L-Università ta' Malta

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

SECONDARY EDUCATION CERTIFICATE LEVEL
2026 MAIN SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	I – Level 1-2-3
DATE:	19th May 2026
DURATION:	2 hours 5 minutes

Answer ALL questions.

Answer **ALL** the questions in the accounts, formats and spaces provided.

Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets.

SECTION A

This section carries 55 marks.

1. Smart Lighting Ltd is a firm producing a standard lighting equipment. The following list of balances was extracted from the books of the firm on 31 December 2025:

	€
Inventories 1 January 2025:	
Raw materials	14,300
Work-in-progress	17,700
Finished goods	12,300
Inventories 31 December 2025:	
Raw materials	12,700
Work-in-progress	12,600
Finished goods	?
Purchases of raw materials	158,200
Carriage on purchases	2,900
Purchases returns	3,500
Direct factory wages	57,600
Indirect factory wages	46,200
Royalties	6,000
Water & Electricity	16,400
Maintenance of machinery	5,400
Machinery at cost	121,000
Machinery allowance for depreciation 1 January 2025	20,000
Office equipment at cost	80,000
Office equipment allowance for depreciation 1 January 2025	32,000
Administrative and Selling expenses	67,200
Carriage outwards	6,300
Insurance	12,000

This question continues on next page.

Other information available to date:

a. During the year ended 31 December, 2,560 units were produced. On 1 January 2025 the firm held 100 finished units.
b. During the year ended 31 December 2025, the selling price per unit was €210 and the firm sold 2,530 units.
c. It is the policy to depreciate machinery by 20% per annum using the Reducing Balance Method.
d. It is the policy to depreciate office equipment by 10% per annum using the Straight Line Method.
e. Water and Elecricity is to be apportioned between the factory and the administrative sections in the ratio of 3:1 respectively.
f. Insurance is to be apportioned between the factory and the administrative sections in the ratio of 2:1 respectively.

Required:

i. A manufacturing account for the year ended 31 December 2025. (Page 3) (14)
ii. Calculate the production cost per unit. (Page 4) (1)
iii. Calculate the value of closing inventory of finished goods using the current unit cost. (Page 4) (3)
iv. A statement of profit or loss for the year ended 31 December 2025. (Page 4) (9)
v. An extract of the statement of financial position as at 31 December 2025 showing **only** the Non Current Assets section. (Page 5) (3)

This space may be used for workings and/or rough work:

i. **Manufacturing account for the year ended 31 December 2025**

	€	€

ii. Production cost per unit:

iii. Value of closing inventory of finished goods:

iv. **Statement of profit or loss for the year ended 31 December 2025**

	€	€

v. **Statement of financial position extract as at 31 December 2025**

	€	€	€

(Total: 30 marks)

2. Home and Tools is a retail business that has two departments at its retail outlet – Electrical Tools and Household Appliances. The following is an extract from the trial balance as at 31 December 2025:

		€
Opening Inventory	Electrical Tools	16,000
	Household Appliances	21,000
Purchases	Electrical Tools	216,200
	Household Appliances	254,000
Closing Inventory	Electrical Tools	18,000
	Household Appliances	25,000
Shop Assistants' Wages		90,000
Rent		15,000
Insurance		5,000
Water & Electricity		8,000
Sales	Electrical Tools	306,000
	Household Appliances	375,000
Non Current Assets		140,000

Additional information:

a. The departmental store has two floors, each floor allocated to a department. The floor area of the two departments is equal.
b. The business employs 6 shop assistants each day. The Electrical Tools department requires 2 shop assistants while the Household Appliances department requires 4 employees.
c. Water and electricity, rent, insurance and depreciation are to be apportioned in accordance to floor area.
d. The business pays a commission of 1% of Sales to its shop assistants.
e. Depreciation of non-current assets is to be calculated at the rate of 20% per annum on the net book value of the assets held at the end of the year.

Required:

i. A columnar statement of profit or loss for the year ended 31 December 2025, showing the gross profit and the net profit of **each** department. Total columns are required. (15)

This question continues on next page.

Statement of profit or loss for the year ended 31 December 2025

	Electrical Tools		Household Appliances		Total	
	€	€	€	€	€	€

ii. Calculate the % gross profit mark-up of **each** department. (3)

	Electrical Tools	**Household Appliances**
Gross Profit x 100		
Cost of Sales		

iii. Calculate the % net profit margin of **each** department (to two decimal places). (3)

	Electrical Tools	**Household Appliances**
Net Profit x 100		
Sales		

iv. Evaluate the performance of **each** department from the results of the above accounting ratios. Discuss the implications of the results of these accounting ratios.

____

____

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____

____

____ (4)

(Total: 25 marks)

This space may be used for workings and/or rough work:

Please turn the page.

