

Section A Model Solutions (90 marks)

Question 1 Fixed or Current Asset (6 marks)

A fixed asset is something the business owns and keeps for the long term. A current asset is cash or something that will be turned into cash within a year.

Asset	Fixed	Current
Delivery van	✓	
Cash		✓
Warehouse	✓	
Stock of goods for resale		✓
Machinery	✓	

**Top Tip:** Stock and cash are always current assets. Vehicles, buildings, and machinery are always fixed assets.

Question 2 Invoice Calculation (6 marks)

Trade discount is always subtracted before VAT is added.

	EUR
Total (excluding VAT)	€40,000
Trade Discount (10%)	€4,000
<b>Subtotal</b>	<b>€36,000</b>
VAT (23%)	€8,280
<b>Total (including VAT)</b>	<b>€44,280</b>

Subtotal 2m | VAT 2m | Total 2m

**Top Tip:** Trade discount is subtracted BEFORE VAT is calculated. VAT is always calculated on the subtotal, not the original price.

Question 3 SWOT Analysis (6 marks)

Opportunities	Threats
Athlone is a new location with no Dolan's Deli brand yet, there is potential to build a loyal customer base in a new market.	Large supermarket chains in Athlone offer cheaper meal deals, which may attract customers away from Dolan's Deli.

Growing demand for quality lunch options means there may be a gap in the Athlone market that Dolan's Deli can fill.

The cost of fitting out a second premises is high and could put financial pressure on the business if sales are slow to grow.

#### Question 4 Primary or Secondary Research (6 marks)

Primary (field) research means collecting new information yourself. Secondary (desk) research means using information that already exists.

	Primary (Field)	Secondary (Desk)
Conducting face-to-face interviews with passing shoppers	✓	
Reading a Failte Ireland report on food and drink trends		✓
Sending a questionnaire to local residents by email	✓	
Visiting competitor websites to compare menus and prices		✓

#### Question 5 Entrepreneur Definition and Motivation (6 marks)

(i) Complete the sentence.

An entrepreneur is someone who takes on the RISK of starting a new business in order to earn a PROFIT by being INNOVATIVE and identifying a gap in the market.

Risk (personal/financial risk) 2m | Profit 2m | Innovative / Creative / Enterprising 2m

(ii) Explain one reason why a person like Niamh would want to become an entrepreneur.

Independence: Niamh wanted to be her own boss and make her own decisions about how the business is run, rather than working for someone else.

#### Also accept

Profit: Niamh saw an opportunity to earn more income by setting up her own business than she could earn as an employee.

Personal fulfilment: Setting up a sustainable homeware brand allows Niamh to turn her passion into a career, which can be personally rewarding.

To make a difference: By building a sustainable brand, Niamh can contribute positively to the environment and to society..

#### Question 6 Factors of Production (6 marks)

Factor	Description
1. Land	Natural resources used in production, such as raw materials, land, water and energy
2. Labour	Human effort, physical and mental, used to produce goods and services
3. Capital	Man-made resources used in production, such as machinery, buildings and technology
4. Enterprise	The skill of organising the other three factors and taking a financial risk to set up a business

### Question 7 Employee Rights and Responsibilities (6 marks)

	Right	Responsibility
To be paid at least the national minimum wage	✓	
To follow all health and safety procedures in the workplace		✓
To join a trade union	✓	
To carry out duties with care and honesty		✓
Not to be unfairly dismissed	✓	

### Question 8 Source of Finance (6 marks)

#### Medium-term

#### (ii) Reason for choice.

Medium-term finance is suitable because the motorbike costs €4,500 and is an asset that will last several years. Medium-term finance, such as hire purchase or a term loan, is repaid over one to five years, which matches the useful life of the motorbike.

**Top Tip:** Match the type of finance to how long the asset will last.

A vehicle/motorbike is medium-term. A building is long-term. A stock order is short-term.

### Question 9 Statement of Financial Position Extract (6 marks)

#### Workings:

Calculation	Result
(i) Buildings NBV: €380,000 – €7,600 =	372,400
(ii) Equipment Depreciation: €72,000 – €64,800 =	7,200
(iii) Total Fixed Assets Cost: €380,000 + €72,000 =	452,000

Fixed Assets	Cost €	Dep €	Net Book Value €
Buildings	380,000	7,600	<b>372,400</b>
Equipment	72,000	<b>7,200</b>	64,800
<b>Total Fixed Assets</b>	<b>452,000</b>	<b>14,800</b>	<b>437,200</b>

### Question 10 Credit Note (6 marks)

Workings:  $5 \times €120 = €600$  total. Trade discount 10% = €60. Subtotal = €540. VAT 23% = €124.20.

