JC BUSINESS HUB

WORKBOOK SOLUTIONS

CHAPTER 26: Final Accounts

Topic	Summary
Final Accounts	**The Income Statement** measures how a business performed in a year. It shows if the business has made a profit or a loss. **The Statement of Financial Position** measures what a business is worth. It shows what the business owns and owes at the end of a year.
A. Trading Account	Measures **Gross Profit**. Add Opening Stock, Purchases, Carriage Inwards and Import Duties to get the cost of goods available to sell. Deduct Closing Stock to get Cost of Sales. Deduct Cost of Sales from Sales to get Gross Profit.
B. Profit and Loss Account	Measures **Net Profit**. List all expenses from the Trial Balance including depreciation and add them together. Deduct Total Expenses from Gross Profit to get Net Profit.
Depreciation	The **fall in value of a fixed asset** due to wear and tear **over time**. Treated as an **expense in the P&L Account**. **Fixed Assets** will be **depreciated** in the Statement of Financial Position. Calculated as Cost x Depreciation %. For example, a vehicle costing €20,000 depreciated at 20% gives depreciation of €4,000.
C. Appropriation Account	Deduct Dividends Paid from Net Profit and add the Opening P&L Balance. The closing figure is the **P&L Balance 31/12** carried forward into next year.
D. Fixed Assets	List each fixed asset at cost. Calculate depreciation for each asset (Cost x %). Deduct depreciation from cost to get Net Book Value. Add all NBV figures to get Total Fixed Assets.
E. Working Capital	List and add all Current Assets and Current Liabilities. Deduct Current Liabilities from Current Assets to get Working Capital. Add Working Capital to Total Fixed Assets to get Total Net Assets.
F. Capital Employed	Note the Authorised Share Capital, it is **never** used in any calculation. Issued Share Capital is used in the calculation, as the business has sold these shares. Add the P&L Balance 31/12 calculated in the Income Statement. Add any loan repayable over more than five years.
Analysing Profit	A high or increased Gross and Net Profit is a positive trend. Increase GP by increasing price or reducing cost of sales. Increase NP by reducing expenses. If Net Profit falls but Gross Profit stays the same, expenses have increased and need to be reduced.
Analysing Liquidity	The ideal liquidity position for a business is when the value of **Current Assets are double Current Liabilities.** If the ratio falls below this from one year to the next, the business may struggle to pay its bills on time – called a liquidity problem.
Recommending Finance	If Issued Share Capital is less than Authorised Share Capital, the business can issue more shares to raise capital. If the business has fixed assets and low long-term borrowing, it may be able to secure a long-term loan using those assets as collateral.

The Income Statement – A. The Trading Account

Steps To Calculate The Trading Account

Lets breakdown the steps an accountant would take to prepare the Trading Account for Hoodie Hub Ltd:

STEP 1 – Add the title and date

Income Statement of Hoodie Hub Ltd. for the year ended 31/12/2026		
	€	€

Name the account, business, and date

STEP 2 – Calculate Sales

Income Statement of Hoodie Hub Ltd. for the year ended 31/12/2026		
	€	€
Sales		180,000

The Sales figure always goes in column on the right

STEP 3 – Calculate the cost of goods available for sale

Income Statement of Hoodie Hub Ltd. for the year ended 31/12/2026		
	€	€
Sales		180,000
Less cost of sales		
Add Opening Stock	20,000	
Purchases	95,000	
Custom Duties	8,000	
Carraige Inwards	7,000	
	130,000	

Add any of:
- Opening stock
- Purchases
- Custom/import duties
- Carriage inwards

= €130,000

STEP 4 – Deduct closing stock

Income Statement of Hoodie Hub Ltd. for the year ended 31/12/2026		
	€	€
Sales		180,000
Less cost of sales		
Add Opening Stock	20,000	
Purchases	95,000	
Custom Duties	8,000	
Carraige Inwards	7,000	
	130,000	
Less Closing Stock	– 30,000	
Cost of Sales		100,000

Closing stock is the value of stock that was not sold during the year, so it is not a Cost of Sales, so we deduct it from our total.
€130,000 - €30,000
=€100,000

STEP 5 – Calculate the gross profit or gross loss

Income Statement of Hoodie Hub Ltd. for the year ended 31/12/2026		
	€	€
Sales		180,000
Less cost of sales		
Add Opening Stock	20,000	
Purchases	95,000	
Custom Duties	8,000	
Carraige Inwards	7,000	
	130,000	
Less Closing Stock	30,000	
Cost of Sales		– 100,000
Gross Profit		**80,000**

Sales
minus
Cost of Sales
= Gross Profit/Loss
€180,000 - €100,000
= €80,000

Complete the Income Statements for the businesses below.

Q1. Income Statement for Hincapie Ltd 31/12/2027		
	€	€
Sales		100,000
Less cost of sales		
Add Opening Stock	8,000	
Purchases	54,000	
	62,000	
Less Closing Stock	13,000	
Cost of Sales		**49,000**
Gross Profit		**51,000**

Q2. Income Statement for Maguire Ltd 31/12/2027		
	€	€
Sales		180,000
Less cost of sales		
Add Opening Stock	14,000	
Purchases	88,000	
	102,000	
Less Closing Stock	21,000	
Cost of Sales		**81,000**
Gross Profit		**99,000**

Q3. Statement for Harte Ltd 31/12/2027		
	€	€
Sales		280,000
Less cost of sales		
Add Opening Stock	14,500	
Carraige Inwards	7,500	
Purchases	168,000	
	190,000	
Less Closing Stock	19,000	
Cost of Sales		**171,000**
Gross Profit		**109,000**

Complete the partially filled Income Statements for the businesses below.