SECTION B

This section carries 45 marks.

3. a. Define the historical cost concept.

____

____

____(2)

b. i. Identify the purpose of a trial balance.

____

____(1)

ii. Define the money measurement concept.

____

____(2)

c. Martina has included her winnings from lotto as other revenue in the firm's statement of profit or loss for the year, but her accountant excluded this amount from this statement. Distinguish between a business transaction and a private transaction, and explain why the accountant excluded this amount from the profit statement.

____

____

____(3)

d. The following balances were extracted from the books of Marija on 31 March 2026:

	€
Non-current assets	200,000
Trade receivables	28,000
Bank	39,000
Cash	1,000
Sales	172,000
Purchases	128,000
Inventory 1 April 2025	14,500
Water and electricity	5,600
Communication expenses	3,200
Insurance	2,500
Commission received	500
Drawings	21,200
Trade payables	20,500
Capital	?

Prepare a trial balance as at 31 March 2026 and calculate the capital balance. (7)

Trial balance as at 31 March 2026

	€	**€**

(Total: 15 marks)

4. Pippa's business had the following transactions during April 2026:

1 April	Credit sales to Martha of €650 excluding VAT.
6 April	Credit purchases from Vino Ltd of €1,250 (list price) excluding VAT. A trade discount of 20% was given.
9 April	Credit sales to Mora of €944 including VAT.
14 April	Martha returned goods worth €118 including VAT.
23 April	Mora returned goods worth €50 excluding VAT.
30 April	Credit purchases from Timmy of €2,360 including VAT.

Assume VAT to be at the rate of 18%.

Required: (Answer in the overleaf space on page 10.)

a. Prepare the Sales daybook. (4)

b. Prepare the Purchases daybook. (4)

c. Prepare the VAT account for April 2026 on the assumption that there was **no** opening balance from previous periods. Balance the account at the end of the month. (5)

d. List **TWO** types of source documents. (2)

The question continues on next page.

a. **Sales Daybook**

2026	Details	NET	VAT	GROSS
		€	€	€

b. **Purchases Daybook**

2026	Details	NET	VAT	GROSS
		€	€	€

c. **VAT Account**

2026	Details	€	2026	Details	€

d. **TWO** source documents

____

____

(Total: 15 marks)

5. a. Define payroll.

____

____ (2)

b. What is the purpose of a bank statement?

____

____ (2)

c. Upon receiving the bank statement on 30 April 2026, David updated the bank account in the cash book. He provides you with the following information:

- The updated cash book balance shows an overdraft of €650.
- Cheques payable totalling €2,900 posted in the cash book, had not yet been presented to the bank for payment.
- Cheques of €3,200 deposited in the bank and recorded in the cash book, had not yet been acknowledged by the bank.

Prepare the bank reconciliation statement as at 30 April 2026. (5)

Bank Reconciliation Statement as at 30 April 2026

	€	€

d. A business employs 100 workers who are paid a basic wage rate of €10 per hour for a normal 40 labour hours per week. Employee deductions for the National Insurance contribution and Income Tax total 20% of gross wages.

Record the above in the wages account, and in the national insurance and income tax account below for a 4-week payroll period ending 30 April 2026. (6)

Wages account

2026	Details	€	2026	Details	€

National Insurance and Income Tax account

2026	Details	€	2026	Details	€

(Total: 15 marks)

Please turn the page.

This space may be used if extra space is required to complete a question, writing the relative question number.

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MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

SECONDARY EDUCATION CERTIFICATE LEVEL
2026 MAIN SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	II – Level 1-2
DATE:	19th May 2026
DURATION:	2 hours 5 minutes

Answer ALL questions.

Answer **ALL** the questions in the accounts, formats and spaces provided. There may be more space than you need. Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ~~☒~~ and then mark your new answer with a cross ☒.

Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets.

SECTION A

This section carries 35 marks.

1. a. Which of the following best explains the importance of using a spreadsheet in accounting?

☐ It allows accountants to design company logos and marketing materials easily.
☐ It helps store, organise and automatically calculate financial data accurately and efficiently.
☐ It replaces the need for all accounting knowledge and professional judgement.
☐ It prevents any financial errors from ever occurring, regardless of user input. (1)

b. A business takes out a bank loan of €10,000, and the money is deposited into the business bank account. What is the correct double entry?

☐ Dr Bank €10,000; Cr Capital €10,000.
☐ Dr Loan €10,000; Cr Bank €10,000.
☐ Dr Bank €10,000; Cr Loan €10,000.
☐ Dr Capital €10,000; Cr Bank €10,000 (1)

c. Why are source documents needed in accounting?

