Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2025

Marking Scheme

Accounting

Higher Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.

Q1 A Final Accounts of a sole trader

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Trading Profit & Loss Account for M Mc Connell for year ended 31/12/2024 [1]				
		€	€	€
Sales	N1			896,300 **[4]**
Less Cost of Sales				
Opening Stock			62,500 **[2]**	
Purchases	N3		586,850 **[7]**	
			649,350	
Less Closing Stock	N2		71,700 **[7]**	577,650
Gross Profit				318,650
Less Expenses				
Selling & Distribution				
Depreciation Delivery Vans	N5	20,775 **[4]**		
Advertising	N6	5,100 **[5]**		
Increase in bad debt provision	N12	893 **[4]**		
Loss on Sale of Delivery Vans	N4	2,175 **[6]**		
Commission		15,000 **[2]**	43,943	
Administration				
Patent Written Off	N8	15,600 **[3]**		
Depreciation Buildings	N7	15,157 **[2]**		
Salaries & General Expenses		129,600 **[2]**		
Insurance	N9	30,950**[4]**	191,307	(235,250)
				83,400
Add Operating Income				
Discount	N13		10,050 **[4]**	
Bad Debt Recovered	N10		3,200 **[2]**	
Rent	N11		26,400 **[4]**	39,650
Operating profit				123,050
Investment Income	N14			2,100 **[3]**
				125,150
Less Mortgage Interest	N15			(11,450) **[4]**
Net Profit				113,700 **[5]**

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Balance Sheet as at 31/12/24				
		Cost	Acc. Dep	NBV
		€	€	€
Intangible Assets				
Patent	N16			46,800**[3]**
Tangible Fixed Assets				
Buildings	N17	1,100,000**[1]**	-	1,100,000
Delivery Vans	N18 & N19	145,000 **[3]**	32,650**[3]**	112,350
		1,245,000	32,650	1,212,350
Financial Assets				
4% Investment				120,000**[2]**
				1,379,150
Current Assets				
Closing Stock			71,700 **[2]**	
Debtors	N20	89,860 **[4]**		
Less Bad Debt Provision	N21	4,493 **[1]**	85,367	
VAT	N23		23,190 **[4]**	
Investment Income due	N22		1,200 **[2]**	
Rent Due	N24		8,800 **[2]**	
			190,257	
Less Creditors amounts falling due within 1 year				
Creditors	N25	61,350 **[3]**		
Mortgage Interest due	N26	3,300 **[2]**		
Bank	N27	40,800**[4]**		
PAYE/PRSI/USC		19,800**[1]**	125,250	65,007
				1,444,157
Financed by:				
Creditors amounts falling due after 1 year				
6% Mortgage				220,000**[1]**
Capital and Reserves				
Capital			782,600**[1]**	
Revaluation Reserve	N28		352,307**[3]**	
Net profit			113,700	
			1,248,607	
Drawings	N29		24,450**[3]**	1,224,157
Capital Employed				1,444,157

Workings Q1 A

N1	Sales	884,300 + 12,000	896,300
N2	Closing Stock	84,000 - 2,300 - 10,000	71,700
N3	Purchases	622,400 - 24,800 - 10,750	586,850
N4	Loss on Sale	35,000 -23,200 -9,625	2,175
N5	Depreciation Delivery Vans	9,900 + 10,875 OR 14,550 + 2,625 + 3,600	20,775
N6	Advertising	4,200 + 900	5,100
N7	Depreciation Buildings	757,850 * 2%	15,157
N8	Patent	62400 / 4	15,600
N9	Insurance	20,900 + 10,800 - 750	30,950
N10	Bad debt recovered		3,200
N11	Rent	17,600 + 8,800	26,400
N12	Increase in BDP	4,493 - 3,600	893
N13	Discount	9,900 + 150	10,050
N14	Investment Income	120,000 * 3% * 7/12	2,100
N15	Mortgage Interest	3,750 + 7,700 OR 9,000 + 2,450	11,450
N16	Patents	62,400 - 15,600	46,800
N17	Land & Buildings	870,000 - 12,150 + 242,150	1,100,000
N18	Motor Vehicles	132000 + 48,000 - 35,000	145,000
N19	Motor Vehicles -AD	21,500 + 20,775 - 9,625	32,650
N20	Debtors	73,500 + 14,760 + 1,600	89,860
N21	Provision for bad debts	89,860 * 5%	4,493
N22	Investment Income due	2,100 - 900	1,200
N23	VAT	13,800 - 2,760 + 12,150	23,190
N24	Rent Due	26,400 - 17,600	8,800
N25	Creditors	63,000 - 1,650	61,350
N26	Interest due	11,450 - 8,150	3,300
N27	Bank	30,100 + 10,800 - 1,600 + 1,500	40,800
N28	Revaluation Reserve	242,150 + 95,000 + 15,157	352,307
N29	Drawings	13,700 + 10,750	24,450