Q4. Income Statement for Early Ltd 31/12/2027		
	€	€
Sales		450,000
Less cost of sales		
Add Opening Stock	24,000	
Purchases	210,000	
	234,000	
Less Closing Stock	21,000	
Cost of Sales		213,000
Gross Profit		237,000

Q5. Income Statement for Murphy Ltd 31/12/2027		
	€	€
Sales		210,000
Less cost of sales		
Add Opening Stock	6,000	
Purchases	88,000	
	94,000	
Less Closing Stock	21,000	
Cost of Sales		73,000
Gross Profit		137,000

Q6. Income Statement for McDevitt Ltd 31/12/2027		
	€	€
Sales		88,000
Less cost of sales		
Add Opening Stock	1,500	
Purchases	32,500	
	34,000	
Less Closing Stock	3,000	
Cost of Sales		31,000
Gross Profit		57,000

Q7. Use the Trial Balance extract below to complete the Income Statement

Income Statement for Dunphy Ltd 31/12/2027		
	€	€
Sales		292,000
Less cost of sales		
Stock 01/01/27	16,500	
Purchases	148,000	
Carriage inwards	11,000	
	175,500	
Less Closing Stock	25,000	
Cost of Sales		150,500
Gross Profit		141,500

Q8. Use the Trial Balance extract below to complete the Income Statement

Income Statement for Rice Ltd 31/12/2027		
	€	€
Sales		207,000
Less cost of sales		
Stock 01/01/27	9,000	
Purchases	112,000	
Carriage inwards	4,500	
	125,500	
Less Closing Stock	25,000	
Cost of Sales		100,500
Gross Profit		106,500

Q9. Use the Trial Balance extract below to complete the Income Statement

Details from Trial Balance of O'Hara Ltd 31/12/2027		
	€	€
Sales		352,000
Purchases	195,000	
Carriage inwards	9,000	
Stock 01/01/27	26,500	
Additional information provided:	Stock 31/12/27	€25,000

Income Statement for O'Hara Ltd 31/12/2027		
	€	**€**
Sales		**352,000**
Less cost of sales		
Stock 01/01/27	**26,500**	
Purchases	**195,000**	
Carriage inwards	**9,000**	
	230,500	
Less Closing Stock	**25,000**	
Cost of Sales		**205,500**
Gross Profit		**146,500**

Q10. Use the Trial Balance extract below to complete the Income Statement

Details from Trial Balance of Rodriguez Ltd 31/12/2027		
	€	€
Sales		147,000
Purchases	68,000	
Carriage inwards	7,200	
Stock 01/01/27	8,400	
Additional information provided:	Stock 31/12/27	€5,000

Income Statement for Dunphy Ltd 31/12/2027		
	€	**€**
Sales		**147,000**
Less cost of sales		
Stock 01/01/27	**8,400**	
Purchases	**68,000**	
Carriage inwards	**7,200**	
	83,600	
Less Closing Stock	**5,000**	
Cost of Sales		**78,600**
Gross Profit		**68,400**

The Income Statement – B. The Profit & Loss (P&L) Account

Steps To Calculate The Profit and Loss (P&L) Account

Lets breakdown the steps an accountant would take to prepare the Profit and Loss (P&L) Account for Hoodie Hub Ltd from their Trial Balance:

STEP 1 Start with Gross Profit

Gross Profit		**80,000**

Use **Gross Profit** from the **Trading Account**

STEP 2 Add all expenses

Gross Profit		**80,000**
Less Expenses		
Insurance	3,000	
Advertising	11,000	
Wages	20,000	
Light and Heat	2,000	

Any **expense** from the Trial Balance gets listed

STEP 3 Calculate Depreciation

Depreciation on Buildings of 1% x €200,000 = €2,000
Depreciation on Vehicles of 20% x 20,000 = €4,000

Multiply the cost of any assets by depreciation

STEP 4 Calculate Total Expenses

Gross Profit		**80,000**
Less Expenses		
Insurance	3,000	
Advertising	11,000	
Wages	20,000	
Light and Heat	2,000	
Depreciation on Buildings	2,000	
Depreciation on Vehicles	4,000	
Total Expenses		42,000

Add depreciation to the other expenses to get **Total Expenses**

STEP 5 Calculate Net Profit

Gross Profit		**80,000**
Less Expenses		
Insurance	3,000	
Advertising	11,000	
Wages	20,000	
Light and Heat	2,000	
Depreciation on Buildings	2,000	
Depreciation on Vehicles	4,000	
Total Expenses		42,000
Net Profit		**38,000**

Gross Profit
Minus
Total Expenses
= Net Profit/Loss

Q11. Complete the Income Statement below by adding in the remaining details from the Trial Balance

Extract from Trial Balance for Malone Ltd 31/12/27		
	€	€
Insurance	7,200	
Advertising	38,600	
Wages	48,000	
Light & heat	12,000	

Income Statement Malone Ltd 31/12/27		
Gross Profit		152,000
Less Expenses		
Insurance	7,200	
Advertising	38,600	
Wages	48,000	
Light and Heat	12,000	
Total Expenses		105,800
Net Profit		46,200

Q12. Complete the Income Statement below by adding in the remaining details from the Trial Balance

Extract from Trial Balance for Sellars Ltd 31/12/27		
	€	€
Insurance	11,200	
Advertising	29,800	
Wages	32,000	
Light & heat	8,650	

Income Statement Sellars Ltd 31/12/27		
Gross Profit		152,000
Less Expenses		
Insurance	11,200	
Advertising	29,800	
Wages	32,000	
Light and Heat	8,650	
Total Expenses		81,650
Net Profit		70,350

Q13. Complete the Income Statement below by adding in the remaining details from the Trial Balance

Extract from Trial Balance for Riggs Ltd 31/12/27		
	€	€
Insurance	11,200	
Advertising	8,600	
Wages	78,000	
Light & heat	14,300	

Income Statement Riggs Ltd 31/12/27		
Gross Profit		204,000
Less Expenses		
Insurance	11,200	
Advertising	8,600	
Wages	78,000	
Light and Heat	14,300	
Total Expenses		112,100
Net Profit		91,900

Q14. Complete the Income Statement below by adding in the remaining details from the Trial Balance

Extract from Trial Balance for Kip Ltd 31/12/27		
	€	€
Insurance	31,200	
Advertising	19,600	
Wages	39,000	
Light & heat	11,200	

Income Statement Kip Ltd 31/12/27		
Gross Profit		152,000
Less Expenses		
Insurance	31,200	
Advertising	19,600	
	39,000	
	11,200	
Total Expenses		101,000
Net Profit		51,000

Questions calculating Depreciation

Depreciation is calculated by using a percentage of the asset's cost.
A business would multiply the cost of the asset by the percentage that it depreciated.