☐ They help businesses design financial statements more creatively.
☐ They provide written evidence of financial transactions, ensuring accuracy and reliability in the accounts.
☐ They automatically update all ledger accounts without human input.
☐ They remove the need for double-entry bookkeeping. (1)

This question continues on next page.

d. Which of the following reflects the break-even activity level?

- ☐ Sales exceed the variable costs.
- ☐ Sales exceed the total costs.
- ☐ Sales are equal to the total costs.
- ☐ Sales are equal to the fixed costs. (1)

e. Which of the following is an example of a direct cost for a business that manufactures wooden tables?

- ☐ Wood used to produce the tables.
- ☐ Factory rent.
- ☐ Depreciation of machinery.
- ☐ Supervisor's salary. (1)

(Total: 5 marks)

2. a. Mr Galea engaged in several activities over the past week. Review each transaction and decide whether it is a Business Transaction or a Private Transaction. The first one has been completed for you.

	Transaction	**Type of Transaction**
i.	Mr Galea bought groceries for his household for €85.	Private Transaction
ii.	Mr Galea paid €600 for advertising his shop on social media.	
iii.	The business sold goods worth €1,200 and issued a sales invoice.	
iv.	Mr Galea withdrew €300 from the business bank account to pay his personal mobile bill.	
v.	The business purchased new shelving for the shop for €450.	

(2)

b. Define the following:

i. Money measurement concept.

____

____ (1)

ii. Historical cost concept.

____

____ (1)

c. The following opening balances were extracted from the books of Chircop Fisheries on 1 January 2026:

	€
Cash at Bank	6,800
Capital	6,800

In the first week of January, the following transactions took place:

Date	**Transaction**
Jan 2	The owner deposited an additional €15,000 from his personal savings into the business bank account.
Jan 7	The owner withdrew €400 from the business bank account for personal use.

Required:

Post the transactions that have occurred during the first week of January in the appropriate accounts. (4)

Bank Account

2026	Details	€	2026	Details	€
Jan 1	Balance b/d	6,800			

Capital Account

2026	Details	€	2026	Details	€
			Jan 1	Balance b/d	6,800

2026	Details	€	2026	Details	€

(Total: 8 marks)

3. a. Fill in the blanks using the words from the word bank below. Each phrase is to be used **only** once.

trade discount	cash discount	cash transaction	credit transaction

In a ______________________________ the customer pays for the goods straight away, while in a ______________________________ the customer is allowed to pay at a later date. Businesses sometimes offer a ______________________________ to encourage credit customers to pay their debt on time. They may also offer ______________________________ to customers who buy in large quantities as a reward for buying more. (2)

b. Define Value Added Tax (VAT).

____

____ (1)

c. The Truffle Factory is a business specialising in the sale of premium handcrafted truffle chocolates. The following transactions have taken place in the first week of April 2026:

- **Apr 3** – Bought cocoa powder on credit from Tako Ltd. for €1,500, less 10% trade discount.
- **Apr 4** – Returned spoilt cocoa powder to Tako Ltd. valued at €500 (before trade discount).
- **Apr 6** – Bought packaging material on credit from A. Borg for €2,000, less 5% trade discount.
- **Apr 7** – Returned packaging material to A. Borg valued at €1,000 (before trade discount).

A VAT rate of 18% is to be applied to all purchases.

Required:

i. Prepare the purchases journal.

	A	B	C	D	E
1	Purchases Journal				
2	Apr-26		Net	VAT	Gross
3				18%	
4			€	€	€
5					
6					
7					
8					
9					

(2)

ii. Prepare the purchases returns journal.

	A	B	C	D	E
1	Purchases Returns Journal				
2	Apr-26		Net	VAT	Gross
3				18%	
4			€	€	€
5					
6					
7					
8					
9					

(2)

(Total: 7 marks)

4. a. What is the main use of a cash book in accounting?

____

____

____ (1)

b. What is a bank overdraft?

____

____

____ (1)

This question continues on next page.

c. The following bank statement was received by J. Mercieca at the end of May 2025. Calculate the balance after **each** transaction listed below stating whether it is a debit or a credit balance. (3)

Bank Statement

		Dr	Cr	Balance
		€	€	€
May 1	Balance b/d			840 Cr
May 3	Direct Debit: Water Services Corp.	120		
May 7	Credit Transfer A. Spiteri		980	
May 12	Standing Order: Motor Insurance	210		
May 17	Bank Interest Received		18	
May 22	Bank Charges	25		
May 30	Cash Withdrawal	67		

d. The following is the bank column in the cash book for the month of May 2025.