Q1B Final Accounts of a company

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Trading Profit & Loss Account for Cahill Ltd for year ended 31/12/2024[1]			
	€	€	€
Sales			1,860,000 **[2]**
Less Cost of Sales			
Opening Stock		82,600 **[2]**	
Purchases N1		1,345,200 **[10]**	
		1,427,800	
Closing Stock N2		94,600 **[6]**	1,333,200
Gross Profit			526,800
Less Expenses			
Selling & Distribution			
Deprec. Delivery Vans N3	44,725**[4]**		
Loss on Sale Delivery Van N4	4,600**[6]**		
Commission N5	30,200 **[3]**		
Advertising N6	16,000 **[3]**	95,525	
Administration			
Patent N7	8,050**[5]**		
Depreciation Buildings N8	23,260**[3]**		
Directors fees	45,000**[2]**		
Salaries & Gen. Expenses N9	196,900**[6]**		
Loss on Damaged Stock N10	2,000**[2]**	275,210	370,735
			156,065
Add Operating Income			
Discount N12		11,300**[3]**	
Decrease in BDP N11		1,190**[3]**	12,490
Operating profit			168,555
Investment Income N13			2,400**[3]**
			170,955
Debenture Interest N14			(13,200) **[4]**
Net profit			157,755
Dividend paid			(26,000) **[1]**
			131,755
P&L Balance 1/1/2024			(43,400)**[1]**
P&L Balance 31/12/2024			88,355**[5]**

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Balance Sheet as at 31/12/2024				
		Cost	Acc Dep	NBV
Intangible Assets		€	€	€
Patent	N15			24,150**[2]**
Tangible Fixed Assets				
Buildings	N16 & N17	1,363,000**[4]**	173,260 **[2]**	1,189,740
Delivery Vans	N18 & N19	304,000**[3]**	106,325 **[3]**	197,675
		1,667,000	279585	1,387,415
Financial Assets				
3% Investment				160,000**[1]**
				1,571,565
Current Assets				
Closing Stock			94,600 **[2]**	
Debtors	N20	82,200 **[3]**		
Less BDP	N21	4,110 **[1]**	78,090	
Compensation			29,000 **[2]**	
Advertising prepaid	N22		8,000 **[2]**	
Investment Income due	N23		800 **[2]**	
			210,490	
Less Creditors amounts falling due within 1 year				
Creditors	N24	102,276 **[3]**		
VAT	N25	12,624 **[3]**		
Commission due		30,200 **[2]**		
Debenture Interest due	N26	3,600 **[2]**		
Bank		10,400 **[3]**		
PAYE/PRSI/USC		24,600 **[1]**	183,700	26,790
				1,598,355
Financed by:				
Creditors amounts falling due after 1 year				
6% Debenture				240,000 **[1]**
Capital and Reserves		**Authorised**	**Issued**	
Ordinary Share Capital		1,200,000	800,000 **[1]**	
Preference Share Capital		500,000	450,000 **[1]**	
		1,700,000	1,250,000	
Capital Reserve			20,000 **[1]**	
Profit & Loss Balance 31/12/2024			88,355	1,358,355
Capital Employed				1,598,355

Workings Q1 B

N1	Purchases	1,440,000 -37,000 -11,000 -58,000 +11,200	1,345,200
N2	Closing Stock	86,200 - 2,800 + 11,200	94,600
N3	Depreciation Delivery Vans	18,125 + 26,600 OR 36,600 + 2,875 + 5,250	44,725
N4	Loss on Sale of Delivery Van	46,000 - 23,000 -18,400	4,600
N5	Commission	12,000 + 18,200	30,200
N6	Advertising	24,000 - 8,000	16,000
N7	Patent	30,600 + 1,600 /4	8,050
N8	Depreciation Buildings	1,163,000 * 2%	23,260
N9	Salaries & General Exp.	225,500 + 400 - 4,000 - 25000	196,900
N10	Loss on Damaged Stock	31,000 - 29,000	2,000
N11	Decrease in BDP	4,110 - 5,300	1,190
N12	Discount	11,700 - 400	11,300
N13	Investment Income	160,000 * 3% * 6/12	2,400
N14	Debenture Interest	9,600 + 3,600 OR 2,400 + 10,800	13,200
N15	Patent	32,200 - 8,050	24,150
N16	Buildings	1,300,000 - 20,000 + 58,000 + 25,000	1,363,000
N17	Buildings – Acc. Dep	150,000 + 23,260	173,260
N18	Delivery Vans	290,000 + 60,000 - 46,000	304,000
N19	Delivery Vans – Acc. Dep	80,000 + 44,725 - 18,400	106,325
N20	Debtors	104,200 - 22,000	82,200
N21	Provision for bad debts	82,200 * 5%	4,110
N22	Advertising prepaid	24,000 - 16,000	8,000
N23	Investment Income due	2,400 - 1,600	800
N24	Creditors	88,500 + 13,776	102,276
N25	VAT	19,200 - 4,000 - 2,576	12,624
N26	Debenture Interest due	13,600 - 10,000	3,600
N27	Bank	32,000 - 21,600	10,400