Cost of a delivery vehicle = €20,000 Depreciation of 20% over the year
Formula = Cost x Depreciation = €20,000 X 20% = €4,000 Depreciation

A business would treat the loss of value of the delivery vehicle as an **expense of €4,000**

Q15. Calculate the level of depreciation for each asset a business owns to figure out the expense they will include in their Income Statement:

Asset	Cost	Depreciation
Building	**€300,000**	**2%**
Workings: 300,000 x 2% = €6,000 **Answer: €6,000**		
Vehicle	**€40,000**	**15%**
Workings: 40,000 x 15% = €6,000 **Answer: €6,000**		
Equipment	**€12,000**	**20%**
Workings: 12,000 x 20% = €2,400 **Answer: €2,400**		

Q16. Calculate the level of depreciation for each asset a business owns to figure out the expense they will include in their Income Statement:

Building	**€400,000**	**2%**
Workings: 400,000 x 2% = €8,000 **Answer: €8,000**		
Vehicle	**€120,000**	**15%**
Workings: 120,000 x 15% = €18,000 **Answer: €18,000**		
Equipment	**€60,000**	**20%**
Workings: 60,000 x 20% = €12,000 **Answer: €12,000**		

Q17

Trial Balance Extract - Farrell Ltd 31/12/2027		
	€	€
Insurance	5,400	
Marketing	22,000	
Rent	55,000	
Light & Heat	9,600	
Buildings	200,000	
Vehicles	30,000	

Depreciation: Buildings 2%

Vehicles 20%

Income Statement of Farrell Ltd 31/12/2027		
	€	€
Gross Profit		**185,000**
Less Expenses		
Insurance	5,400	
Marketing	22,000	
Rent	55,000	
Light & Heat	9,600	
Depreciation on Buildings	4000	
Depreciation on Vehicles	6000	
Total Expenses		102,000
Net Profit		83,000

Q18

Q4. TB Extract - Higgins Ltd 31/12/2027		
	€	€
Insurance	8,800	
Advertising	35,000	
Wages	62,000	
Electricity	14,200	
Buildings	300,000	
Vehicles	50,000	

Depreciation: Buildings 1%

Vehicles 15%

Income Statement of Higgins Ltd 31/12/2027		
	€	€
Gross Profit		210,000
Less Expenses		
Insurance	8,800	
Advertising	35,000	
Wages	62,000	
Electricity	14,200	
Depreciation on Buildings	3000	
Depreciation on Vehicles	7500	
Total Expenses		130,500
Net Profit		79,500

Q19

Trial Balance Extract - Farrell Ltd 31/12/2027		
	€	€
Insurance	5,400	
Marketing	22,000	
Salaries	55,000	
Light & Heat	9,600	
Buildings	200,000	
Equipment	30,000	

Depreciation: Buildings 2%

Equipment 20%

Income Statement of Farrell Ltd 31/12/2027		
	€	€
Gross Profit		193,000
Less Expenses		
Insurance	5,400	
Marketing	22,000	
Salaries	55,000	
Light & Heat	9,600	
Depreciation on Buildings	4000	
Depreciation on Equipment	6000	
Total Expenses		102,000
Net Profit		91,000

Q20

Q4. TB Extract - Higgins Ltd 31/12/2027		
	€	€
Insurance	8,800	
Advertising	35,000	
Wages	62,000	
Carriage outwards	14,200	
Buildings	300,000	
Equipment	50,000	

Depreciation: Buildings 1%

Equipment 15%

Income Statement of Higgins Ltd 31/12/2027		
	€	€
Gross Profit		230,000
Less Expenses		
Insurance	8,800	
Advertising	35,000	
Wages	62,000	
Carriage outwards	14,200	
Depreciation on Buildings	3000	
Depreciation on Equipment	7500	
Total Expenses		130,500
Net Profit		99,500

Q21

Trial Balance Extract - Parker Ltd 31/12/2027		
	€	
Insurance	12,000	
Advertising	50,000	
Wages	85,000	
Light & Heat	18,000	
Buildings	400,000	
Vehicles	70,000	

Depreciation: Buildings **2%**
Vehicles **15%**

Income Statement of Parker Ltd 31/12/2027		
	€	€
Gross Profit		285,000
Less Expenses		
Insurance	**12,000**	
Advertising	**50,000**	
Wages	**85,000**	
Light & Heat	**18,000**	
Depreciation on Buildings	**8000**	
Depreciation on Vehicles	**10500**	
Total Expenses		**183,500**
Net Profit		**101,500**

Q22

Trial Balance Extract - Nugent Ltd 31/12/2027		
	€	
Insurance	5,800	
Advertising	20,000	
Rent	48,000	
Light & Heat	8,500	
Buildings	220,000	
Vehicles	35,000	

Depreciation: Buildings **1%**
Vehicles **20%**

Income Statement of Nugent Ltd 31/12/2027		
	€	€
Gross Profit		165,000
Less Expenses		
Insurance	**5,800**	
Advertising	**20,000**	
Rent	**48,000**	
Light & Heat	**8,500**	
Depreciation on Buildings	**2200**	
Depreciation on Vehicles	**7000**	
Total Expenses		**91,500**
Net Profit		**73,500**

Q23

Trial Balance Extract - Reilly Ltd 31/12/2027		
	€	
Insurance	5,200	
Bad Debt	16,000	
Wages	42,000	
Electricity	7,200	
Buildings	190,000	
Equipment	28,000	

Depreciation: Buildings **2%**
Vehicles **20%**

Income Statement of Reilly Ltd 31/12/2027		
	€	€
Gross Profit		145,000
Less Expenses		
Insurance	**5,200**	
Bad Debt	**16,000**	
Wages	**42,000**	
Electricity	**7,200**	
Depreciation on Buildings	**3800**	
Depreciation on Vehicles	**5600**	
Total Expenses		**79,800**
Net Profit		**65,200**

Q24

Trial Balance Extract - Sweeney Ltd 31/12/2027		
	€	
Bad Debts	8,200	
Advertising	32,000	
Salaries	65,000	
Light & Heat	13,000	
Buildings	310,000	
Equipment	55,000	

Depreciation: Buildings **1%**
Vehicles **20%**

Income Statement of Sweeney Ltd 31/12/2027		
	€	€
Gross Profit		220,000
Less Expenses		
Bad Debts	**8,200**	
Advertising	**32,000**	
Salaries	**65,000**	
Light & Heat	**13,000**	
Depreciation on Buildings	**3100**	
Depreciation on Vehicles	**11000**	
Total Expenses		**132,300**
Net Profit		**87,700**

The Income Statement – C. The Appropriation Account

Steps To Calculate The Appropriation Account

STEP 1 **Start with net profit**	**Net Profit** 38,000	**Start with net profit**
STEP 2 **Deduct dividends paid**	**Net Profit** 38,000 Less Dividend Paid 12,000 26,000	**Deduct dividends paid from Net Profit**
STEP 3 **Add P&L Balance 01/01**	**Net Profit** 38,000 Less Dividend Paid 12,000 26,000 Add P&L Balance 01/01/26 17,500	**Add the Reserves / Opening P&L balance 01/01 from the start of the year.**
STEP 4 **Calculate P&L Balance 31/12**	**Net Profit** 38,000 Less Dividend Paid 12,000 26,000 Add P&L Balance 01/01/26 17,500 **P&L Balance 31/12/26** **43,500**	**This completes the Income Statement showing the reserves the business has at the year end.**