Cashbook

2025	Details	€	2025	Details	€
May 1	Balance b/d	840	May 5	Water and Electricity	120
May 19	D. Borg	310	May 10	Motor Insurance	210
			May 30	Cash	67
			May 31	Bal c/d	753
		1,150			1,150

Prepare the updated cash book (bank account columns) as at 31 May 2025 based on the bank statement provided in question 4c above. (3)

Updated Cashbook

2025	Details	€	2025	Details	€
May 31	Balance b/d	753			

(Total: 8 marks)

5. Linda started a small confectionery and employed two part-time employees to help her prepare cakes and sweets. She provided you with Table 1 below which includes some costs relating to the production of standard size Christmas cakes.

Table 1

Quantity (cakes)	**Cost of Ingredients**	**Workshop's Rent and Insurance**	**Employee Direct Wages**	**Other Variable Costs**	**Total Variable Cost**	**Total Cost**
	€	**€**	**€**	**€**	**€**	**€**
200	1,000	2,500	400	300		
500						

a. Calculate the costs for the different levels of output and complete Table 1 above for:

i. 200 cakes; and (1)

ii. 500 cakes. (3)

b. Distinguish between direct and indirect costs.

____

____

____(2)

c. Distinguish between variable and fixed costs.

____

____

____(1)

(Total: 7 marks)

This space may be used for workings and/or rough work:

Please turn the page.

SECTION B

This section carries 35 marks.

6. On 31 March 2026 the Trial Balance of Audrey, a sole trader, included the following balances:

	DR (€)	**CR (€)**
Premises at cost	250,000	
Accumulated Depreciation – Premises (1/4/25)		15,000
Motor Vehicles at cost	40,000	
Accumulated Depreciation – Motor Vehicles (1/4/25)		18,000
Inventory (1/4/25)	7,540	
Purchases and Sales	154,600	298,450
Sales Returns and Purchases Returns	2,930	3,480
Carriage Inwards	5,980	
Insurance	10,200	
Salaries	25,890	
Trade Receivables and Trade Payables	14,800	16,780
Allowance for Trade Receivables (1/4/25)		980

The following information was also provided:

- Inventory at cost as at 31 March 2026 was €6,120.

Required:

a. Complete the following statement to calculate Audrey's Gross Profit for the year ended 31 March 2026. (6)

Statement of profit or loss (extract) for the year ended 31 March 2026

	€	**€**
Sales		
Sales Returns		
Cost of Sales		
Opening Inventory		
Purchases		
Carriage In		
Purchases Returns		
Closing Inventory		
Gross Profit		

This space may be used for workings and/or rough work:

b. Audry provided the following additional information as at 31 March 2026:

- Salaries accrued amounted to €450.
- Insurance prepaid amounted to €1,200.
- Doubtful debts on 31 March 2026 amounted to €1,780.
- Allow for depreciation as follows:
  Premises 1% using the straight-line method.
  Motor Vehicles 25% using the reducing balance method.

Complete the Statement of Profit or Loss below showing the amounts to be included in the financial statement at year end, using the information provided from the list of balances in the Trial Balance and the additional end of year adjustments:

Statement of profit or loss (extract) for the year ended 31 March 2026

	€	**€**
Expenses		
Insurance		
Salaries		
Allowance for trade receivables		
Depreciation: Premises		
Depreciation: Motor Vehicles		

(5)

This question continues on next page.

c. State the effect of depreciation on profitability.

____

____

____(2)

d. State the effect of accrued and prepaid end of year expenses on profitability.

____

____

____(2)

e. Name **FIVE** main end-of-year adjustments.

____

____

____(5)

(Total: 20 marks)

7. a. Match the statement in column A with the term in column B. The first statement has already been matched. (5)

	COLUMN A		**COLUMN B**
i.	An unpaid water and electricity bill at the end of the financial year.		Capital expenditure
ii.	The main accounting concept that is applied when accounting for depreciation.		Prudence concept
iii.	Cost paid to improve an exiting computer is an example of this type of expenditure.		Business entity concept
iv.	This concept states that the records of the owner and the business should be kept separate.	**i.**	Accrued expense
v.	A sale is not recorded before the goods are actually sent to the customer because of this concept.		Revenue expenditure
vi.	Costs paid to repair a computer is an example of this type of expenditure.		Accruals concept

b. Fredu Cutajar has the following information for the financial year ended 31 December 2025 relating to his business:

- Water & Electricity expenses:
  Water & electricity bills of €6,700 were paid by cheque during the year. A bill of €1,500 covering the three months to 31 January 2026 was received on 5 February 2026; it is assumed that water and electricity was consumed evenly during these three months.
- Rent receivable:
  Fredu started renting out part of his premises as from 1 March 2025. On this date he received a cheque for €14,400 for the year to 28 February 2026.
- Allowance for Trade Receivables:
  On 1 January 2025 the balance of the allowance for trade receivables was €410. The business maintains a general allowance for trade receivables of 3%. Trade receivables on 31 December 2025 amounted to €29,500.