Q2 Debtors Control Accounts

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(a) Adjusted Debtors Control Account

	€		€
Balance b/d	32,500 **[2]**	Balance b/d	580 **[2]**
Discount Disallowed (i)	104 **[4]**	Interest (ii)	60 **[4]**
Refund (iii)	290 **[4]**	**Balance c/d**	33,528 **[3]**
Sales (iv)	960 **[4]**		
Restocking charge (vi)	24 **[4]**		
Balance c/d	290 **[1]**		
	34,168		34,168
Balance b/d	33,528	Balance b/d	290

(b) Schedule of Debtors Account Balances

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Adjusted Schedule of Debtors		
		€
Balance as per list of Debtors		27,746**[3]**
Add:		
Refund (iii)	290 **[4]**	
Sales Cash and Credit error (iv)	3,320 **[5]**	
Invoice (v)	1,968 **[4]**	5,578
		33,324
Less:		
Interest (ii)	70**[2]**	
Credit note (vi)	16 **[5]**	86
Net balance as per adjusted control a/c		33,238 **[1]**

(c)

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(i) This can happen for a number of reasons:

- Where a payment has been received, and later goods have been returned to the firm and hence a refund is now necessary.
- An error of some kind had been made involving the overpayment of a debt.
- Full payment was received and then a discount was granted – for example early payment.

(ii)

- They act as a check on the accuracy of the ledgers by comparing the balance of the control account with the total as per the schedule.
- They locate errors quickly and narrow the search to confined areas.
- They are useful when a firm needs to find the credit sales from incomplete records.
- They allow amounts owed by Debtors to be ascertained quickly by simply balancing the control accounts.

Q3 Revaluation of Fixed Assets

(a) (i)

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Land & Buildings A/C

		€			€
01/01/2020	Balance b/d	740,000 **[1]**	31/12/2020	Balance c/d	980,000
01/01/2020	Revaluation Reserve	240,000 **[1]**			
		980,000			980,000
01/01/2021	Balance b/d	980,000	01/01/2021	Disposal	330,000 **[1]**
			31/12/2021	Balance c/d	650,000
		980,000			980,000
01/01/2022	Balance b/d	650,000 **[1]**	31/12/2022	Balance c/d	1,220,000
	Bank	320,000 **[1]**			
	Bank	150,000 **[1]**			
	Legal fees	10,000 **[1]**			
	Bank	90,000 **[1]**			
		1,220,000			1,220,000
01/01/2023	Balance b/d	1,220,000 **[1]**	31/12/2023	Balance c/d	1,403,000
01/01/2023	Revaluation Reserve	183,000 **[1]**			
		1,403,000			1,403,000
01/01/2024	Balance b/d	1,403,000	01/01/2024	Disposal	747,500 **[1]**
01/01/2024	Revaluation Reserve	184,500 **[2]**	31/12/2024	Balance c/d	840,000
		1,587,500			1,587,500
01/01/2025	Balance b/d	840,000			

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Provision for Depreciation A/C

		€			€
01/01/2020	Revaluation Reserve	36,800 **[1]**	01/01/2020	Balance b/d	36,800 **[2]**
31/12/2020	Balance c/d	13,000	31/12/2020	P&L	13,000 **[1]**
		49,800			49,800
31/12/2021	Balance c/d	26,000	01/01/2021	Balance b/d	13,000
			31/12/2021	P&L	13,000 **[1]**
		26,000			26,000
31/12/2022	Balance c/d	50,400	01/01/2022	Balance b/d	26,000
			31/12/2022	P&L	24,400 **[1]**
		50,400			50,400
01/01/2023	Revaluation Reserve	50,400 **[1]**	01/01/2023	Balance b/d	50,400
31/12/2023	Balance c/d	28,060	31/12/2023	P&L	28,060 **[1]**
		78,460			78,460
01/01/2024	Disposal	14,950 **[2]**	01/01/2024	Balance b/d	28,060
	Revaluation Reserve	13,110 **[3]**	31/12/2024	P&L	16,800 **[1]**
	Balance c/d	16,800 **[1]**			
		44,860			44,860
			01/01/2025	Balance b/d	16,800

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Revaluation Reserve A/C

		€			€
01/01/2021	Revenue Reserve	50,000 **[1]**	01/01/2020	Land & Buildings	240,000 **[1]**
01/01/2024	Revenue Reserve	363,300 **[2]**		P. for Depreciation	36,800 **[1]**
31/12/2024	Balance c/d	294,510 **[2]**	01/01/2023	Land & Buildings	183,000 **[1]**
				P. for Depreciation	50,400 **[1]**
			01/01/2024	Land & Buildings	184,500 **[1]**
			01/01/2024	P. for Depreciation	13,110 **[1]**
		707,810			707,810
			01/01/2025	Balance b/d	294,510