Q25 **Complete the Appropriation Account for Flynn**

Additional information: Dividends Paid €12,000

P&L Balance 01/01/2027 €17,800

Income Statement Flynn Ltd year ending 31/12/2027		
	€	€
Net Profit		46,200
Less Dividends Paid		**12,000**
		34,200
Add P&L Balance 01/01		**17,800**
P&L Balance 31/12		**52,000**

Q26 **Complete the Appropriation Account for Star Ltd**

Additional information: Dividends Paid €6,000

P&L Balance 01/01/2027 €12,300

Income Statement Star Ltd year ending 31/12/2027		
	€	€
Net Profit		55,900
Less Dividends Paid		**6,000**
		49,900
Add P&L Balance 01/01		**12,300**
P&L Balance 31/12		**62,200**

Q27 **Complete the Appropriation Account for Brady**

Additional information: Dividends Paid €15,000

P&L Balance 01/01/2027 €21,800

Income Statement Brady Ltd year ending 31/12/2027		
	€	€
Net Profit		52,300
Less Dividends Paid		**15,000**
		37,300
Add P&L Balance 01/01		**21,800**
P&L Balance 31/12		**59,100**

Q28 **Complete the Appropriation Account for Costello**

Additional information: Dividends Paid €25,000

P&L Balance 01/01/2027 €42,100

Income Statement Costello Ltd year ending 31/12/2027		
	€	€
Net Profit		67,800
Less Dividends Paid		**25,000**
		42,800
Add P&L Balance 01/01		**42,100**
P&L Balance 31/12		**84,900**

Q29. Complete the full Income Statement for Walsh Ltd using the Trial Balance extract below.

Details from Trial Balance of Walsh Ltd as at 31/12/2027	€	€
Sales		320,000
Purchases	162,000	
Carriage Inwards	8,000	
Stock 01/01/2027	18,000	
Wages	52,000	
Rent	16,000	
Insurance	8,400	
Light & Heat	11,200	
Delivery Costs	6,500	
Dividends Paid	15,000	
P&L Balance 01/01/2027		21,500

Additional information: Stock 31/12/2027 €22,000

Some figures have been filled in to help you get started. Complete the remaining boxes.

Income Statement Walsh Ltd year ending 31/12/2027	€	€
Sales		320,000
Less Cost of Sales		
Stock 01/01/2027	18,000	
Purchases	162,000	
Add Carriage Inwards	8,000	
	188,000	
Less Stock 31/12/2027	22,000	
Cost of Sales		**166,000**
Gross Profit		**154,000**
Less Expenses		
Wages	**52,000**	
Rent	**16,000**	
Insurance	**8,400**	
Light & Heat	**11,200**	
Delivery Costs	**6,500**	
Total Expenses		**94,100**
Net Profit		**59,900**
Less Dividends Paid		**15,000**
		44,900
Add P&L Balance 01/01/2027		**21,500**
P&L Balance 31/12/2027		**66,400**

Q30. Complete the full Income Statement for Byrne Ltd. using the Trial Balance extract below
Additional information: Stock 31/12/2027 €14,000
Depreciation: Buildings 2%, Equipment 20%.

Details from Trial Balance of Byrne Ltd as at 31/12/2027	€	€
Sales		185,000
Purchases	94,000	
Carriage Inwards	4,500	
Stock 01/01/2027	9,500	
Salaries	28,000	
Insurance	5,200	
Buildings	240,000	
Equipment	50,000	
Dividends Paid	8,000	
P&L Balance 01/01/2027		14,200

Income Statement Byrne Ltd for year ending 31/12/2027	€	€
Sales		**185,000**
Less Cost of Sales		
Purchases	94,000	
Add Carriage Inwards	4,500	
Stock 01/01/2027	9,500	
	108,000	
Less Stock 31/12/2027	14,000	
Cost of Sales		**94,000**
Gross Profit		**91,000**
Less Expenses		
Salaries	**28,000**	
Insurance	**5,200**	
Dep on Buildings (€240,000 x 2%)	**4,800**	
Dep on Equipment (€50,000 x 20%)	**10,000**	
Total Expenses		**48,000**
Net Profit		**43,000**
Less Dividends Paid		**8,000**
		35,000
Add P&L Balance 01/01/2027		**14,200**
P&L Balance 31/12/2027		**49,200**

Q31. Complete the full Income Statement for Doyle Ltd. using the Trial Balance extract below
Additional information: Stock 31/12/2027 €29,000
Depreciation: Buildings 1%, Vehicles 15%.

Details from Trial Balance of Doyle Ltd as at 31/12/2027	€	€
Sales		415,000
Purchases	210,000	
Carriage Inwards	11,000	
Stock 01/01/2027	24,000	
Wages	68,000	
Rent	24,000	
Buildings	380,000	
Vehicles	60,000	
Dividends Paid	18,000	
P&L Balance 01/01/2027		38,000

Income Statement Doyle Ltd for year ending 31/12/2027	€	€
Sales		415,000
Less Cost of Sales		
Purchases	210,000	
Add Carriage Inwards	11,000	
Stock 01/01/2027	24,000	
	245,000	
Less Stock 31/12/2027	29,000	
Cost of Sales		216,000
Gross Profit		199,000
Less Expenses		
Wages	68,000	
Rent	24,000	
Depreciation Buildings	3,800	
Depreciation Vehicles	9,000	
Total Expenses		104,800
Net Profit		94,200
Less Dividends Paid		18,000
		76,200
Add P&L Balance 01/01/2027		38,000
P&L Balance 31/12/2027		114,200

Q32. Complete the full Income Statement for Carroll Ltd.
Additional information: Stock 31/12/2027 €17,000
Use the Trial Balance extract below. Depreciation: Buildings 2%, Equipment 20%.