Required:

i. Complete the Water and Electricity account. (2)

Water & Electricity account

2025	**Details**	**€**	**2025**	**Details**	**€**
	Bank		Dec 31	Profit & Loss	
Dec 31	Bal c/d				
2026			**2026**		
			Jan 1	Bal b/d	

ii. Complete the Rent Receivable account. (2)

Rent Receivable account

2025	**Details**	**€**	**2025**	**Details**	**€**
Dec 31	Profit & Loss		Mar 1	Bank	
Dec 31	Bal c/d				
2026			**2026**		
			Jan 1	Bal b/d	

iii. Complete the Allowance for Trade Receivables account. (2)

Allowance for trade receivables account

2025	**Details**	**€**	**2025**	**Details**	**€**
Dec 31	Bal c/d		Jan 1	Bal b/d	
			Dec 31	Profit & Loss	
2026			**2026**		
			Jan 1	Bal b/d	

This question continues on next page.

c. In the space provided below, state what **each** of the following entries in the Disposal account marked (A), (B), (C) and (D) convey.

Disposal Motor Vehicles Account

2025	Details	€	2025	Details	€
Aug 1	**(A) Motor Vehicles**	24,000	Aug 1	**(B) Depreciation**	22,200
Dec 31	**(D) Profit & Loss**	2,500	Aug 1	**(C) Bank**	4,300
		26,500			26,500

(A) ____

____ (1)

(B) ____

____ (1)

(C) ____

____ (1)

(D) ____

____ (1)

(Total: 15 marks)

SECTION C

This section carries 30 marks.

8. a. Choose the correct word/phrase from the following table to complete the sentences below. Each word/phrase is to be used **only** once.

credit customers	sales ledger control account
single entry	sales ledger

A ________________________ is a total trade receivables account. It summarises all trancactions with ________________________ to control the accuracy of the personal accounts in the ________________________. Cash sales are credited in the sales account and debited in the cash book. In contrast, in a ________________________ book-keeping system a business transaction is recorded in only one account. (4)

b. Ben has been in business for a number of years but has never kept a set of books. In the beginning of 2026, he decided to maintain proper accounting records. He managed to extract the following opening balances as at 1 January 2026 from the few records that are available.

1 January 2026	**€**
Inventory	22,500
Trade payables	12,200
Loan	20,000
Trade receivables	17,500
Accrued expenses	2,300
Prepaid expenses	1,100
Accrued revenue	1,000
Cash	500
Bank overdraft	4,300
Non-current assets	60,500
Accumulated depreciation	10,200
Allowance for receivables	1,500

Required:

The statement of affairs as at 1 January 2026, calculating the opening capital. (6)

Statement of affairs as at 1 January 2026

	€	**€**

(Total: 10 marks)

Please turn the page.

9. a. Choose the correct word/phrase from the following table to complete the sentences below. Each word/phrase is to be used **only** once.

journal	principle	commission	suspense account

A ________________________________ is created when the totals of a trial balance fail to agree.

An error of ______________________________ occurs when a transaction is recorded in the wrong class of account. An error of ______________________________ occurs when a transaction is posted to the wrong name of the account. The ______________________________ is the book of prime entry which is used for the correction of errors. (4)

b. Noah is preparing the accounts of his business. After careful examination of the books, it was discovered that the following omissions and errors had been made:

i. The payment of loan interest of €300 was debited to the loan account and correctly credited in the bank account.

ii. A cheque payment of €240 for insurance was completely omitted from the books.

iii. A credit purchase of €520 from Juta Ltd was recorded in the books as €250.

Required:

Journal entries to correct the above errors (narratives are **not** required). (6)

Journal

	Dr €	**Cr €**

(Total: 10 marks)

10. a. Choose the correct word/phrase from the following table to complete the sentences below. Each word/phrase is to be used **only** once.

comparability	consistency	understandability	timeliness

Financial information must be presented clearly so that users can easily interpret it. This describes the characteristic of ___________________________. ___________________________ is when accountants use the same accounting methods from one period to the next. Financial information must be available to users quickly enough to influence their decisions. This is known as __________________________. __________________________ is when different businesses use similar accounting methods, to ensure that financial statements become easier to compare. (4)

b. The following data is taken from the accounts of Joe Borg.

	Joe Borg
	€
Net Profit	100,000
Non-Current Assets	350,000
Current Assets	150,000
Current Liabities	100,000

Calculate the following accounting ratios:

i. Return on capital employed. (4)

ii. Current ratio. (2)

(Total: 10 marks)

Please turn the page.

DO NOT WRITE ABOVE THIS LINE

This space may be used if extra space is required to complete a question, writing the relative question number.

L-Università ta' Malta

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

SECONDARY EDUCATION CERTIFICATE LEVEL
2026 MAIN SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	II – Level 2-3
DATE:	19th May 2026
DURATION:	2 hours 5 minutes

Answer ALL questions.