Disposal A/C- Land 3

		€			€
01/01/2021	Land & Buildings	330,000 **[1]**	01/01/2021	Bank	430,000 **[1]**
31/12/2021	P&L	100,000 **[1]**			
		430,000			430,000

Disposal A/C- Buildings 4

		€			€
01/01/2024	Land & Buildings	747,500 **[1]**	01/01/2024	P. for Depreciation	14,950 **[1]**
31/12/2024	P&L	87,450 **[1]**		Bank	820,000 **[1]**
		834,950			834,950

Revenue Reserve A/C 2

		€			€
			01/01/2021	Revaluation Reserve	50,000 **[1]**
			01/01/2024	Revaluation Reserve	363,300**[1]**
					413,300

(a) (ii)

Balance Sheet Extract 4

	Cost	**Depreciation**	**NBV**
	€	€	€
Fixed Assets	840,000 **[1]**	16,800 **[1]**	823,200
Capital and Reserves			
Revaluation Reserve		294,510 **[1]**	
Revenue Reserve		413,300 **[1]**	

(b) (i) **8**

1. The accounts will show fixed assets at their true market value hence show a true and fair view of the financial position of the company.
2. It provides useful information to users of the accounts.
3. It enables ratios to be calculated more accurately.
4. Depreciation will not be understated and therefore profits will not be overstated.

(ii)

The Consistency concept states that accounting items must be treated exactly the same way from one accounting period to the next and if you change a policy, you must give the reason for this change, and the effect of the change on profit.
In this question the buildings are being depreciated on a straight-line basis each year at 2% per annum.

Q4 Service Firm Account

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(a)

Income & Expenditure Account for year ended 31/12/2024						
		€		€		
Income						
Medical Card Scheme	N3			55,900	**[3]**	
Receipts from Private Patients	N4			112,000	**[2]**	
Investment Income	N1			2,000	**[2]**	
Profit on Equipment	N2			1,150	**[3]**	
				171,050		
Expenditure						
Purchase of Dental Supplies	N5	31,000	**[5]**			
Cleaning Expenses		4,800	**[1]**			
Telephone & Broadband		5,200	**[1]**			
Insurance	N6	18,450	**[3]**			
Sponsorship		2,200	**[1]**			
Wages of Receptionist		31,450	**[1]**			
Light & Heat	N7	6,990	**[4]**			
Locum Dentist Wages	N8	2,100	**[1]**			
Depreciation: Surgery	N9	8,000	**[1]**			
Equipment	N10	30,320	**[1]**			
Bank Charges		125	**[1]**	140,635		
Net profit				30,415	**[2]**	

(b) **20**

Balance Sheet as at 31/12/24				
		Cost	**Depreciation**	**NBV**
		€	€	€
Fixed Assets				
Surgery	N13	400,000**[1]**	32,000 **[1]**	368,000
Equipment	N11 & N12	152,400**[2]**	110,320 **[2]**	42,080
		552,400	142,320	410,080
Financial Assets				
5% Investment				40,000 **[1]**
				450,080
Current Assets				
Closing Stock			9,800 **[1]**	
Bank	N16		9,175 **[2]**	
Investment Income due	N15		200 **[1]**	
Insurance prepaid			4,950 **[1]**	
Fees due medical card scheme			10,100 **[1]**	
Fees due private patients	N14		2,600 **[1]**	
			36,825	
Less: Creditors amounts falling due within 1 year				
Creditors		3,200 **[1]**		
ESB due		520 **[1]**		
Wages due	N17	900 **[1]**	4,620	32,205
				482,285
Financed by:				
Capital and Reserves			508,000 **[1]**	
Net profit			30,415	
			538,415	
Less Drawings	N18		56,130 **[2]**	482,285
				482,285

(c) **8**

(i) A statement of reserves is prepared to find the net worth of a service firm. It lists the assets and liabilities of the firm at the beginning of the year. It is included in the Profit and loss account of the business at the end of the year as the opening profit and loss balance for the year.

(ii) Some service firms run extra activities to increase the profit of the organisation. This would include activities such as a sports shop attached to a gym or a paper/sweet shop attached to a nursing home. The expenses and revenues relating to that particular activity are entered in a special purpose profit and loss account and the profit is then transferred to the overall profit and loss account. While not usual, a service firm would sometimes prepare a special purposes profit and loss account for a specific contract or project or for evaluating the profit of different branches of the business.