	EUR
Total (excluding VAT)	€600.00
Trade Discount (10%)	€60.00
<b>Subtotal</b>	<b>€540.00</b>
VAT (23%)	€124.20
<b>Total (including VAT)</b>	<b>€664.20</b>

### Question 11 Match the Business Type (6 marks)

Sole Trader	Partnership	Private Limited Company (Ltd)
C	A	B

### Question 12 Cash Flow Forecast (6 marks)

	February €	March €	April €	Total €
Total Receipts (A)	19,400	22,600	16,100	58,100
Total Payments (B)	20,600	21,400	18,200	60,200
Net Cash (A minus B)	(1,200)	1,200	(2,100)	(2,100)
Opening Cash	2,800	1,600	2,800	2,800
Closing Cash	1,600	2,800	700	700

(ii) March is the month with a planned surplus (net cash = €1,200).

### Question 13 Marketing Mix (6 marks)

Statement A	Statement B	Statement C
Price	Promotion	Place

### Question 14 Industrial Action (6 marks)

- Official Strike: Employees stop work completely and refuse to do their jobs until the dispute is resolved. This puts pressure on the employer by stopping production.
- Work-to-rule: Employees only carry out the exact duties listed in their contract and refuse to do any extra tasks. This slows the business down without the employees going on full strike.

#### Also accept

Go-slow: employees carry out their duties at a very slow pace, which reduces output and puts pressure on management to resolve the dispute.

### Question 15 Business Plan Sections (6 marks)

#### Marketing Plan

What it contains: The marketing plan sets out how the business will promote and sell its product. It describes the target market, the price, how the product will be advertised, and where it will be sold.

#### Financial Plan

What it contains: The financial plan sets out how much money the business needs to start up and how it plans to pay for its costs. It includes a cash flow forecast, start-up costs, and expected income.

#### Production Plan

Sets out how the product will be made, what equipment is needed, how many units can be produced, and who will be responsible for production.

### Question 16 Employment, Work and Volunteerism (6 marks)

	Employment	Work	Volunteerism
Cian Walsh earns €13.50 per hour working Saturdays in a supermarket	✓		
Aoife Byrne spends two hours each weekend helping elderly neighbours with shopping			✓
John spent 12 hours over the weekend painting his own house		✓	
Dr Priya Nair works as a salaried GP in a HSE practice in Limerick	✓		
Sarah Lee coaches an under-14 camogie team every Thursday without pay			✓

#### Benefit of volunteerism for the volunteer:

Volunteering allows the volunteer to develop new skills and gain experience. For example, Sarah Lee improves her coaching and communication skills each week, which could help her in future employment.

#### Also accept

Volunteering improves mental health and wellbeing. Helping others gives a sense of purpose and increases confidence.

### Question 17 Reward and Cost of Digital Technology (6 marks)

**Reward:** Green Table Foods can now reach more customers through social media advertising. By running campaigns on Instagram and Facebook, the business can promote its products to a much larger audience and increase sales.

**Cost:** The automated stock management software required a large upfront investment. This reduces the cash available to spend on other areas of the business such as staffing or product development.

#### Reward also accept

Moving the ordering system online means orders can be processed faster and with fewer errors, saving time and reducing administration costs.

#### Cost also accept

Employees may need training to use the new software, which takes time and costs money. There is also a risk of the system going down and disrupting operations.

### Question 18 Impact on the Local Community (6 marks)

**Positive impact:** The store will create 120 jobs in Mullingar. Local people who are unemployed will have access to new employment, which increases household income and spending in the town.

**Negative impact:** The large supermarket chain may offer lower prices than existing local shops. This could take customers away from smaller local businesses and cause some of them to close.

### Question 19 Ledger Entries (6 marks)

Cash sales of €8,200 on 30/04/2025. DR Bank/Cash a/c (money comes in). CR Sales a/c (revenue earned).

