



**L-Università
ta' Malta**

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE
EXAMINATIONS BOARD

**SECONDARY EDUCATION CERTIFICATE LEVEL
2025 MAIN SESSION**

SUBJECT: **Accounting**
 PAPER NUMBER: I – Level 1-2-3
 DATE: 30th May 2025
 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. Tinda Production is a firm producing tents. The following balances have been extracted from the trial balance of the firm on 31 December 2024:

| | € | € |
|---|---------|---------|
| | Dr | Cr |
| 5% Loan | | 50,000 |
| Loan interest paid | 1,250 | |
| Raw material purchases | 260,000 | |
| Direct wages | 240,000 | |
| Indirect wages | 64,000 | |
| Inventories: Raw materials | 45,000 | |
| Finished goods | 38,250 | |
| Work-in-progress | 11,504 | |
| Electricity | 10,500 | |
| Royalties | 24,000 | |
| Rent | 18,000 | |
| Insurance | 14,500 | |
| Carriage inwards | 4,200 | |
| Carriage outwards | 3,800 | |
| Selling expenses | 22,600 | |
| Sales returns/Purchases returns | 3,200 | 2,100 |
| General administration expenses | 28,400 | |
| Discounts allowed/Discounts received | 4,400 | 5,300 |
| Sales | | 920,000 |
| Machinery at cost/ Machinery depreciation | 350,000 | 120,000 |
| Office equipment/Depreciation | 80,000 | 21,000 |

This question continues on next page.

The following additional information is also provided:

a. Inventories at 31 December 2024:

- Raw materials €39,000
- Work-in-progress €13,000
- Finished goods €51,500

b. Annual depreciation is to be provided as follows:

- Machinery 20% on net book value
- Office equipment 20% on cost

c. Insurance was prepaid by €1,500 and electricity was accrued by €500.

d. The interest on loan is paid in two equal instalments but only one has been paid. The amount due for the last six months of the year has not yet been accounted for.

e. The following costs are to be apportioned as follows:

| | Factory expenses | Administrative expenses |
|-------------|-------------------------|--------------------------------|
| Electricity | 6 | 5 |
| Insurance | 4 | 1 |
| Rent | 3 | 2 |

Required:

- i. A manufacturing account for the year ended 31 December 2024; (16)
- ii. A statement of profit or loss for the year ended 31 December 2024; and (10)
- iii. An extract of the statement of financial position as at 31 December 2024 showing **ONLY** the Non Current Assets section. (4)

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

2. Stay Safe is a retail business that has two departments at its retail outlet – Industrial Equipment and Home Equipment. The following is an extract from the trial balance as at 31 December 2024:

| | € |
|--|---------|
| Sales | |
| Industrial Equipment | 820,000 |
| Home Equipment | 410,000 |
| Inventory at 1 January 2024 | |
| Industrial Equipment | 92,500 |
| Home Equipment | 55,000 |
| Non-current assets (Net Book Value) | 350,000 |
| Purchases | |
| Industrial Equipment | 330,000 |
| Home Equipment | 217,500 |
| Accrued water and electricity 1 January 2024 | 1,900 |
| Water and electricity payments during the year | 31,200 |
| Salaries | 84,000 |
| Rent | 26,000 |
| Communication expenses | 13,300 |
| Administrative expenses | 102,000 |
| Prepaid insurance 1 January 2024 | 14,000 |
| Insurance payments for the year 31 December 2024 | 44,000 |
| Discounts allowed | 5,000 |
| Motor vehicle expenses | 31,200 |

Additional information:

a. Inventory as at 31 December 2024:

| | € |
|----------------------|--------|
| Industrial Equipment | 97,000 |
| Home Equipment | 48,000 |

b. Prepaid insurance at 31 December 2024, €16,000.

c. Accrued expenses at 31 December 2024 were:

| | € |
|------------------------|-------|
| Water & electricity | 3,100 |
| Communication expenses | 2,300 |

d. 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.

e. Expenses are apportioned between the two departments as follows:

- Salaries, administrative expenses, communication expenses and motor vehicle expenses in proportion to sales;
- Only the Industrial Equipment Department allows discounts.
- All other expenses are to be apportioned equally between the two departments.

Required:

i. A columnar statement of profit or loss for the year ended 31 December 2024, showing the gross profit and the net profit of **each** department. Total columns are required. (21)

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

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.....
ii. Define allocation and apportionment.

(4)

(Total: 25 marks)

SECTION B

This section carries 45 marks.