Workings

N1	Investment Income	40,000 * 5%	2,000
N2	Disposal of Equipment	15,000 - 10,000 - 6150	1,150 profit
N3	Medical Card Scheme	55,200 - 9,400 + 10,100	55,900
N4	Private Patients	109,700 + 2,300	112,000
N5	Dental Supplies	31,600 - 4,500 + 10,500 -9,800 +3,200	31,000
N6	Insurance	19,800 + 3,600 -4,950	18,450
N7	Light & Heat	7,200 + 1,600 + 520 - 2,330	6,990
N8	Locum Dentist Wages	1,200 + 900	2,100
N9	Depreciation Buildings	400,000 * 2%	8,000
N10	Depreciation Equipment	10,000 + 20,320	30,320
N11	Equipment	150,000 + 17,400 - 15,000	152,400
N12	Acc. Dep. Equipment	90,000 + 30,320 - 10,000	110,320
N13	Acc. Dep. Surgery	24,000 + 8,000	32,000
N14	Private Patients fee due	2,300 + 300	2,600
N15	Investment Income due	2,000 - 1,800	200
N16	Bank	9,600 – 125 - 300	9,175
N17	Locum Dentist Wages due	2,100 - 1,200	900
N18	Drawings	55,000 - 1,200 + 2,330	56,130

Q5 Interpretation of Accounts **50**

(a) (i) **Cash sales:** **[12]**

$\frac{\text{Debtors x 12}}{\text{Credit sales}}$ = 2 months $\frac{\text{€103,000 x 12}}{x}$ = 2 x = €618,000

Cash sales = €1,898,000 - €618,000 = €1,280,000

(ii) **ROCE:** **[10]**

$\frac{\text{Operating profit x 100}}{\text{Capital employed}}$ $\frac{\text{€232,000 + €14,000 x 100}}{\text{€1,885,000}}$ = 13.05%

(iii) **Interest cover:** **[8]**

$\frac{\text{Operating profit}}{\text{Interest}}$ $\frac{\text{€232,000 + €14,000}}{\text{€14,000}}$ = 17.57 times

(iv) **Price earnings ratio:** **[10]**

$\frac{\text{Market price}}{\text{EPS}}$ $\frac{\text{160 cent}}{\text{22.11 cent}}$ = 7.24 years

EPS = $\frac{\text{€232,000 - €33,000}}{\text{900,000}}$

(v) **Dividend cover:** **[10]**

$\frac{\text{Net profit – Preference dividend}}{\text{Ordinary dividend}}$ $\frac{\text{€232,000 - €33,000}}{\text{€89,000}}$ = 2.24 times

Alternative method:

$\frac{\text{EPS}}{\text{DPS}}$ $\frac{\text{22.11 cent}}{\text{9.89 cent}}$ = 2.24 times

(b)

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Profitability (7)

Technik Ltd is a profitable company. It's ROCE has improved from 10.8% in 2023 to 13.05% in 2024. This is much better than the return from risk free investments of 0-3%. It is also better than the 7% being paid to debenture holders and the 6% being paid to preference shareholders. The company is making more efficient use of its resources this year. The Earnings per share has disimproved from 30c in 2023 to 22.11c in 2024.

Liquidity (6)

Technik Ltd does not have a liquidity problem. Its acid test ratio has improved/disimproved from 1.6:1 in 2023 to 1.31:1 in 2024. This means the company has €1.31 in liquid assets to repay every €1 owed in short term debt. The company will have no problem paying dividends or interest. However, it is still well above the ideal of 1:1. The company is being a little too conservative and should consider investing some of its excess resources in fixed assets increasing the productive capacity of the business.

Gearing(7)

Technik Ltd is a lowly geared company which means the company is financed more by equity than by debt. The gearing has improved from 42% in 2023 to 39.79% in 2024. The debt to equity ratio is 66.08% which is a bad trend compared to last year's 42% but indicates the firm is still lowly geared.
The interest cover has improved from 15 times in 2023 to 17.57 times in 2024. The company will have no problem making interest payments.

Dividend policy (7)

The DPS has improved from 8c in 2023 to 9.89c in 2024.
The Dividend cover has disimproved from 3.75 times in 2023 to 2.24 times in 2024. The % of profits paid out in dividends has changed from 26.67% in 2023 to 44.64% in 2024.
Shareholders would like to see money being retained for expansion purposes and repayment of the loan but will be happy to get a good dividend.The Dividend Yield has improved from 5.71% to 6.18%. This is better than the return from risk-free investments of 0-3%.

Market value of the share (5)

The market value of the share has improved from €1.40 in 2023 to €1.60 in 2024. This shows stock market confidence in the company. The P/E ratio has disimproved from 4.67 years in 2023 to 7.24 years. This means it will take longer to recoup the initial investment in the company.

Sector (5)

Technik Ltd operates in the IT sector.
In the short term this is a promising sector to be in as the use of AI becomes more predominant across many different sectors in the economy. Long term prospects are also good with demand for IT services growing even higher as the shift to remoter working continues to grow.