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Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets.

SECTION A

This section carries 35 marks.

1. a. At the end of the month, the VAT account shows a debit (Dr) closing balance of €2,400. What does this indicate?

☐ The business collected €2,400 more VAT from customers than it paid on purchases.
☐ The business must pay €2,400 to the tax authorities as VAT liability.
☐ The business made €2,400 profit before VAT.
☐ The business is owed €2,400 in VAT by the tax authorities. (1)

b. A business is deciding whether to sell goods for cash or on credit. Which of the following is an implication of selling on credit?

☐ The business receives the money at the moment the sale is made.
☐ The business avoids the possibility that customers may not pay.
☐ The business may increase sales but will receive the money at a later date.
☐ The business must record the sale in the cash book immediately. (1)

c. A business notices a direct debit entry on its bank statement. What does this item represent?

☐ An automatic payment where the amount taken can change each time.
☐ A fixed amount transferred every month to another account.
☐ Money received from a customer straight into the bank account.
☐ A cheque paid into the bank that was later rejected. (1)

This question continues on next page.

d. A business sells a product for €45 per unit. The variable cost per unit is €27, and fixed costs total €54,000 per year. What is the break-even point in units?

- ☐ 2,000 units.
- ☐ 2,500 units.
- ☐ 3,000 units.
- ☐ 3,500 units. (1)

e. A business produced 5,000 units of a product during the year at a total production cost of €75,000 (made up of direct materials €30,000, direct labour €20,000, and factory overheads €25,000). At year-end, 1,200 units remained unsold as finished goods. What is the value of the closing inventory of finished goods?

- ☐ €12,000.
- ☐ €18,000.
- ☐ €1,200.
- ☐ €75,000. (1)

(Total: 5 marks)

2. a. A business uses a spreadsheet package to maintain its Drawings Account using the running balance method. An extract of the account entries for June 2025 is shown below. Write down the formula that should be used in cell E5 to correctly calculate the balance.

	A	B	C	D	E	F	G
1	Drawings Account						
2	**2025**	**Details**	**Debit**	**Credit**	**Balance**		
3			€	€	€		
4	01-Jun	Balance b/d			300	Dr	
5	03-Jun	Cash a/c	150				
6	10-Jun	Purchases a/c	100				
7	17-Jun	Bank a/c	200				
8	29-Jun	Purchases a/c	50				
9							
10							

Answer: (1)

b. The following opening balances were extracted from the books of Chircop Fisheries on 1 January 2026:

	€
Cash at Bank	6,800
Capital	6,800

In the first week of January, the following transactions took place:

Date	**Transaction**
Jan 2	The owner deposited an additional €15,000 from his personal savings into the business bank account.
Jan 3	Bought goods for €2,300 by cheque from OceanCatch Supplies.
Jan 5	Bought freezing equipment for €3,900 on credit from Bugeja Marine.
Jan 6	Sold fish for €1,450, with the amount received through the bank.

Required

i. Record the opening balances for the Bank Account and Capital Account. (1)

ii. Post the transactions that have occurred during the first week of January in the appropriate accounts. (6)

Bank Account

2026	Details	€	2026	Details	€

Capital Account

2026	Details	€	2026	Details	€

This question continues on next page.

2026	Details	€	2026	Details	€

2026	Details	€	2026	Details	€

2026	Details	€	2026	Details	€

2026	Details	€	2026	Details	€

(Total: 8 marks)

3. a. A business engaged in the following transactions during the month. Review **each** transaction and state whether the discount mentioned is a trade discount or a cash discount.

	Transaction	**Type of Transaction**
i.	The business purchased goods listed at €2,000 but was allowed a 10% reduction because it is a regular customer.	
ii.	The business sold goods for €150 and offered the customer a 5% discount if payment is made within 7 days.	
iii.	The business issued an invoice for €800. The customer paid within the agreed credit period and received a €20 deduction for early settlement.	
iv.	The business purchased stationery costing €300, and the supplier allowed a 15% reduction on the price due to bulk buying.	

(2)

b. State **ONE** reason why a remittance advice is useful to a supplier when receiving a payment from a customer.

____

____ (1)

c. The Truffle Factory is a business specialising in the sale of premium handcrafted truffle chocolates. The following transactions have taken place in the first week of April 2026:

- Apr 1 – Bought cocoa powder on credit from Tako Ltd. for €1,500, less 10% trade discount.
- Apr 2 – Returned spoilt cocoa powder to Tako Ltd. valued at €500 (before trade discount).
- Apr 3 – Bought packaging material on credit from A. Borg for €2,000, less 5% trade discount.
- Apr 6 – Returned packaging material to A. Borg valued at €1,000 (before trade discount).