3. a. Distinguish between assets and liabilities. (2)

(2)

b. What is a trial balance?

(1)

c. Explain why the business entity concept is important in accounting.

(2)

This question continues on next page.

d. Prepare a statement of financial position from the following list of balances at 31 December 2024. (10)

| | € | | € |
|----------------------------|---------|-------------------------|---------|
| Bank overdraft | 5,000 | Drawings for the year | 20,000 |
| Accounts Payable | 30,000 | Premises | 100,000 |
| Capital 1 January 2024 | 110,000 | Loan | 10,000 |
| Equipment | 30,000 | Net Profit for the year | 30,000 |
| Inventory 31 December 2024 | 25,000 | Accounts Receivable | 10,000 |

Statement of financial position as at 31 December 2024

| | € | € |
|--------------------------------------|---|---|
| <u>Assets</u> | | |
| <u>Non Current Assets</u> | | |
| | | |
| | | |
| | | |
| <u>Current Assets</u> | | |
| | | |
| | | |
| | | |
| | | |
| Total Assets | | |
| <u>Capital and Liabilities</u> | | |
| | | |
| | | |
| | | |
| <u>Non Current Liabilities</u> | | |
| | | |
| | | |
| <u>Current Liabilities</u> | | |
| | | |
| | | |
| Total Liabilities | | |
| Total Capital and Liabilities | | |

(Total: 15 marks)

4. a. List **THREE** source documents that are used to maintain an accounting system.

i. _____

ii. _____

iii. _____

(3)

b. Explain the difference between a cash transaction and a credit transaction.

_____ (2)

c. Name **TWO** day books.

_____ (1)

d. On 1 April 2025, Adagio sold goods, list price €2,000, to Allegro. The customer is entitled to a trade discount of 20%.

Assuming a VAT rate of 18%:

i. Calculate the trade discount.

_____ (1)

ii. Calculate the VAT on this transaction.

_____ (1)

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

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iii. Show how the entry for this transaction would appear in Adagio’s Sales Day Book. (2)

Sales day book

| 2024 | | Net € | Vat € | Gross € |
|------|--|----------|----------|------------|
| | | | | |
| | | | | |

iv. Prepare Allegro’s account in the sales ledger of Adagio. (2)

Allegro account

| 2024 | Details | € | 2024 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
| | | | | | |

v. Prepare the VAT account. (1)

VAT account

| 2024 | Details | € | 2024 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
| | | | | | |

vi. Prepare the Sales account. (2)

Sales account

| 2024 | Details | € | 2024 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
| | | | | | |

(Total: 15 marks)

5. a. Define the following terms:

i. Payroll

(1)

ii. Basic wage

(1)

iii. National Insurance

(1)

b. What is the use of a cash book?

(2)

c. Evaluate the opportunities and threats arising from borrowing from the bank.

(4)

d. What is the difference between the gross wage and the net wage?

(1)

This question continues on next page.

e. A business employs 50 workers who are paid a basic wage rate of €8 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 for March 2024, assuming a 4-week period. (5)

Wages account

| 2024 | Details | € | 2024 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

National Insurance and Income Tax account

| 2024 | Details | € | 2024 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
| | | | | | |
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| | | | | | |

(Total: 15 marks)

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|---------------|---------------------------|
| SUBJECT: | Accounting |
| PAPER NUMBER: | II – Level 1-2 |
| DATE: | 30 th May 2025 |
| 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. A purchase of machinery on credit from Trimz Machinery has the following double entry:
- Dr Machinery; Cr Bank.
 - Dr Trimz Machinery; Cr Machinery.
 - Dr Purchases; Cr Trimz Machinery.
 - Dr Machinery; Cr Trimz Machinery. (1)
- b. What is the primary purpose of preparing a trial balance?
- To determine the profit or loss of a business for a specific period.
 - To prepare the financial statements directly from the balances listed.
 - To verify that the total debits equal the total credits in the ledger accounts.
 - To identify the market trends affecting the business. (1)
- c. What is the primary purpose of a remittance advice?
- To confirm to suppliers which invoices are being paid with the current payment.
 - To track inventory levels before placing new orders with suppliers.
 - To track personal cash withdrawals from the business account.
 - To provide a monthly summary of sales and expenses to the owner. (1)
- d. Which of the following would be classified as an indirect cost for a car manufacturer?
- Tyres used in the assembly of a car.
 - Paint used to colour the cars.
 - Salary of the factory's security staff.
 - Wages of assembly line workers. (1)

e. A manufacturing business reports the following costs for one of its products: Direct material cost €50,000, direct labor cost €30,000, and factory overhead cost €20,000. What is the prime cost of this product?