Details from Trial Balance of Carroll Ltd as at 31/12/2027	€	€
Sales		248,000
Purchases	118,000	
Carriage Inwards	6,500	
Stock 01/01/2027	12,000	
Salaries	41,000	
Marketing	19,200	
Buildings	310,000	
Equipment	55,000	
Dividends Paid	10,000	
P&L Balance 01/01/2027		19,800

Income Statement Carroll Ltd for year ending 31/12/2027	€	€
Sales		248,000
Less Cost of Sales		
Purchases	118,000	
Add Carriage Inwards	6,500	
Stock 01/01/2027	12,000	
	136,500	
Less Stock 31/12/2027	17,000	
Cost of Sales		119,500
Gross Profit		128,500
Less Expenses		
Salaries	41,000	
Marketing	19,200	
Depreciation Buildings	6,200	
Depreciation Equipment	11,000	
Total Expenses		77,400
Net Profit		51,100
Less Dividends Paid		10,000
		41,100
Add P&L Balance 01/01/2027		19,800
P&L Balance 31/12/2027		60,900

Q33 Write the formula for Gross Profit:

Sales – Cost of Sales = Gross Profit

Q34 State whether the following statements are True or False

Statement	TRUE	FALSE
Opening stock is added to purchases when calculating cost of sales.	✓	
Carriage inwards is an expense in the income statement.		✓
Closing stock is deducted from purchases when calculating cost of sales.	✓	
Wages are included in cost of sales.		✓

Q35 Tick the items below that go in to the costs of sale section in the income statement:

Opening stock	Purchases
Carriage inwards	Closing stock

Q36 State whether the following statements are True or False

Statement	TRUE	FALSE
Customs duties are charged on goods imported from outside the EU.	✓	
Gross profit is calculated by subtracting total expenses from sales.		✓
Net profit is the profit left after expenses are deducted from gross profit.	✓	
Insurance is a cost of sale.		✓

Q37 Tick the items below that are expenses in the income statement:

Light and heat	Insurance
Wages	Telephone and broadband

Q38 Gross Profit Trend

The table below shows the financial results of Fallon Sports Ltd for two years.

	2026	2027
Sales	€500,000	€500,000
Cost of Sales	€400,000	€475,000
Gross Profit	**€100,000**	**€25,000**

(i) Is this a good or bad trend for Fallon Sports Ltd? Give a reason for your answer.

Bad Trend
Reason: Gross profit has fallen / there is less Gross profit / Cost of sales increased without sales increasing

(ii) Suggest one reason that could have caused this trend.

Purchases could have increased in price for buying new stock, increasing cost of sales

Q39 Net Profit Trend

The table below shows the financial results of Right Sports Ltd for two years.

	2026	2027
Gross Profit	€100,000	€100,000
Total Expenses	€40,000	€85,000
Net Profit	**€60,000**	**€15,000**

(i) Is this a good or bad trend for Right Sports Ltd? Give a reason for your answer.

Bad Trend
Reason: Net profit has fallen / there is less net profit / Expenses increased

(ii) Suggest one reason that could have caused this trend.

Expenses increased e.g. the cost of rent/insurance/wages may have increased / they may have hired another staff member

(iii) Recommend one action the business should take to address this trend.

They could try to reduce expenditure by seeking a cheaper energy supplier/insurance

The Statement of Financial Position - D. Fixed Assets

Steps To Calculate Total Fixed Assets

STEP 1
List all Fixed Assets

Statement of Financial Position Hoodie Hub Ltd on 31/12/26			
	Cost	Dep	N.B.V.
Fixed Assets	€	€	€
Buildings	200,000		
Vehicles	20,000		
Total Fixed Assets			

Add in the cost of the fixed assets owned by the business

STEP 2
Calculate Depreciation

Statement of Financial Position Hoodie Hub Ltd on 31/12/26			
	Cost	Dep	N.B.V.
Fixed Assets	€	€	€
Buildings	200,000	2,000	
Vehicles	20,000	4,000	
Total Fixed Assets			

Cost of asset x by the percentage depreciated = Depreciation

STEP 3
Calculate Net Book Value

Statement of Financial Position Hoodie Hub Ltd on 31/12/26			
	Cost	Dep	N.B.V.
Fixed Assets	€	€	€
Buildings	200,000	2,000	198,000
Vehicles	20,000	4,000	16,000
Total Fixed Assets			

Cost - Depreciation = Net Book Value

STEP 4
Calculate Total Fixed Assets

Statement of Financial Position Hoodie Hub Ltd on 31/12/26			
	Cost	Dep	N.B.V.
Fixed Assets	€	€	€
Buildings	200,000	2,000	198,000
Vehicles	20,000	4,000	16,000
Total Fixed Assets	220,000	6,000	214,000

Add the values from each column to calculate Total Fixed Assets

Fixed Assets and Depreciation

Depreciation is the fall in value of a fixed asset over time. It is treated as an expense in the Income Statement, and the value of fixed assets need to be adjusted for it in the Statement Of Financial Position.

Formulae needed:

Depreciation = Cost x Depreciation %
Net Book Value (NBV) = Cost – Depreciation

Q40 Fill in the unshaded areas to complete the Statement of Financial Position (extract) below.

Fixed Assets	Cost €	Depreciation €	Net Book Value €
Buildings	550,000	11,000	539,000
Equipment	92,000	9,200	82,800
Total Fixed Assets	**642,000**	**20,200**	**621,800**

Workings (if required):

Q41 Fill in the unshaded areas to complete the Statement of Financial Position (extract) below.

Fixed Assets	Cost €	Depreciation €	Net Book Value €
Buildings	320,000	3,200	316,800
Vehicles	45,000	9,000	36,000
Total Fixed Assets	**365,000**	**12,200**	**352,800**

Workings (if required):

Q42 Fill in the unshaded areas to complete the Statement of Financial Position (extract) below.

Fixed Assets	Cost €	Depreciation €	Net Book Value €
Buildings	280,000	5,600	274,400
Machinery	40,000	10,000	30,000
Total Fixed Assets	**320,000**	**15,600**	**304,400**

Workings (if required):

Q43 Fill in the unshaded areas to complete the Statement of Financial Position (extract) below.

Fixed Assets	Cost €	Depreciation €	Net Book Value €
Buildings	400,000	4,000	396,000
Equipment	60,000	12,000	48,000
Vehicles	50,000	7,500	42,500
Total Fixed Assets	**510,000**	**23,500**	**486,500**

Workings (if required):

Q44. Kelly Ltd			
Fixed Assets	**Cost**	**Dep**	**N.B.V.**
	€	**€**	**€**
Buildings	400,000	**8000**	**392,000**
Equipment	50,000	**10000**	**40,000**
	450000	**18000**	**432,000**
Buildings: 2%	2%		
Equipment: 20%	20%		

Q45. O'Brien Ltd			
Fixed Assets	**Cost**	**Dep**	**N.B.V.**
	€	**€**	**€**
Buildings	550,000	**5500**	**544,500**
Vehicles	92,000	**13800**	**78,200**
	642000	**19300**	**622,700**
Buildings: 1%	1%		
Vehicles: 15%	15%		