A VAT rate of 18% is to be applied to all purchases.

Required

i. Prepare the purchases journal. (2)

	A	B	C	D	E
1	Purchases Journal				
2	Apr-26		Net	VAT	Gross
3				18%	
4			€	€	€
5					
6					
7					
8					
9					

This question continues on next page.

ii. Prepare the purchases returns journal. (2)

	A	B	C	D	E
1	Purchases Returns Journal				
2	Apr-26		Net	VAT	Gross
3				18%	
4			€	€	€
5					
6					
7					
8					
9					

iii. Write the formula that should go in Cell D5 of the purchases returns journal to calculate the VAT, so it can be used for all the entries in the journal when you drag it down.

Answer:

(1)

(Total: 8 marks)

4. The bank columns of Megan's cash book for the month of May 2025 is shown below:

	A	B	C	D	E	F
1	Cash book (Bank Column)					
2	May 2025	Details	Debit	Credit	Balance	
3			€	€	€	
4	May-01	Balance b/d			500	Cr
5	May-03	Standing Order: Bank Loan		900	1,400	Cr
6	May-09	Received from L Bonnici	1,500		100	Dr
7	May-10	Cheque 1048		300	200	Cr
8	May-16	Received from F Dimech	850		650	Dr
9	May-19	Cheque 1050		150	500	Dr
10	May-23	Cheque 1051	400		900	Dr
11	May-25	Fuel Expenses		30	870	Dr
12	May-30	Direct Debit: Arms Ltd		360	510	Dr

The bank statement received on 2 June 2025 showed an overdraft balance of €1,510. When reconciling the bank statement with the above cash book, Megan noted that:

- The bank statement shows a direct debit of €65 for communications made on 27 May 2025.
- Cheques 1048 and 1050 were not presented to the bank by 31 May 2025.
- The receipt of 9 May 2025 recorded in the above cash book had not been credited by the bank.

- Bank charges of €55 for May were in the bank statement.
- A cheque of €850 received on 16 May from F Dimech was returned by the bank due to insufficient funds. The bank debited the business's account, but no entry was made in the books.

Required:

a. An updated cash book (bank account columns) as at 31 May 2025 using the running balance method. (3)

	A	B	C	D	E	F
1	Cash book (Bank Column)					
2	May 2025	Details	Debit	Credit	Balance	
3			€	€	€	
4						
5						
6						
7						
8						

b. A bank reconciliation statement as at 31 May 2025. (4)

	€	**€**

(Total: 7 marks)

Please turn the page.

5. Qawsalla Glass is a leading producer of handmade glassware. The business produces an extensive collection of products.

a. The production of a standard size Christmas Tree was very successful during the festive season. During the year ended 31 December 2025, 15,000 Christmas Trees were produced. The prime cost and the factory overheads for the production of this product were €90,000 and €15,000 respectively. During the year 14,500 Christmas Trees were sold at €14 each. The business did not have an opening inventory of this item on 1 January 2025.

i. Calculate the cost of production of **each** Christmas Tree.

____

____(2)

ii. Prepare a statement of Profit or Loss for the year ended 31 December 2025 to calculate the gross profit from the sale of this product (Trading Account). (3)

	€	€

b. Qawsalla Glass will be introducing a new item on the market, a red rose, for Valentine's Day. The marketing department is confident that this product will be very popular. The costs to produce this product and the proposed selling price are the following:

	€
Prime cost per unit	6
Variable overhead cost per unit	2
Fixed costs for the period	42,000
Selling price per unit	20

Calculate the break-even point in units. (2)

(Total: 7 marks)

This space may be used for workings and/or rough work:

Please turn the page.

SECTION B

This section carries 35 marks.

6. The following trial balance was extracted from the books of Audrey, a sole trader, on 31 March 2026:

	DR (€)	CR (€)
Land & Buildings at cost	350,000	
Accumulated Depreciation - Buildings (1/4/25)		15,000
Motor Vehicles at cost	40,000	
Accumulated Depreciation – Motor Vehicles (1/4/25)		18,000
Inventory (1/4/25)	7,540	
Purchases and Sales	154,600	298,450
Returns	2,930	3,480
Carriage In	5,980	
Insurance	10,200	
General expenses	44,090	
Commission Receivable		8,980
Trade Receivables and Payables	14,800	16,780
Allowance for Trade Receivables (1/4/25)		980
Irrecoverable Debts	600	
6% Bank Loan		20,000
Loan interest	300	
Cash	120	
Bank		4,200
Drawings	15,000	
Capital (1/4/25)		260,290
	646,160	646,160

The following information was provided after the preparation of the above trial balance:

- Inventory at cost on 31 March 2026 was €6,120.
- Audrey withdrew goods costing €600 for her personal use.
- Commission receivable accrued on 31 March 2026 amounted to €1,400.
- On 31 March 2026 insurance prepaid amounted to €1,200.
- The bank loan was acquired on 1 July 2025.
- A general allowance of 5% of trade receivables is maintained.
- The Land & Buildings include land costing €100,000.
- Allow for depreciation as follows:
  - Buildings 1% using the straight-line method
  - Motor Vehicles 25% using the reducing balance method

Required:

a. The statement of profit or loss for the year ended 31 March 2026. (11)

Statement of profit or loss for the year ended 31 March 2026

	€	**€**

This question continues on next page.

b. The statement of financial position as at 31 March 2026. (9)

Statement of financial position as at 31 March 2026

	€	**€**	**€**

(Total: 20 marks)

This space may be used for workings and/or rough work:

Please turn the page.

7. The following information for the financial year ended 31 December 2025 relates to the business of Fredu Cutajar:

- Rent Receivable

The business receives rent in advance. On 1 January 2025, the rent receivable account showed a prepayment of €3,000 being rent for January and February. During the year ended 31 December 2025, a cheque of €9,000 was received on 1 March for the six months to 31 August 2025 and another cheque of €8,000 was received on 1 September for the five months to 31 January 2026.

- Allowance for Depreciation – office equipment

The following information relates to the office equipment owned by the business:

	1 January 2025
Cost (€)	36,000
Accumulated Depreciation (€)	12,800

On 1 June 2025, a computer that had been purchased on 1 February 2023 for €3,600 was sold for €670.

On 1 August 2025 a new computer was purchased for €2,900, paying by cheque.

It is the policy of the business to depreciate equipment at 25% p.a. using the straight-line method, charging depreciation for each month of ownership. (All workings should be calculated to the nearest Euro).

This space may be used for workings and/or rough work:

Required:

In the space provided for the year ended 31 December 2025, draw up the:

i. Rent receivable account; (5)

Rent receivable account

2025	Details	€	2025	Details	€

ii. Allowance for depreciation – Office Equipment account; (7)

Allowance for depreciation – Office Equipment account

2025	Details	€	2025	Details	€

iii. Disposal – Office Equipment account. (3)

Disposal – Office Equipment account

2025	Details	€	2025	Details	€

(Total: 15 marks)

SECTION C

This section carries 30 marks.

8. Gejtu has been in business for many years. He did not keep proper books of account but he managed to extract the following balances from the few records that are available.

	1 January 2025	31 December 2025
	€	€
Cash in hand	nil	100
Trade receivables	12,000	15,500
Trade payables	9,500	10,200
Non current assets	90,000	81,000
Inventory	14,000	15,000
Bank	4,500	5,300
Accrued expenses	1,500	2,500

- Gejtu withdrew €3,000 monthly from the bank for personal use.

Required:

i. The statement of affairs at 1 January 2025 to calculate the opening capital; (3)

Statement of affairs as at 1 January 2025

	€	€	€

ii. The statement of affairs at 31 December 2025 to calculate the net profit for the year. (7)

Statement of affairs as at 31 December 2025

	€	€	€

(Total: 10 marks)

9. Noah prepared the accounts and the financial statements for the year ended 31 March 2026. The net profit for the year was €42,800. After careful examination of the books, it was discovered that the following omissions and errors had been made:

a. Purchases Returns of €250 were posted as sales returns. The correct entry was made in the personal account.
b. A credit sale of €970 was posted in the books as €790.

This space may be used for workings and/or rough work:

Required:

i. Journal entries to correct the above errors (narratives are **not** required); (5)

Journal

	Dr €	**Cr €**

ii. The suspense account showing the balance for the difference in the trial balance; (2)

Suspense Account

2026	**Details**	**€**	**2026**	**Details**	**€**

iii. A statement to correct net profit. (3)

Statement to correct net profit

	€	**€**	**€**

(Total:10 marks)

10. The following accounting ratios for the years ended 31 December have been calculated for Gloom Ltd:

	2024	**2025**
Current Ratio	2:1	0.4:1
Return on capital employed	38%	17%

a. Distinguish between liquidity and profitability of a business.

____

____

____ (2)

b. Evaluate **TWO** risks at 31 December 2025 arising from the change in the current ratio of Gloom Ltd.

____

____

____ (2)

c. State **TWO** possible reasons for Gloom Ltd's lower return on capital employed in 2025.

____

____

____ (2)

d. Explain the following characteristics of accounting information:

i. Understandability____

____ (1)

ii. Timeliness____

____ (1)

iii. Comparability____

____ (1)

iv. Consistency____

____ (1)

(Total: 10 marks)

Please turn the page.

DO NOT WRITE ABOVE THIS LINE

This space may be used if extra space is required to complete a question, writing the relative question number.