- €70,000.
- €100,000.
- €80,000.
- €20,000.

(1)

(Total: 5 marks)

2.

| | A | B | C | D | E | F | G |
|----|--------------|-----------------------|--------------|---------------|----------------|----|---|
| 1 | Cash Account | | | | | | |
| 2 | 2024 | Details | Debit | Credit | Balance | | |
| 3 | | | € | € | € | | |
| 4 | 01-Mar | Cash in Hand | | | 1,000 | Dr | |
| 5 | 05-Mar | Sales a/c | 500 | | | | |
| 6 | 06-Mar | Rent a/c | | 800 | | | |
| 7 | 11-Mar | Sales a/c | 800 | | | | |
| 8 | 16-Mar | Cleaning a/c | | 100 | | | |
| 9 | 18-Mar | Computer Repairs a/c | | 200 | | | |
| 10 | 20-Mar | Commission a/c | 95 | | | | |
| 11 | 24-Mar | Office Stationery a/c | | 100 | | | |
| 12 | 30-Mar | Sales a/c | 400 | | | | |
| 13 | 31-Mar | Insurance a/c | | 1,200 | | | |
| 14 | | | | | | | |

a. A business uses a spreadsheet package to record its financial transactions using the running balance. An extract of the cash account entries for March 2024 is shown above. Write down the formula that should be used in cell E5 to correctly calculate the balance. (1)

b. A business engaged in several transactions over the past month. Review **each** transaction to determine if it was a cash transaction or a credit transaction. The first one has been done for you. (2)

| Transaction | Type of Transaction |
|--|---------------------|
| The business paid €1,200 for communication expenses directly from their bank account. | Cash Transaction |
| The business purchased office furniture worth €5,000. Payment is due within 60 days. | |
| The business sold goods valued at €1,500 and received payment via bank transfer the same day. | |
| The business agreed to buy €1,000 worth of office supplies, to be paid upon delivery next week. | |
| The business purchased a machine for €5,000 on a 12-month payment plan. First payment is due next month. | |

c. Ms Vega, the sole proprietor of Vega Designs, started the month of March 2025 with the following balances in her business accounts:

| | € |
|--------------|--------|
| Cash in Bank | 10,000 |
| Capital | 20,000 |

In March, the following transactions took place:

- Ms Vega withdrew €2,000 from the business bank account for her personal rent payment.
- Ms Vega deposited an additional €5,000 into the business from her personal savings into the business bank account.

Required

- Record the opening balances for the Bank Account and Capital Account; and (1)
- Post the transactions that have occurred in March in the appropriate accounts. (4)

| 2025 | Details | € | 2025 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
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| 2025 | Details | € | 2025 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
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| | | | | | |

| 2025 | Details | € | 2025 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
| | | | | | |
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| | | | | | |

(Total: 8 marks)

3. a. Fill in the blanks using the words from the word bank below: (2)

| | | | |
|----------------------|---------|-------------------|-------------|
| statement of account | invoice | cash sale receipt | credit note |
|----------------------|---------|-------------------|-------------|

Understanding various source documents is essential for maintaining accurate records and ensuring smooth business operations. A _____ is provided to a customer when they purchase goods in cash, serving as proof of payment. The _____ is a document issued by a seller to the buyer, detailing products or services sold on credit, including quantities and prices. When a customer returns goods or cancels services, a _____ is issued to adjust the original amount billed. A _____ is a summary sent to a customer listing all transactions, including credits and debits, over a specific period.

b. Krisp is a business specialising in the sale of high-quality office furniture. The following transactions have taken place during October 2024:

- **Oct 1** – Sold goods worth €5,000 to A. Grech on credit. A trade discount of 10% was allowed.
- **Oct 11** – Sold goods worth €3,500 to V. Sammut on credit.
- **Oct 12** – V. Sammut returned goods worth €500 due to defects.
- **Oct 15** – A. Grech returned unwanted goods worth €1,000 (before trade discount).