Dr		Bank / Cash a/c			Cr
Date	Details	Total €	Date	Details	Total €
30/04/2025	Sales	8,200			

Dr		Sales a/c			Cr
Date	Details	Total €	Date	Details	Total €
			30/04/2025	Bank / Cash	8,200

Date (must include year) 1m per account | Details 1m per account | Correct figures 1m per account = 6m

**Top Tip:** Always write the full account title on every ledger account. No account title = no marks. Dates must include the year.

### Question 20 Income Statement Extract (6 marks)

Workings:  $316,000 - 24,000$  (Opening Stock)  $- 8,000$  (Carriage) = €284,000 Purchases.  $\text{COS} = 316,000 - 18,000 = 298,000$ .  
 Gross Profit = €480,000 - €298,000 = €182,000.

Income Statement of Doyle Foods Ltd for the year ended 31/12/2024	€	€
Sales		480,000
<b>Less Cost of Sales</b>		
Opening Stock	24,000	
<b>Purchases (i)</b>	<b>284,000</b>	
Carriage Inwards	8,000	
	316,000	
Less Closing Stock	18,000	
<b>Cost of Goods Sold (ii)</b>		<b>298,000</b>
<b>Gross Profit (iii)</b>		<b>182,000</b>

(i) Purchases 2m | (ii) COS 2m | (iii) Gross Profit 2m

## Section B Model Solutions (180 marks)

### Question 21 Brew North | LO 2.1, 2.2, 2.5, 2.11 (60 marks)

#### (a)(i) Two entrepreneurial skills or characteristics. (8m)

1. Risk-taking: Rián invested his personal savings of €25,000 to open Brew North. He was willing to put his own money at risk with no guarantee the business would succeed.
2. Innovation: Rián spotted a gap in the market for high-quality, sustainably sourced coffee in the north-east of Ireland. He came up with a new business idea and acted on it.

#### (a)(ii) Why a grant was a suitable source of finance at start-up. (4m)

A grant was a suitable source of finance because it does not have to be repaid. At the start-up stage, Brew North had no income yet, so Rián did not have to worry about monthly repayments, which reduced the financial pressure on the business.

**Top Tip:** Always state that a grant does not have to be repaid. This is required for full marks. A grant answer without this phrase will not score well.

#### (b)(i) One positive impact and one negative impact on the local community. (6m)

Positive impact: Brew North's contract will create or sustain employment for the business. The increased income means Rián can pay wages to his four employees, keeping money circulating in the local Drogheda economy.

Negative impact: Existing coffee suppliers in Drogheda may lose business because the hospitals and school will now buy from Brew North instead. This could reduce income and jobs in competing local businesses.

Positive also accept

The hospitals and school will have access to higher-quality coffee, which may improve the experience for patients, staff and students.

Negative also accept

Increased deliveries to two hospitals and a school could add to traffic congestion in Drogheda, which affects residents and commuters.

#### (b) (ii) Outline two reasons why it was important for Rián to prepare a business plan before opening Brew North

##### 1. To support a loan or grant application:

Banks, government bodies, and investors require a business plan before providing finance. Without a business plan, Rián would have found it very difficult to secure the enterprise grant of €15,000 to fund Brew North.

##### 2. To set goals and measure progress:

A business plan sets out targets for sales, costs, and cash flow. Rián can compare actual results against these targets to identify problems early and make changes before they become serious.

**3. To reduce the risk of failure:** A business plan forces the entrepreneur to research the market, competitors, and costs in detail before starting. This means Rián is less likely to be caught off guard by unexpected challenges.

(c)(i) Name one Irish example of each type of enterprise. (3m)

Social Enterprise	Financial Enterprise	Cultural Enterprise
FoodCloud / Focus Ireland	Credit Union/Bank of Ireland/An Post	GAA / Electric Picnic / Riverdance

1m each = 3m | Any reasonable Irish example accepted

(c)(ii) Two roles a social enterprise plays in society. (6m)

1. A social enterprise provides services or goods that meet a community need that might not otherwise be provided. For example, FoodCloud redistributes surplus food to people who need it, reducing food waste and supporting food banks.

2. A social enterprise creates employment in the community. It hires local people and provides wages, which keeps money circulating in the local area and reduces unemployment.

**Also accept**

A social enterprise raises awareness of important social or environmental issues. By operating publicly, it encourages others in the community to think about the causes it supports.