Q46. Walsh Ltd			
Fixed Assets	**Cost**	**Dep**	**N.B.V.**
	€	**€**	**€**
Buildings	320,000	**6400**	**313,600**
Equipment	75,000	**7500**	**67,500**
	395000	**13900**	**381,100**
Buildings: 2%	2%		
Equipment: 10%	10%		

Q47. Byrne Ltd			
Fixed Assets	**Cost**	**Dep**	**N.B.V.**
	€	**€**	**€**
Buildings	280,000	**0**	**280,000**
Vehicles	65,000	**13000**	**52,000**
	345000	**13000**	**332,000**
Buildings: no depreciation	0%		
Vehicles: 20%	20%		

The Statement of Financial Position - E. Working Capital

Steps To Calculate Working Capital and Total Net Assets

STEP 1 Calculate Current Assets

Current Assets			
Cash	3,000		
Debtors	16,900		
Closing Stock 31/12/22	30,000	49,900	

Add up all Current Assets the business owns

STEP 2 Calculate Current Liabilities

Current Assets			
Cash	3,000		
Debtors	16,900		
Closing Stock 31/12/22	30,000	49,900	
Current Liabilities			
Creditors	16,300		
Bank Overdraft	4,100	20,400	

Add up all Current Liabilities the business owes

STEP 3 Calculate Working Capital

Current Assets			
Cash	3,000		
Debtors	16,900		
Closing Stock 31/12/22	30,000	49,900	
Current Liabilities			
Creditors	16,300		
Bank Overdraft	4,100	20,400	
Working Capital			29,500

Current Assets Minus Current Liabilities = Working Capital

STEP 4 Calculate Total Net Assets

Total Fixed Assets	220,000	6,000	214,000
Current Assets			
Cash	3,000		
Debtors	16,900		
Closing Stock 31/12/22	30,000	49,900	
Current Liabilities			
Creditors	16,300		
Bank Overdraft	4,100	20,400	
Working Capital			29,500
Total Net Assets			243,500

Total Fixed Assets plus Working Capital = Total Net Assets

Q48 Complete the partially filled account below

Statement of Financial Position of South Ltd as at 31/12/2026			
Current Assets	€	€	€
Cash	5,100		
Debtors	28,000		
Closing Stock 31/12	11,300	44,400	
Current Liabilities/Creditors falling due within 1 year			
Creditors	14,800		
Bank Overdraft	5,150	19,950	
Working Capital			24,450

Q49 Complete the partially filled account below

Statement of Financial Position of TARA Ltd as at 31/12/2026			
Current Assets	**€**	**€**	**€**
Cash	4,700		
Debtors	31,000		
Closing Stock 31/12	14,750	**50,450**	
Current Liabilities/Creditors falling due within 1 year			
Creditors	11,800		
Bank Overdraft	4,800	**16,600**	
Working Capital			**33,850**

Q50 Complete the partially filled account below

Statement of Financial Position of Werblik Ltd as at 31/12/2026			
Current Assets	**€**	**€**	**€**
Cash	3,600		
Debtors	21,000		
Closing Stock 31/12	9,400	**34,000**	
Current Liabilities/Creditors falling due within 1 year			
Creditors	12,250		
Bank Overdraft	5,200	**17,450**	
Working Capital			**16,550**

Q51 Complete the partially filled account below

Statement of Financial Position of Perri Ltd as at 31/12/2026			
Current Assets	**€**	**€**	**€**
Cash	2,500		
Debtors	19,150		
Closing Stock 31/12	8,100	**29,750**	
Creditors	24,000		
Bank Overdraft	8,500	**32,500**	
Working Capital			**(2,750)**

Use the details for the Trial Balance extract below to complete the State of Financial Position information:

Q52

Trial Balance		
	€	€
Cash	4,000	
Debtors	21,000	
Creditors		14,000
Bank overdraft		3,000
The following information is also provided:		
Stock 31/12/26	€25,000	

Statement of Financial Position Fizzy Ltd at 31/12/2026			
Current Assets	€	€	€
Cash	4,000		
Debtors	21,000		
Stock 31/12/26	€25,000	50,000	
Current Liabilities/Creditors falling due within 1 year			
Creditors	14,000		
Bank overdraft	3,000	17000	
Working Capital			33,000

Q53

Trial Balance		
	€	€
Cash	6,000	
Debtors	8,000	
Creditors		18,000
Bank overdraft		7,500
The following information is also provided:		
Stock 31/12/26	€6,500	

Statement of Financial Position Fuzzy Ltd at 31/12/2026			
Current Assets	€	€	€
Cash	6,000		
Debtors	8,000		
Stock 31/12/26	6,500	20,500	
Current Liabilities/Creditors falling due within 1 year			
Creditors	18,000		
Bank overdraft	7,500	25500	
Working Capital			(5,000)

The Statement of Financial Position - F. Capital Employed

Steps To Calculate Capital Employed

STEP 1 Share Capital	**Financed by** | **Authorised** | **Issued** Share Capital €1 Ordinary Shares | 200,000 | 100,000	Authorised and issued share capital come from the Trial Balance
STEP 2 P&L Balance	**Financed by** | **Authorised** | **Issued** Share Capital €1 Ordinary Shares | 200,000 | 100,000 Profit & Loss Balance 31/12/22 | | 43,500	The P&L Balance 31/12 comes from the Income Statement
STEP 3 Add Long-term loans	**Financed by** | **Authorised** | **Issued** Share Capital €1 Ordinary Shares | 200,000 | 100,000 Profit & Loss Balance 31/12/22 | | 43,500 8 year loan | | 100,000	Look for any loan that is 5+ years
STEP 4 Calculate Capital Employed	**Financed by** | **Authorised** | **Issued** Share Capital €1 Ordinary Shares | 200,000 | 100,000 Profit & Loss Balance 31/12/22 | | 43,500 8 year loan | | 100,000 **Capital Employed** | | | 243,500	Issued Share Capital + P&L Balance 31/12 + Long-term Loan = Capital Employed

Use the information provided to complete the Statement of Financial Position

Q54

Trial Balance of Trossard Ltd as at 31/12/2028		
	€	€
Profit and loss balance 01/01/28		51,600
7yr loan		34,000
Issued share capital		300,000

P&L Balance from the Income Statement on 31/12 12,000

The Authorised share capital of €1 ordinary shares €400,000

Financed by	Authorised	Issued	
Share Capital €1 Ordinary Shares	400,000	300,000	
Profit & Loss Balance 31/12/28		12,000	
7yr loan		34,000	
Capital Employed			346,000