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

Required

i. Prepare the sales journal. (2)

| | A | B | C | D | E |
|---|----------------------|---|-----|-----|-------|
| 1 | Sales Journal | | | | |
| 2 | Oct-24 | | Net | Vat | Gross |
| 3 | | | | 18% | |
| 4 | | | € | € | € |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |

ii. Prepare the sales returns journal. (2)

| | A | B | C | D | E |
|---|------------------------------|---|-----|-----|-------|
| 1 | Sales Returns Journal | | | | |
| 2 | Oct-24 | | Net | Vat | Gross |
| 3 | | | | 18% | |
| 4 | | | € | € | € |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |

iii. Write down the formula that should be included in Cell E9 of the sales returns journal to calculate the total of column E. (1)

(Total: 7 marks)

Please turn the page.

4. a. Define the following:

i. Bank overdraft.

(1)

ii. Income Tax.

(1)

b. The following bank statement was received by A. Borg at the end of June 2024.

Calculate the balance after **each** transaction listed below stating whether it is a debit or a credit balance. (3)

Bank Statement

| | | Dr | Cr | Balance |
|----------------|------------------------------|-----|-----|---------|
| | | € | € | € |
| June 1 | Balance b/d | | | 500 Cr |
| June 5 | Standing Order: Loan Payment | 900 | | |
| June 10 | Cash Deposit | | 450 | |
| June 16 | Credit Transfer: R. Meli | | 700 | |
| June 20 | Bank Interest | 35 | | |
| June 24 | Direct Debit: G. Aquilina | 150 | | |
| June 29 | Bank Charges | 20 | | |

c. The following is the cash book for the month of June 2024.

Cashbook

| 2024 | Details | € | 2024 | Details | € |
|---------|-------------|-------|---------|---------------|-------|
| June 1 | Balance b/d | 500 | June 5 | Loan | 900 |
| June 8 | D. Bartolo | 435 | June 20 | Bank Interest | 35 |
| June 10 | Cash | 450 | June 27 | T. Muscat | 170 |
| | | | June 30 | Bal c/d | 280 |
| | | 1,385 | | | 1,385 |

Prepare the updated cash book (bank account columns) as at 30 June 2024 based on the bank statement provided in question 4(b). (3)

Updated Cashbook

| 2024 | Details | € | 2024 | Details | € |
|--------|-------------|-----|------|---------|---|
| June 1 | Balance b/d | 280 | | | |
| | | | | | |
| | | | | | |
| | | | | | |
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(Total: 8 marks)

5. The management of a factory provided you with the following table which includes some costs relating to the production of standard wooden doors.

| Quantity (doors) | Wood | Factory Building Insurance | Factory Rent | Machine Operators' Wages | Total Variable Cost | Total Cost |
|------------------|--------|----------------------------|--------------|--------------------------|---------------------|------------|
| | € | € | € | € | € | € |
| 500 | 50,000 | 12,000 | 36,000 | 12,500 | 62,500 | 110,500 |
| 1,000 | | | | | | |
| 2,000 | | | | | | |

Calculate the costs for the different levels of output and complete the table above:

- a. 1,000 units; and (3)
- b. 2,000 units respectively. (3)

c. Distinguish between variable and fixed costs. (1)

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

(Total: 7 marks)

SECTION B

This section carries 35 marks.

6. At 31 December 2024 the Trial Balance of Peter, a sole trader, included the following balances:

| | DR (€) | CR (€) |
|---|---------------|---------------|
| Premises - cost | 400,000 | |
| Premises - Accumulated Depreciation (1/1/24) | | 64,000 |
| Equipment - cost | 30,000 | |
| Equipment - Accumulated Depreciation (1/1/24) | | 17,700 |
| Inventory (1/1/24) | 12,900 | |
| Purchases and Sales | 190,800 | 315,000 |
| Returns In and Out | 3,900 | 3,400 |
| Insurance | 15,800 | |
| Water and Electricity | 17,400 | |
| Trade Receivables and Payables | 19,500 | 17,800 |
| Allowance for Receivables (1/1/24) | | 240 |

The following information was provided at 31 December 2024:

- Inventory at cost at 31 December 2024 was €7,800.