(c)(iii) One challenge facing a social enterprise. (3m)

Funding: a social enterprise often relies on grants and donations rather than large profits. If grant funding is cut or not renewed, the business may struggle to cover its costs and continue operating.

**Also accept**

Balancing the social mission with commercial survival is difficult. The social enterprise must generate enough income to cover costs while also delivering a social benefit, which can be hard to achieve at the same time.

(d)(i) Complete the Brew North cash flow forecast. (16m)

	January €	February €	March €	April €	Total €
<b>Receipts</b>					
Sales	6,700	7,800	14,600	13,800	42,900
Enterprise Grant	18,000	0	0	0	18,000
<b>Total Receipts (A)</b>	<b>24,700</b>	<b>7,800</b>	<b>14,600</b>	<b>13,800</b>	<b>60,900</b>
<b>Payments</b>					
Rent	1,800	1,800	1,800	1,800	7,200
Purchases	6,000	4,500	5,400	5,100	21,000
Wages	2,400	2,400	2,400	2,400	9,600
Equipment	12,500	0	0	0	12,500
Marketing	1,200	600	400	400	2,600
<b>Total Payments (B)</b>	<b>23,900</b>	<b>9,300</b>	<b>10,000</b>	<b>9,700</b>	<b>52,900</b>
<b>Net Cash (A minus B)</b>	<b>800</b>	<b>(1,500)</b>	<b>4,600</b>	<b>4,100</b>	<b>8,000</b>
Opening Cash	200	1,000	(500)	4,100	200
<b>Closing Cash</b>	<b>1,000</b>	<b>(500)</b>	<b>4,100</b>	<b>8,200</b>	<b>8,200</b>

Each correct figure 1m (own figure rule applies throughout) = 16m total

(c)(ii) Month with a deficit and one action to deal with it. (3m)

**Month with a deficit:** In February, both Net Cash (negative €1,500) and Closing Cash (negative €500) are negative, which means Brew North plans to spend more than it receives in that month.

Rián could arrange a short-term bank overdraft to cover the shortfall in February. This would allow the business to continue making payments while it waits for sales income to improve in March. Alternatively, he could try to reduce costs in February by delaying some purchases until March.

## Question 22 Bay Road Bikes | LO 2.12

Workings VAT calculations:

Transaction	Net €	VAT @23% €	Bank Total €
04/06 Purchases (out)	14,000	3,220	17,220
09/06 Sales (in)	22,000	5,060	27,060
21/06 Purchases (out)	4,000	920	4,920
26/06 Sales (in)	16,000	3,680	19,680

(a) (21m)

DR		Analysed Cash Book of Bay Road Bikes June 2025										CR
Date	Details	Bank €	Sales €	VAT €	Capital €	Date 2025	Details	Bank €	Purch €	VAT €	Wages €	Elec €
01/06	Capital	18,000			18,000	04/06	Purchases	17,220	14,000	3,220		
09/06	Sales	27,060	22,000	5,060		15/06	Wages	3,500			3,500	
26/06	Sales	19,680	16,000	3,680		21/06	Purchases	4,920	4,000	920		
						30/06	Electricity	900				900
						30/06	Balance c/d	<b>38,200</b>				
<b>Totals</b>		<b>64,740</b>	<b>38,000</b>	<b>8,740</b>	<b>18,000</b>			<b>64,740</b>	<b>18,000</b>	<b>4,140</b>	<b>3,500</b>	<b>900</b>
01/07	Balance b/d	38,200										

Dates 1m each (must include year) | Details 2m each | All other figures 1m each = 21m

(b) Bank balance at end of June. (1m)

Bank balance at end of June:	€38,200 Debit (the business has money in the bank)
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(c) Post totals and balances to ledger accounts. (16m)

Dr		VAT A/C			Cr	
Date	Details	Total €	Date	Details	Total €	
30/06/2025	Purchases (VAT)	4,140	30/06/2025	Sales (VAT)	8,740	
30/06/2025	Balance c/d	4,600				
	<b>Total</b>	<b>8,740</b>		<b>Total</b>	<b>8,740</b>	
			01/07/2025	Balance b/d	4,600	

Dr		SALES A/C			Cr	
Date	Details	Total €	Date	Details	Total €	
			30/06/2025	Bank / Cash	38,000	