Q55

Trial Balance of Power Ltd as at 31/12/2028		
	€	€
Profit and loss balance 01/01/28		51,600
8yr loan		150,000
Issued share capital		380,000

P&L Balance from the Income Statement on 31/12 €12,000

The Authorised share capital of €1 ordinary shares €400,000

Financed by	Authorised	Issued	
Share Capital €1 Ordinary Shares	400,000	380,000	
Profit & Loss Balance 31/12/28		12,000	
8yr loan		150,000	
Capital Employed			542,000

Q56 Use the trial balance below to complete the partially completed Final Accounts for Quinny Ltd on the next page

The following trial balance was taken from the books of Quinny Ltd, on 31/12/2026. The Authorised Share Capital is 400000 €1 ordinary shares.		
	€	€
Sales		420,000
Purchases	218,000	
Carriage inwards	27,500	
Stock 01/01/26	10,000	
Bad Debt	11,500	
Advertising	27,600	
Wages	89,000	
Light & heat	8,000	
Buildings	300,000	
Vehicles	60,000	
Cash	4,000	
Dividends paid	12,000	
Debtors	21,000	
Creditors		14,000
Bank overdraft		3,000
Profit and loss balance 01/01/26		51,600
Issued share capital		300,000
Total	**788,600**	**788,600**

The following information is also provided:	
Stock 31/12/26	€18,000
Depreciation on Buildings	2%
Depreciation on Vehicles	15%

Depreciation on Buildings	Calculate depreciation by multiplying the value of the asset by the percentage given
Depreciation on Vehicles	

Income Statement of Quinny Ltd for the year ended 31/12/2026			
	€	€	€
Sales			420,000
Less cost of sales			
Add Opening Stock		10,000	
Purchases		218,000	
Carriage inwards		27,500	
		255,500	
Less Closing Stock		18,000	
Cost of Sakes			237,500
Gross Profit			182,500
Less Expenses			
Bad Debt		11,500	
Advertising		27,600	
Wages		89,000	
Light & heat		8,000	
Depreciation on Buildings		6,000	
Depreciation on Vehicles		9,000	
Total Expenses			151,100
Net Profit			31,400
Less Dividend Paid			12,000
			19,400
Add Profit and Loss Balance 01/01/26			51,600
Profit and Loss Balance 31/12/26			71,000

Statement of Financial Position of Quinny Ltd as at 31/12/2026			
	Cost	**Dep**	**N.B.V.**
Fixed Assets	**€**	**€**	**€**
Buildings	300,000	6,000	294,000
Vehicles	60,000	9,000	51,000
	360,000	15,000	345,000
Current Assets			
Cash	4,000		
Debtors	21,000		
Closing Stock 31/12/26	18,000	43,000	
Current Liabilities/Creditors amounts falling due within 1 year			
Creditors	14,000		
Bank Overdraft	3,000	17,000	
Working Capital			26,000
Total Net Assets			371,000
Financed by	**Authorised**	**Issued**	
Share Capital €1 Ordinary Shares	400,000	300,000	
Profit & Loss Balance 31/12/26		71,000	
Capital Employed			371,000

Q57 Use the trial balance below to complete the Final Accounts for Quinny Ltd on the next page, using the shaded areas to insert the relevant figures

The following trial balance was taken from the books of Blitz Ltd, on 31/12/2026. The Authorised Share Capital is 300000 €1 ordinary shares.		
	€	**€**
Sales		380,000
Purchases	174,500	
Carriage inwards	25,000	
Stock 01/01/26	12,000	
Insurance	9,000	
Marketing	19,000	
Salaries	89,000	
Electricity	11,000	
Buildings	200,000	
Equipment	75,000	
Cash	3,500	
Dividends paid	15,000	
Debtors	19,500	
Creditors		14,000
Bank overdraft		4,500
Profit and loss balance 01/01/26		54,000
Issued share capital		200,000
Total	**652,500**	**652,500**

The following information is also provided:	
Stock 31/12/26	€18,000
Depreciation on Buildings	2%
Depreciation on Equipment	15%

Depreciation on Buildings	**Calculate depreciation by multiplying the value of the asset by the percentage given**
Depreciation on Equipment	

Income Statement of Blitz Ltd for the year ended 31/12/2026			
	€	€	€
Sales			380,000
Less cost of sales			
Add Opening Stock		12,000	
Purchases		174,500	
Carriage inwards		25,000	
		211,500	
Less Closing Stock		18,000	
Cost of Sakes			193,500
Gross Profit			186,500
Less Expenses			
Insurance		9,000	
Marketing		19,000	
Salaries		89,000	
Electricity		11,000	
Depreciation on Buildings		4,000	
Depreciation on Equipment		11,250	
Total Expenses			143,250
Net Profit			43,250
Less Dividend Paid			15,000
			28,250
Add Profit and Loss Balance 01/01/26			54,000
Profit and Loss Balance 31/12/26			82,250

Statement of Financial Position of Blitz Ltd as at 31/12/2026			
	Cost	**Dep**	**N.B.V.**
Fixed Assets	**€**	**€**	**€**
Buildings	200,000	4,000	196,000
Equipment	75,000	11,250	63,750
	275,000	15,250	259,750
Current Assets			
Cash	3,500		
Debtors	19,500		
Closing Stock 31/12/26	18,000	41,000	
Current Liabilities/Creditors amounts falling due within 1 year			
Creditors	14,000		
Bank Overdraft	4,500	18,500	
Working Capital			22,500
Total Net Assets			282,250
Financed by	**Authorised**	**Issued**	
Share Capital €1 Ordinary Shares	300,000	200,000	
Profit & Loss Balance 31/12/26		82,250	
Capital Employed			282,250

Q58 Use the trial balance below to complete the Final Accounts for JCB Ltd on the following page

The following trial balance was taken from the books of Blitz Ltd, on 31/12/2026. The Authorised Share Capital is 300000 €1 ordinary shares.		
	€	€
Sales		380,000
Purchases	174,500	
Carriage inwards	25,000	
Stock 01/01/26	12,000	
Insurance	9,000	
Marketing	19,000	
Salaries	89,000	
Electricity	11,000	
Buildings	200,000	
Equipment	75,000	
Cash	3,500	
Dividends paid	15,000	
Debtors	19,500	
Creditors		14,000
Bank overdraft		4,500
Profit and loss balance 01/01/26		54,000
Issued share capital		200,000
Total	**652,500**	**652,500**

The following information is also provided:	
Stock 31/12/26	€18,000
Depreciation on Buildings	2%
Depreciation on Equipment	15%

Depreciation on Buildings **Depreciation on Equipment**	**Calculate depreciation by multiplying the value of the asset by the percentage given**