Overall the firm's ratios are very promising and the shareholders would be very happy with the performance, state of affairs and prospects of the company. **(3)**

(c) (i) **10**

Option 1:
Option 1 would mean that the company remains lowly geared at 32.82% or 48.86% and its gearing position would have improved from 39.79% or 66.08%. This means the company is financed more by equity than debt.

Option 2:
Option 2 would mean that the company would become highly geared at 50.33% or 101.35% and its gearing position would have disimproved from 39.79%/66.08%. This means the company would be financed more by debt than equity.

(ii)

Option 1:
As a result of issuing the additional ordinary shares the shareholders will receive voting rights in the company. In this case the shareholders are being paid a dividend of 9.89 cent a share. This would mean an additional dividend of €24,725 to be paid out to the ordinary shareholders.

Option 2:
The debenture holders are entitled to be paid interest ahead of payments to ordinary shareholders. The interest in this case would be €28,000. The debenture holders have no control over the running of the business. The company may find it hard to raise additional finance in the future as they are already highly geared.

Q6

(a) **52**

Trading Profit & Loss account for year ended 31/12/2024		
	€	€
Sales N2, N3 & N4		274,060 **[10]**
Less Cost of Sales		
Opening Stock	28,900 **[2]**	
Purchases N5, N6, N7 & N8	103,460 **[6]**	
	132,360	
Less Closing Stock N9	9,600 **[5]**	122,760
		151,300
Less Expenses		
Insurance N10	2,980 **[6]**	
General Expenses N11	23,200 **[4]**	
Light & Heat N12	11,175 **[6]**	
Depreciation Premises N15	8,450 **[2]**	
Increase in BDP	984 **[2]**	
Standing Order	3,200 **[2]**	49,989
		101,311
Add Rent N14		11,000 **[2]**
		112,311
Less Interest N13		(5,500) **[2]**
Net profit		106,811 **[3]**

(b) **40**

Balance Sheet as at 31/12/2024				
		€	€	€
Intangible Fixed Assets				
Goodwill	N1			21,920
Fixed Assets				
Premises			750,000 **[2]**	
Equipment			48,000 **[1]**	
Delivery van		34,000 **[1]**	832,000	
				853,920
Current Assets				
Stock			9,600 **[1]**	
Stock of oil			800 **[1]**	
Debtors	N16	24,600 **[3]**		
Less: BDP		984 **[1]**	23,616	
Cash			960 **[1]**	
Bank	N17		83,700 **[5]**	
Insurance prepaid	N18		1,200 **[2]**	
			119,876	
Less: Creditors amounts falling due within 1 year				
Trade Creditors		16,300 **[1]**		
ESB due		2,100 **[1]**		
Rent Receivable prepaid	N19	15,400 **[2]**		
Loan interest due	N20	4,775 **[2]**		
Loan Instalment due	N21	27,500 **[2]**	66,075	53,801
				907,721
Financed by:				
Loan	N22			247,500
Capital and Reserves				
Capital			435,000 **[1]**	
Capital Introduced			4,100 **[2]**	
Revaluation Reserve	N23		133,450 **[2]**	
Net Profit			106,811	
			679,361	
Less Drawings	N24		19,140 **[4]**	660,221
				907,721

N1	Goodwill		21,920
N2	Credit sales	44,200 + 16,600 + 8,000 – 17,400	51,400
N3	Cash sales	124,000 + 24,000 + 66,500 +7,800 + 960 - 600	222,660
N4	Total sales	51,400 + 222,660	274,060
N5	Cash purchases		66,500
N6	Credit purchases	45,500 +16,300 – 18,600	43,200
N7	Drawings of goods	120 x 52	6,240
N8	Total purchases	66,500 + 43,200 – 6,240	103,460
N9	Closing stock	16,800 – 800 – 6,400	9,600
N10	Insurance	580 + 3,600 – 1,200	2,980
N11	General expenses	24,000 – 800	23,200
N12	Light and heat	13,600 + 2,100 – 800 – 3,725	11,175
N13	Interest	6,875 – 1,375	5,500
N14	Rent received	26,400 – 15,400	11,000
N15	Dep premises	(385,000 -50,000) *2% + (240,000 – 30,000) x 2% * 5/12	8,450
N16	Debtors	16,600 + 8,000	24,600
N17	Bank		83,700
N18	Insurance prepaid		1,200
N19	Rent rec p/p		15,400
N20	Interest due		4,775
N21	Loan instalment		27,500
N22	Loan		247,500
N23	Revaluation Res	125,000 + 8,450	133,450
N24	Drawings	6,240 + 7,800 + 1,375 +3,725	19,140

c)

8

(i) It is the financial term that is used to describe the total value of what a person or a business owns(assets) minus what the person or a business owes(liabilities). A positive net worth means the person owns more in assets than they owe in liabilities.

(ii) A full set of accounts cannot accurately be prepared because essential information, such as sales revenue and expenses is not available.