Required:

- a. Complete the following statement to calculate Peter’s Gross Profit for the year ended 31 December 2024. (6)

Statement of profit or loss (extract) for the year ended 31 December 2024

| | € | € |
|----------------------|---|---|
| Sales | | |
| Returns In | | |
| <u>Cost of Sales</u> | | |
| Opening Inventory | | |
| Purchases | | |
| Returns Outwards | | |
| Closing Inventory | | |
| Gross Profit | | |
| | | |
| | | |

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

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- b. At the end of the financial year the following additional information has been provided by Peter:
- Water and electricity accrued and insurance prepaid at 31 December 2024 amounted to €840 and €600 respectively.
 - Doubtful debts at 31 December 2024 amounted to €780.
 - Provide for depreciation as follows:
 - Premises 2% using the straight-line method
 - Equipment 20% using the reducing balance method

Complete the Statement of Profit or Loss and the Statement of Financial Position extracts below showing the amounts to be included in the financial statements 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 December 2024

| | € | € |
|---------------------------------|---|---|
| <u>Expenses</u> | | |
| Insurance | | |
| Water and electricity | | |
| Allowance for trade receivables | | |
| Depreciation: Premises | | |
| Depreciation: Equipment | | |

(5)

Statement of financial position (extract) as at 31 December 2024

| | € | € | € |
|---------------------------------|------|-----------------------------|-----|
| <u>Non-Current Assets</u> | Cost | Accumulated Depreciation | NBV |
| Premises | | | |
| Equipment | | | |
| <u>Current Assets</u> | | | |
| Inventory | | | |
| Trade Receivables | | | |
| Allowance for Trade Receivables | | | |
| Prepaid expense | | | |
| <u>Current Liabilities</u> | | | |
| Trade payables | | | |
| Accrued expense | | | |

(9)

(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 motor expenses bill at the end of the year. | | Capital expenditure |
| ii. | The main accounting concept in accounting for doubtful debts. | | Cost concept |
| iii. | This concept states that profit is the difference between revenue earned and expenses incurred in an accounting period. | i | Accrued expense |
| iv. | Insurance paid on a machine is an example of this expenditure. | | Prudence concept |
| v. | Delivery expenses paid on delivering a machine is an example of this expenditure. | | Accruals concept |
| vi. | This concept states that assets should be recorded at the price paid for them. | | Revenue expenditure |

b. Angela has the following information for the financial year ended 31 December 2024 relating to her business:

- Insurance expenses:
Insurance of €4,800 was paid by cheque on 1 April 2024 to cover the twelve months to 31 March 2025.
- Disposal of Motor Vehicle:
On 1 March 2024 Angela sold a motor vehicle for €4,600. This motor vehicle had been purchased in 2021 for €25,000. The accumulated depreciation on this motor vehicle up to 1 January 2024 amounted to €21,000.
- Allowance for Trade Receivables:
On 1 January 2024 the balance of the allowance for trade receivables was €700. The business maintains a general allowance for trade receivables of 5%. Trade receivables at 31 December 2024 amount to €17,800.

Required:

i. Complete the Insurance account. (2)

| Insurance account | | | | | |
|-------------------|---------|---|--------|---------------|---|
| 2024 | Details | € | 2024 | Details | € |
| 1 Apr | Bank | | 31 Dec | Profit & Loss | |
| | | | 31 Dec | Bal c/d | |
| | | | | | |
| 2025 | | | 2025 | | |
| 1 Jan | Bal b/d | | | | |
| | | | | | |

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ii. Complete the Disposal – Motor Vehicle account. (2)

Disposal – Motor Vehicle account

| 2024 | Details | € | 2024 | Details | € |
|--------|----------------|---|-------|--------------|---|
| 1 Mar | Motor Vehicles | | 1 Mar | Depreciation | |
| 31 Dec | Profit & Loss | | 1 Mar | Bank | |
| | | | | | |
| | | | | | |

iii. Complete the allowance for trade receivables account. (2)

Allowance for trade receivables account

| 2024 | Details | € | 2024 | Details | € |
|-------------|---------|---|-------------|---------------|---|
| 31 Dec | Bal c/d | | 1 Jan | Bal b/d | |
| | | | 31 Dec | Profit & Loss | |
| | | | | | |
| 2025 | | | 2025 | | |
| | | | 1 Jan | Bal b/d | |

iv. In the space provided below, state what **each** of the following entries in the Rent Payable account marked (A), (B), (C) and (D) convey. (4)

Rent Payable Account

| 2024 | Details | € | 2024 | Details | € |
|-------------|-----------------|-------|-------------|------------------------------|-------|
| 1 Jan | Bank (A) | 3,300 | 31 Dec | Profit & Loss (C) | 3,600 |
| 1 Nov | Cash (B) | 600 | 31 Dec | Bal c/d (D) | 300 |
| | | 3,900 | | | 3,900 |
| 2025 | | | 2025 | | |
| 1 Jan | Bal b/d | 250 | | | |

(A) _____

(B) _____

(C) _____

(D) _____

(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.

