a private company. (5)

(Total: 30 marks)

Please turn the page.

SECTION C

Answer ONE question from this section. This section carries 25 marks.

7. PA plc is a freight forwarding company, offering shipping and logistics services to Maltese locals. On 1 January 2025, it had the following balances on its books:

	Cost (€)	**Date of Purchase**
Motor Vehicles:		
Container truck	80,000	December 2022
Refrigerated truck	120,000	August 2023
Open trailer truck	70,000	June 2020
Computer equipment	31,250	June 2020
Loose tools	18,000	N/A

PA plc's depreciation policy for its motor vehicles is 20% straight line. The estimated residual value of the three trucks owned on 1 January 2025 is nil. Computer equipment is depreciated at 20% reducing balance. A full year's depreciation is charged on non-current assets acquired during the year. No depreciation is charged on non-current assets disposed of during the year.
During the year ended 31 December 2025, the following transactions took place:

a) The open trailer truck was sold for scrap in November for €5,000. A new modernised open trailer truck was purchased for €80,000. The estimated residual value of the new open trailer truck is nil.

b) In April, the container truck was part-exchanged for another container truck, costing €90,000. The new container truck has specific hydraulic features which the company needs as a result of the new business it took onboard. The trade-in value of the old container truck was €20,000. The new container truck has an estimated residual value of €15,000.

c) Another acquisition which occurred during the year included a refrigerated truck, costing €90,000. The estimated residual value is nil.

d) In May, the company purchased some loose tools for €4,500. The company estimates that the loose tools held at year-end shall be valued at €20,250.

Required:
For the year ended 31 December 2025:

A. Prepare the motor vehicles account (this including the container, refrigerated and open trailer trucks), the computer equipment account and the loose tools account. (8)
B. Prepare the allowance for depreciation accounts for the motor vehicles and computer equipment. (12)
C. Prepare the disposal account for the company's motor vehicles. (5)

Show all balances to be carried forward and transfers to the statement of profit or loss.

(Total: 25 marks)

8. Caroline owns a shop called "Simply Elegance", a high-end ladies' clothing boutique specialising in premium-quality dresses and accessories. She opened the shop on 1 January 2024 and in a short period of time it established itself and attracted a loyal customer base. Caroline does not keep proper books of account. The following information is available for the year ended 31 December 2025:

	1 January 2025	**31 December 2025**
	€	**€**
Inventory	56,400	42,300
Shop furnishings and fittings at carrying value	34,500	32,700
Trade payables	12,740	?
Rent of shop paid in advance	1,500	3,000
General expenses due	430	580
Cash	500	500
Bank (debit balance)	15,300	?

Caroline has provided the following additional information for the year ended 31 December 2025:

a) A summary of the bank transactions for the year ended 31 December 2025: -

	€
Cash sales banked	292,200
Payments to trade payables	187,040
Drawings	15,000
Rent of shop	16,500
General expenses	34,700
Wages of assistants	36,000
Purchase of shop furnishings	700
Donation	300

b) All purchases are made on credit; all sales are on a cash basis. Caroline's policy is to set a 60% mark-up on all her products.

c) All receipts from sales were banked except for €1,000 monthly which Caroline kept for personal needs and €40 weekly to pay the cleaner. The shop is open for 50 weeks during the year.

d) Caroline took some dresses and accessories for her own use during the year. She estimated their sales value to be €5,400.

e) Each of the two shop assistants is entitled to a performance bonus equal to 2% of all cash sales for the year ended 31 December 2025. These bonuses have not yet been paid.

f) Caroline purchased some shop furnishings during the year for €700. This was paid in full by cheque. There were no further purchases or disposals of equipment during the year.

Required:

A. Calculate the capital of Simply Elegance as at 1 January 2025. (4)

B. For Caroline's Simply Elegance, prepare the statement of profit or loss for the year ended 31 December 2025 and the statement of financial position as at that date. (21)

(Total: 25 marks)

Please turn the page.

SECTION D

Answer ONE question from this section. This section carries 25 marks.

9. Pony Ltd produces food for animals. The company has recently developed a new type of animal food, which production is planned to begin in August 2026. The company is in the process of preparing its cash budget and would like to know the effect that the new product will have on its bank balance. The following information about the new product is available:

a) Production and sales have been estimated as follows:

	August	**September**	**October**	**November**	**December**
Production (units)	1,500	2,000	2,000	1,000	1,500
Sales (units)	1,000	1,500	1,500	1,000	500

b) The selling price is expected to be €50 per unit. Only 10% of the sales are for cash, and these qualify for a 3% cash discount.

c) It is anticipated that 1% of the credit sales will never be collected and have to be written off as bad debts. 70% of the collectible amount will be received one month after the sale. The remaining 30% of the collectible amount will be received two months after the sale.

d) The ingredients to make this animal food cost €30 per unit. They are purchased 1 month before they are needed in production. The payment for purchases is split: 60% is paid in the month after the purchase, and the remaining 40% is paid two months after the purchase.

e) Advertising costs, amounting to €5,500 per month, are to be paid in the month that they are incurred.

f) Bank charges, amounting to €2,000 per annum, are to be paid in one yearly instalment in October.

g) Annual wages amount to €91,000. Wages are paid weekly. There are 4 weeks in each month and 52 weeks in one year.

Required:

A. Prepare a monthly cash budget for the new food product for the three months August, September and October 2026, showing the monthly cash effect and cumulative monthly cash balance. (20)

B. Calculate the balances of trade receivables and trade payables as at 31 October 2026. (5)

(Total: 25 marks)

10. Franco plc has three production departments, namely machining, molding and finishing. The production departments are supported by two service departments, the maintenance shop and the stores. The budgeted production overheads for the period are as follows:

	€
Maintenance repairs	40,000
Rent	50,000
Factory insurance	25,000
Employee insurance	45,000
Water and electricity	15,000
Indirect wages	94,500
Equipment depreciation	12,600
Buildings depreciation	800
Canteen costs	2,340

The following information has also been determined:

	Machining	**Molding**	**Finishing**	**Maintenance**	**Stores**
Number of indirect employees	6	8	3	5	5
Number of direct employees	6	5	7	-	-
Floor area (square metres)	200	100	50	100	50
Water & Electricity usage (%)	60	20	20	-	-
Equipment cost (€)	350,000	250,000	150,000	-	-
Machine hours	30,000	25,600	20,100	-	-
Direct labour hours	10,500	11,500	14,000	-	-

The costs of the service departments are to be apportioned to the production departments according to the water and electricity usage.

During the period, one particular job, namely Job SMO, had the following information:

	Machining	**Molding**	**Finishing**
Direct materials (€)	1,500	1,200	1,000
Direct labour (€)	2,150	1,600	850
Machine hours	893	800	750
Labour hours	300	410	490

Required:

A. Calculate a suitable overhead recovery rate for **each** production department. (18)

B. Calculate the production cost of Job SMO. (7)

(Total: 25 marks)