Without the double-entry system it is difficult to cross-check transactions and therefore fraud is more likely.

The owner of the business does not have enough information for analysis purposes, the owner has limited information to be able to make informed business decisions.

Information is unreliable and makes preparation of final accounts difficult, especially when they're required for legal purposes.

Q7 Tabular Statements

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Assets	Jan 01	January	March	May	June	July	October	November	Dec	31/12/2024
Land& Buildings	580,000	210,000[**2**]			110,000[**2**]					900,000[**1**]
Depreciation	(36,000)				36,000[**2**]				(9,300) [**2**]	(9,300)
Delivery Vans	92,000	55,000[**2**]	21,000[**2**]			(12,000) [**2**]				156,000
Depreciation	(41,000)		14,250[**2**]			3,000[**2**]			(31,200) [**2**]	(54,950)
Stock	66,735						(2,000) [**2)**	640 [**2**]		65,375 [**1**]
Debtors	68,700	13,000[**2**]					3,475[**4)**	(984) [**2**]		84,191 [**1**]
Bad debt	(3,435)	167[**2**]								(3,268) [**1**]
Goodwill		44,000[**2**]								44,000
	727,000	322,167	35,250	0	146,000	(9,000)	1,475	(344)	(40,500)	1,182,048
Liabilities										
Creditors	57,000	9,500[**2**]				(8,500) [**2**]				58,000
Bank	28,000		33,500[**2**]	(2,800) [**4**]	35,000**(2**]	(110,000) [**2**]	(1,200) [**2**]			(17,500) [**2)**
Vat	1,000						575[**2**]	(184) [**2**]		1,391
Expenses due	3,000			(5,100)[**2**]					2,125[**2**]	25
Share Capital	450,000	250,000**(2**]				100,000[**2**]				800,000
Share Premium	52,000	62,500**(2**]				10,000[**2**]				124,500
P&L	136,000	167**(2**]	1,750[**2**]		(35,000[**2**]	(500) [**2**]	1,600[**2**]	(160) [**2**]	(40,500) [**2**]	67,262[**2**]
							500[**2**]		3,405[**2**]	
Revaluation					146,000[**2**]					146,000
Rent Receivable				7,900[**2**]					(5,530) [**2**]	2,370
	727,000	322,167	35,250	0	146,000	(9,000)	1,475	(344)	(40,500)	1,182,048

Q8 Marginal Costing

80

		€	€	€
Sales		1,528,800	36.40	
Less Variable Costs				
Materials	537,600			
Direct Labour	361,200			
Fixed Overheads	27,300			
Selling Expenses	76,440	1,002,540	23.87	(22.05+1.82)
Contribution		526,260	12.53	
Less Fixed Costs				
Fixed Overheads	109,200			
Selling Expenses	13,560			
Administration	95,700	218,460		
Net Profit		307,800		

(a) **[15]**

Break Even Point $\frac{\text{Fixed Costs}}{\text{CPU}}$ $\frac{218{,}460}{36.4 - 23.87} = 17{,}435$ Units

Margin of Safety Budgeted Sales – Break Even Point
42,000 - 17,435 = 24,565 units

(b) **[12]**

Net Profit 2024 307,800
Increase in net profit by 25% 76,950
Net Profit for 2025 384,750

$\frac{\text{Fixed Costs + Target Profit}}{\text{CPU}} = \frac{218{,}460 + 384{,}750}{36.4 - 23.87} = 48{,}142$ units

(c) $45{,}000 = \frac{231{,}460 + N}{34 - (22.05 + 1.7)}$ **[14]**

Profit = €229,790

(d) $$42{,}000 = \frac{240{,}306 + 307{,}800}{X - (22.05 + 0.05X)}$$ **[13]**

Selling price = €36.95

(e) **[14]**

$$X = \frac{218{,}460 + 3.5X}{35 - (22.05 + 1.75)}$$

28,372 units

(f) **[12]**

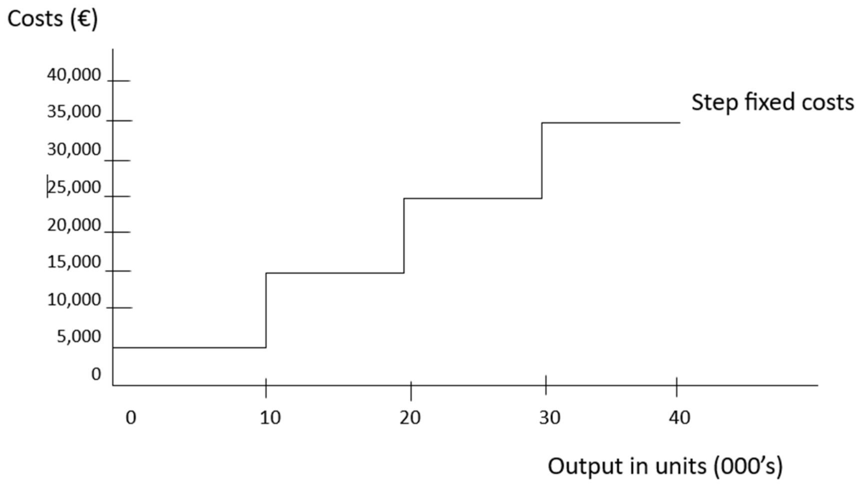
(i) Sensitivity analysis is also known as 'what if' analysis. It is a technique used by management to show the effect on profit brought about by changes in the following:

i. Selling price
ii. Sales volume
iii. Variable costs
iv. Fixed costs

Part (c) is an example of sensitivity analysis.

(ii) Step fixed costs are costs that are fixed within a certain range of activity but changes outside of that range. Rent could be fixed up to a certain level of production, but if production increases and results in the rental of more factory space, then the rent would increase to a new level.

(iii) **Step fixed cost graph of Kells Ltd.**



Q9 Budgeting

80

(a) Production Budget **[12]**

		Shaded	**Clear**
Sales		12,800	9,600
Add Closing Stock		792	638
		13,592	10,238
Less Opening Stock		720	580
		12,872	9,658

(b) Raw Materials Purchases Budget **[18]**

		Material X		**Material Y**
Shaded	4 kg	51,488	5 kg	64,360
Clear	6kg	57,948	3 kg	28,974
RM usage		109,436		93,334
Add Closing Stock		7,040		5,610
		116,476		98,944
Less Opening Stock		(6,400)		(5,100)
RM purch kg		110,076		93,844
Purchase Price		€3.50		€6.50
RM purch €		€385,266		€609,986
			€995,252	

(c) Production Cost/Manufacturing Budget **[18]**

		€	€
Opening Stock of Raw Materials			
Material X	(6,400 kg x €3.40)	21,760	
Material Y	(5,100 x€5.50)	28,050	49,810
Purchase of Raw			995,252
			1,045,062
Less Closing Stock of Raw Materials			
Material X	(7,040kg x €3.50)	24,640	
Material Y	(5,610kg x 6.50)	36,465	61,105
			983,957
Labour Costs			
Shaded	(12,872 x 6 x 17)	1,312,944	
Clear	(9,658 x 9 x 17)	1,477,674	2,790,618
Variable Costs			
Shaded	(12,872 x 6 x 8.5)	656,472	
Clear	(9,658 x 9 x 8.5)	738,837	1,395,309
Fixed Overheads			656,616
Cost of Manufacture			5,826,500

(d) Unit Cost of budgeted Closing Stock [11]

		Shaded		Clear
		€		€
Material X	(4*3.50)	14	(6*3.50)	21
Material Y	(5*6.50)	32.50	(3*6.50)	19.50
Wages	(6*17)	102	(9*17)	153
Variable Costs	(6*8.50)	51	(9*8.50)	76.50
Fixed Costs	(6*4)	24	(9*4)	36
		223.50		306

Fixed Overheads per Direct Labour Hour

$$\frac{656{,}616}{(12{,}872 \times 6) + (9{,}658 \times 9)} = €4 \text{ per LH}$$

Budgeted Trading Account for year ended 31/12/2025 **[9]**

Sales			6,144,000
Less Cost of Sales			
Opening Stock			
Shaded	(720*200)	144,000	
Clear	(580*280)	162,400	
		306,400	
Cost of Manufacture		5,826,500	
		6,132,900	
Less Closing Stock			
Shaded	(792*223.50)	177,012	
Clear	(638*306)	195,228	
		372,240	5,760,660
Gross Profit			383,340

(e) **[12]**

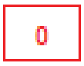
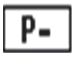
(i) The principal budget factor is that aspect of the business that limits or constrains the activity of the firm and prevents the continuous growth of the business. Sales volume is the most common principal budget factor and is usually the starting point in the budgeting process.
Other examples include:

The output capacity of the machinery – if the machinery is limited in its output this can limit the amount of production that can take place in the business.

The amount of raw materials available- if a firm has difficulty sourcing raw materials this can affect the firm's ability to produce goods.

The availability of skilled labour. This can affect the firm's ability to produce goods.

(ii) Uncontrollable costs are costs over which the manager of a cost centre has no control and therefore, cannot be held responsible for variances in these costs e.g. rates to the local authority are uncontrollable.

Annotation	Use
	Correct element (n marks).
	No marks awarded. Answer incorrect or insufficient.
	Refer to notes/workings.
	Page seen by examiner / Information not valid.
	Surplus answer or part of answer. Marks awarded elsewhere.
	Minus one mark - Penalty, Incorrect calculation, misplaced figure, non-transfer, incorrect transfer or repeated work.
	Half marks awarded- non-transfer
	Underline.