| | |
|--------------------|----------------------|
| incomplete records | statement of affairs |
| single entry | double entry |

With _____ book-keeping a business transaction is recorded in only one account. In contrast, in a _____ accounting system every debit entry has a corresponding credit entry. When a business does not record its transactions it will have _____. A _____ is prepared to find capital by deducting the liabilities of a business from its assets. (4)

b. Jack has been in business for a number of years selling mobile phones and accessories. He did not keep proper books of account but he managed to extract the following details from the few records that are available.

| | 1 January 2024 | 31 December 2024 |
|-------------------|-----------------------|-------------------------|
| | € | € |
| Trade receivables | 15,500 | 17,000 |
| Trade payables | 10,200 | 9,800 |

A summary of Jack’s bank statements for the year to 31 December 2024 includes:

| | € | | € |
|---------------------------------|----------|----------------------------|----------|
| Receipts from trade receivables | 195,200 | Payments to trade payables | 178,200 |

Required:

i. The sales ledger control account. (3)

| 2024 | Details | € | 2024 | Details | € |
|-------------|----------------|----------|-------------|----------------|----------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

This question continues on next page.

ii. Identify the name of **each** of the above (a) to (c) errors.

(3)

iii. Identify **ONE** limitation of a trial balance.

(1)

(Total: 10 marks)

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

Please turn the page.

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.

| | | | |
|-----------|-----------|-------------------|-------------|
| liquidity | allocated | accounting ratios | apportioned |
|-----------|-----------|-------------------|-------------|

The purpose of _____ is to identify the strengths and weaknesses of a business. The _____ ratios contrast the current assets to the current liabilities to assess the ability of the business to pay its short term debts.

A departmental statement of profit or loss is prepared to calculate the profit of each department. Common costs for all the departments are _____ between the departments using a suitable basis. Costs that are directly incurred by a department are _____ to that department. (4)

b. List **FOUR** users of accounting information.

_____ (2)

c. List **TWO** main characteristics of accounting information.

_____ (2)

d. Name **TWO** different categories of employment in the financial and accounting sectors.

_____ (2)

(Total: 10 marks)



| | |
|---------------|---------------------------|
| SUBJECT: | Accounting |
| PAPER NUMBER: | II – Level 2-3 |
| DATE: | 30 th May 2025 |
| 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. A business purchases goods worth €5,000 on credit. How does this transaction affect the financial position of the business?
- Increases assets and decreases liabilities.
 - Increases liabilities and decreases assets.
 - Increases assets and liabilities.
 - Has no effect on the financial position. (1)
- b. Why is the money measurement concept important in accounting?
- It ensures that only transactions with a financial value are recorded.
 - It allows businesses to include all forms of data, such as customer feedback, in financial statements.
 - It ensures that all cash transactions are prioritised over credit transactions in accounting records.
 - It eliminates the need for other accounting principles. (1)
- c. The closing balance of a VAT account shows a credit balance. How should this be interpreted?
- The business owes VAT to the tax department.
 - The business has overpaid VAT and is due a refund from the tax department.
 - The business has collected less VAT from customers than it has paid on purchases.
 - The business has no VAT liability and no VAT refund is due at the end of the period. (1)

This question continues on next page.

d. Which of the following would most likely be classified as an indirect cost for a car manufacturer?

- Tyres used in the assembly of a car.
- Paint used to colour the cars.
- Salary of the factory's security staff.
- Wages of assembly line workers. (1)

e. A company manufactures 500 units of a product during a month at a total production cost of €10,000. At the end of the month, 100 units remain unsold as closing inventory. What is the value of the closing inventory?

- €10,000.
- €1,000.
- €2,000.
- None of the above. (1)

(Total: 5 marks)

2.

| | A | B | C | D | E | F | G |
|----|--------------|-----------------------|--------------|---------------|----------------|----|---|
| 1 | Cash Account | | | | | | |
| 2 | 2024 | Details | Debit | Credit | Balance | | |
| 3 | | | € | € | € | | |
| 4 | 01-Mar | Cash in Hand | | | 1,000 | Dr | |
| 5 | 05-Mar | Sales a/c | 500 | | | | |
| 6 | 06-Mar | Rent a/c | | 800 | | | |
| 7 | 11-Mar | Sales a/c | 800 | | | | |
| 8 | 16-Mar | Cleaning a/c | | 100 | | | |
| 9 | 18-Mar | Computer Repairs a/c | | 200 | | | |
| 10 | 20-Mar | Commission a/c | 95 | | | | |
| 11 | 24-Mar | Office Stationery a/c | | 100 | | | |
| 12 | 30-Mar | Sales a/c | 400 | | | | |
| 13 | 31-Mar | Insurance a/c | | 1,200 | | | |
| 14 | | | | | | | |