Income Statement of Blitz Ltd for the year ended 31/12/2026			
	€	€	€
Sales			380,000
Less cost of sales			
Add Opening Stock		12,000	
Purchases		174,500	
Carriage inwards		25,000	
		211,500	
Less Closing Stock		18,000	
Cost of Sakes			193,500
Gross Profit			186,500
Less Expenses			
Insurance		9,000	
Marketing		19,000	
Salaries		89,000	
Electricity		11,000	
Depreciation on Buildings		4,000	
Depreciation on Equipment		11,250	
Total Expenses			143,250
Net Profit			43,250
Less Dividend Paid			15,000
			28,250
Add Profit and Loss Balance 01/01/26			54,000
Profit and Loss Balance 31/12/26			82,250

Statement of Financial Position of Blitz Ltd as at 31/12/2026			
	Cost	**Dep**	**N.B.V.**
Fixed Assets	€	€	€
Buildings	200,000	4,000	196,000
Equipment	75,000	11,250	63,750
	275,000	15,250	259,750
Current Assets			
Cash	3,500		
Debtors	19,500		
Stock 31/12/26	18,000	41,000	
Current Liabilities/Creditors amounts falling due within 1 year			
Creditors	14,000		
Bank Overdraft	4,500	18,500	
Working Capital			22,500
Total Net Assets			282,250
Financed by	**Authorised**	**Issued**	
Share Capital €1 Ordinary Shares	300,000	200,000	
Profit & Loss Balance 31/12/26		82,250	
Capital Employed			282,250

Q59 Use the trial balance below to complete the Final Accounts for JCB Ltd on the following page

The following trial balance was taken from the books of JCB Ltd, on 31/12/2026. The Authorised Share Capital is 500000 €1 ordinary shares.

	€	€
Sales		588,400
Purchases	267,500	
Custom Duties	40,000	
Stock 01/01/26	12,000	
Insurance	9,000	
Marketing	19,000	
Wages	112,000	
Electricity	18,000	
Buildings	400,000	
Vehicles	100,000	
Cash	3,500	
Dividends paid	30,000	
Debtors	19,500	
Creditors		18,500
Bank overdraft		5,600
Profit and loss balance 01/01/26		68,000
Issued share capital		350,000
Total	**1,030,500**	**1,030,500**

The following information is also provided:	
Stock 31/12/26	€32,000
Depreciation on Buildings	2%
Depreciation on Vehicles	15%

Depreciation on Buildings	**Calculate depreciation by multiplying the value of the asset by the percentage given**
Depreciation on Vehicles	

Income Statement of JCB Ltd for the year ended 31/12/2026			
	€	€	€
Sales			588,400
Less cost of sales			
Add Opening Stock		12,000	
Purchases		267,500	
Custom Duties		40,000	
		319,500	
Less Closing Stock		32,000	
Cost of Sakes			287,500
Gross Profit			300,900
Less Expenses			
Insurance		9,000	
Marketing		19,000	
Wages		112,000	
Electricity		18,000	
Depreciation on Buildings		8,000	
Depreciation on Vehicles		15,000	
Total Expenses			181,000
Net Profit			119,900
Less Dividend Paid			30,000
			89,900
Add Profit and Loss Balance 01/01/26			68,000
Profit and Loss Balance 31/12/26			157,900

Statement of Financial Position of JCB Ltd as at 31/12/2026			
	Cost	**Dep**	**N.B.V.**
Fixed Assets	**€**	**€**	**€**
Buildings	400,000	8,000	392,000
Vehicles	100,000	15,000	85,000
	500,000	23,000	477,000
Current Assets			
Cash	3,500		
Debtors	19,500		
Stock 31/12/26	32,000	55,000	
Current Liabilities/Creditors amounts falling due within 1 year			
Creditors	18,500		
Bank Overdraft	5,600	24,100	
Working Capital			30,900
Total Net Assets			507,900
Financed by	**Authorised**	**Issued**	
Share Capital €1 Ordinary Shares	500,000	350,000	
Profit & Loss Balance 31/12/26		157,900	
Capital Employed			507,900

Q60 State whether the following statements are True or False

Statement	TRUE	FALSE
Buildings are a fixed asset.	✓	
Closing stock is a fixed asset.		✓
Debtors are a current asset.	✓	
A bank overdraft is a current liability.	✓	

Q61 Tick the items below that are fixed assets:

Buildings	Vehicles

Q62 Tick the items below that are current assets:

	Creditors
Cash in hand	Closing stock
Debtors	Cash in bank

Q63 Brennan's Bakery is a small business that supplies bread and pastries to cafes and shops across Dublin. The table below shows the working capital position for the business.

	2026	2027
Current Assets	€60,000	€60,000
Current Liabilities	€30,000	€55,000
Working Capital	**€30,000**	

(i) Calculate working capital for 2027 for Brennan's Bakery. Show your workings.

60,000-55,000 = €5,000

(ii) Is trend in working capital from 2026 to 2027 a good or bad trend for Brennan's Bakery? Give a reason for your answer.

Bad

Reason: Working capital has decreased by €25,000 / current assets stayed the same but current liabilities increased causing a liquidity problem

(ii) Recommend what action Brennan's Bakery could take to improve their working capital.

Look to reduce current liabilities / buy less on credit / pay off some overdraft

Q64 The share capital for two businesses looking to expand are given below. Both are in a position where they want to spend €150,000 on an extension for the premises to increase their sales.

	Turkey Ltd	Beef Ltd
Authorised Share Capital	€500,000	€500,000
Issued Share Capital	€300,000	€450,000

(i) Calculate the amount of share capital both can still issue. Show your workings.

Turkey Ltd €500,000 (Authorised) - €300,000 (Issued) = €200,000 Turkey Ltd can still issue €200,000 in shares. This is more than enough to fund the €150,000 expansion.

Beef Ltd €500,000 (Authorised) - €450,000 (Issued) = €50,000 Beef Ltd can only issue €50,000 in shares. This is not enough to fund the €150,000 expansion through shares alone.

(ii) Explain an alternative source of finance a business could use to fund expansion

A business could apply for a long-term loan from a bank or financial institution.
This would allow the business to borrow the money it needs and repay it over a number of years with interest, meaning it does not have to find all the money at once.

(Accept also: grant, retained earnings/reserves.)

(iii) In the case of using a long-term loan, what might a financial institution look for from a business before issuing a long-term loan?

A financial institution would look for collateral (also called security).
A fixed asset like the premises might be available for a bank to take ownership of if the loan can't be repaid.