a. A business uses a spreadsheet package to record its financial transactions using the running balance. An extract of the cash account entries for March 2024 is shown above. Write down the formula that should be used in cell E5 to correctly calculate the balance. (1)

b. A business engaged in several transactions over the past month. Review **each** transaction to determine if it was a cash transaction or a credit transaction. The first one has been done for you. (2)

| Transaction | Type of Transaction |
|--|---------------------|
| The business paid €1,200 for communication expenses directly from their bank account. | Cash Transaction |
| The business purchased office furniture worth €5,000. Payment is due within 60 days. | |
| The business sold goods valued at €1,500 and received payment via bank transfer the same day. | |
| The business agreed to buy €1,000 worth of office supplies, to be paid upon delivery next week. | |
| The business purchased a machine for €5,000 on a 12-month payment plan. First payment is due next month. | |

c. Ms Vega, the sole proprietor of Vega Designs, started the month of March 2025 with the following balances in her business accounts:

| | € |
|--------------|--------|
| Cash in Bank | 10,000 |
| Capital | 20,000 |

In March, the following transactions took place:

- Ms Vega withdrew €2,000 from the business bank account for her personal rent payment.
- Ms Vega deposited an additional €5,000 into the business from her personal savings into the business bank account.

Required

- Record the opening balances for the Bank Account and Capital Account; and (1)
- Post the transactions that have occurred in March in the appropriate accounts. (4)

| 2025 | Details | € | 2025 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
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This question continues on next page.

| 2025 | Details | € | 2025 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
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| 2025 | Details | € | 2025 | Details | € |
|------|---------|---|------|---------|---|
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(Total: 8 marks)

3. Krisp is a business specialising in the sale of high-quality office furniture. The following transactions have taken place during October 2024:

- **Oct 1** – Sold goods worth €5,000 to A. Grech on credit. A trade discount of 10% was allowed.
- **Oct 11** – Sold goods worth €3,500 to V. Sammut on credit.
- **Oct 12** – V. Sammut returned goods worth €500 due to defects.
- **Oct 15** – A. Grech returned unwanted goods worth €1,000 (before trade discount).

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

Required

a. Prepare the sales journal. (2)

| | A | B | C | D | E |
|---|----------------------|---|-----|-----|-------|
| 1 | Sales Journal | | | | |
| 2 | Oct-24 | | Net | Vat | Gross |
| 3 | | | | 18% | |
| 4 | | | € | € | € |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |

b. Write down the formula that should be included in Cell D5 of the sales journal to calculate the VAT so that the numbers that are calculated are rounded to two decimal places. (1)

c. Prepare the sales returns journal. (2)

| | A | B | C | D | E |
|---|------------------------------|---|-----|-----|-------|
| 1 | Sales Returns Journal | | | | |
| 2 | Oct-24 | | Net | Vat | Gross |
| 3 | | | | 18% | |
| 4 | | | € | € | € |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |

d. Write down the formula that should be included in Cell E9 of the sales returns journal to calculate the total of column E. (1)

e. Write the formula that should go in Cell D5 of the sale returns journal to calculate the VAT, so it can be used for all the entries in the journal when you drag it down. (1)

(Total: 7 marks)

Please turn the page.

SECTION B**This section carries 35 marks.**

6. The following trial balance was extracted from the books of Peter, a sole trader, at 31 December 2024:

| | DR (€) | CR (€) |
|---|---------------|---------------|
| Premises - cost | 400,000 | |
| Premises - Accumulated Depreciation (1/1/24) | | 64,000 |
| Equipment - cost | 30,000 | |
| Equipment - Accumulated Depreciation (1/1/24) | | 17,700 |
| Inventory (1/1/24) | 12,900 | |
| Purchases and Sales | 190,800 | 315,000 |
| Carriage In | 3,200 | |
| Returns | 3,900 | 3,400 |
| Rent Receivable | | 13,000 |
| Insurance | 15,800 | |
| Water and Electricity | 17,400 | |
| Irrecoverable Debts | 800 | |
| Trade Receivables and Payables | 19,500 | 17,800 |
| Allowance for Receivables (1/1/24) | | 240 |
| Capital (1/1/24) | | 252,800 |
| Drawings | 10,750 | |
| 5% Bank Loan | | 30,000 |
| Loan interest | 750 | |
| Cash | 340 | |
| Bank | 7,800 | |
| | 713,940 | 713,940 |

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

- Inventory at cost at 31 December 2024 was €7,800.
- Rent receivable prepaid at 31 December 2024 amounted to €1,000.
- Included in insurance in the trial balance is an annual insurance of €2,400 which was paid on 1 April 2024.
- Water and electricity accrued at 31 December 2024 amounted to €840.
- Account for the loan interest accrued.
- The general allowance for trade receivables is 4%.
- Provide for depreciation as follows:
 - Premises 2% using the straight-line method
 - Equipment 20% using the reducing balance method

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

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7. The following information for the financial year ended 31 December 2024 relates to the business of Luca:

- Commission Receivable

The business receives commission in arrears. On 1 January 2024, commission receivable in arrears amounted to €1,600. During the year ended 31 December 2024, cheques totalling €12,600 were received. At 31 December 2024 commission of €850 was still owing.

- Allowance for Depreciation – machinery.

The following information relates to the machinery owned by the business:

| | Cost | Accumulated Depreciation |
|----------------|-------------|---------------------------------|
| 1 January 2024 | €67,000 | €23,400 |

On 1 April 2024 a new machine was purchased for €9,602, paying by cheque.

On 1 October 2024, a machine that had been purchased on 1 June 2021 for €11,000 was sold for €6,900.

It is the policy of the business to depreciate machinery at 20% p.a. using the reducing balance method and charging a full year’s depreciation in the year of purchase and none in the year of sale.

Required:

In the space provided overleaf, for the year ended 31 December 2024, draw up the:

- a. Commission receivable account; (5)
- b. Allowance for depreciation – Machinery account; and (7)
- c. Disposal – Machinery account, stating whether a profit or loss was made on disposal. (3)

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

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Commission receivable account

| 2024 | Details | € | 2024 | Details | € |
|-------------|----------------|----------|-------------|----------------|----------|
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Allowance for depreciation

| 2024 | Details | € | 2024 | Details | € |
|-------------|----------------|----------|-------------|----------------|----------|
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Disposal

| 2024 | Details | € | 2024 | Details | € |
|-------------|----------------|----------|-------------|----------------|----------|
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(Total: 15 marks)

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SECTION C

This section carries 30 marks.

8. Jack has been in business for a number of years selling mobile phones and accessories. He did not keep proper books of account but he managed to extract the following details from the few records that are available.

| | 1 January 2024 | 31 December 2024 |
|-------------------|-----------------------|-------------------------|
| | € | € |
| Cash in hand | 300 | 200 |
| Trade receivables | 15,500 | 17,000 |
| Trade payables | 10,200 | 9,800 |

A summary of Jack’s bank statements for the year ended 31 December 2024 includes:

| | € | | € |
|---------------------------------|----------|----------------------------|----------|
| Receipts from trade receivables | 195,200 | Payments to trade payables | 178,200 |
| Cash sales banked | 21,300 | | |

- The business sales are mainly on credit. However, Jack has a few customers who pay immediately in cash. Cash sales are banked with the exception of €3,000 each month which Jack keeps for his personal use.

Required:

- a. The cash account; (4)
- b. The sales ledger control account; and (3)
- c. The purchases ledger control account. (3)

Cash account

| 2024 | Details | € | 2024 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
| | | | | | |
| | | | | | |
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Sales ledger control account

| 2024 | Details | € | 2024 | Details | € |
|------|---------|---|------|---------|---|
| | | | | | |
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Statement to correct net profit

| | € | € | € |
|--|---|---|---|
| | | | |
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(Total:10 marks)

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

10. The following are a few of the accounting ratios of two businesses operating in the same industry sector:

| | Mint Ltd | Gold Ltd |
|----------------------------|-----------------|-----------------|
| Current Ratio | 2:1 | 0.9:1 |
| Return on capital employed | 35% | 22% |
| Gross profit margin | 15% | 23% |

a. Which business needs to improve its liquidity? Explain why.

(2)

b. Which business has the better profitability? Explain why.

(2)

c. State **TWO** possible reasons for the lower gross profit margin of Mint Ltd.

(2)

d. Distinguish between primary and secondary users of accounting information.

(2)

e. Explain how the accounting documents can help in preparing a simple personal budget.

(2)

(Total: 10 marks)

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