Dr		CAPITAL A/C			Cr	
Date	Details	Total €	Date	Details	Total €	
			30/06/2025	Bank / Cash	18,000	

Dr		PURCHASES A/C			Cr	
Date	Details	Total €	Date	Details	Total €	
30/06/2025	Bank / Cash	18,000				

Dr		WAGES A/C			Cr	
Date	Details	Total €	Date	Details	Total €	
30/06/2025	Bank / Cash	3,500				

Dr		ELECTRICITY A/C			Cr	
Date	Details	Total €	Date	Details	Total €	
30/06/2025	Bank / Cash	900				

Account title 1m | Date (must include year) 1m | Each correct figure 1m (own figure rule applies) = 10m

**Top Tip:** No account title = no marks on that account. Write the full name. Balance c/d must be dated the last day of the month. Balance b/d starts the next month.

(d) Trial Balance of Bay Road Bikes as at 30 June 2025. (8m)

Trial Balance of Bay Road Bikes as at 30 June 2025	Dr €	Cr €
Bank / Cash	38,200	
Purchases	18,000	
Wages	3,500	
Electricity	900	
Sales		38,000
Share Capital		18,000
VAT		4,600
<b>Total</b>	<b>60,600</b>	<b>60,600</b>

Each correct entry 1m (own figure rule applies) = 8m | Both sides must balance

**Top Tip:** The Dr and Cr sides of the Trial Balance must equal the same total. If they do not balance, check your ledger accounts for errors before moving on.

Question 23: Green Table Foods Ltd | LO 2.13 (60 marks)

Workings: Depreciation:

Asset	Cost €	Rate	Depreciation €
Buildings	€280,000	2%	5,600
Equipment	€60,000	10%	6,000

(a) Income Statement for the year ended 31/12/2025. (18m)

Income Statement of Green Table Foods Ltd for the year ended 31/12/2025	€	€
Sales		212,000
<b>Less Cost of Sales</b>		
Stock 01/01/2025	16,000	
Purchases	120,000	
Carriage Inwards	4,000	
	140,000	
Less Stock 31/12/2025	24,000	
<b>Cost of Goods Sold</b>		116,000
<b>Gross Profit</b>		96,000
<b>Less Expenses</b>		
Insurance	8,000	
Rent	18,000	
Wages	26,000	
Telephone and Broadband	4,000	
Depreciation on Buildings	5,600	
Depreciation on Equipment	6,000	
<b>Total Expenses</b>		67,600
<b>Net Profit</b>		28,400
Less Dividends Paid	10,000	
		18,400
Add P&L Balance 01/01/2025	28,000	
<b>P&amp;L Balance 31/12/2025</b>		46,400

COS 3m | GP 2m | Each expense line 1m | Total Expenses 1m | NP 2m | Dividends 1m | P&L Balance 2m = 18m

**Top Tip:** Always write words beside every figure. Figures without labels earn no marks. Depreciation must have its own heading for each asset.

(b) Statement of Financial Position as at 31/12/2025. (24m)

Statement of Financial Position of Green Table Foods Ltd as at 31/12/2025	Cost €	Dep €	NBV €
<b>Fixed Assets</b>			
Buildings	280,000	5,600	274,400
Equipment	60,000	6,000	54,000
<b>Total Fixed Assets</b>	<b>340,000</b>	<b>11,600</b>	<b>328,400</b>
<b>Current Assets</b>			
Closing Stock	24,000		
Debtors	14,000		
Cash	20,000	58,000	
<b>Less Current Liabilities</b>			
Creditors	16,000		
Bank Overdraft	5,000	21,000	
<b>Net Current Assets</b>			<b>37,000</b>
<b>Total Net Assets</b>			<b>365,400</b>
<b>Financed By</b>	<b>Authorised</b>	<b>Issued</b>	
Share Capital (Ord. €1)	400,000	269,000	
P&L Balance 31/12/2025		46,400	
Five-year loan		50,000	
<b>Capital Employed</b>			<b>365,400</b>

Fixed Assets section 6m | Current Assets 3m | Current Liabilities 3m | Net Current Assets 2m | Total Net Assets 2m | Capital section 6m | Capital Employed 2m = 24m

**Top Tip:** Total Net Assets must equal Capital Employed. If they do not match, go back and check your depreciation figures and P&L balance.

(c)(i) Was the change in gross profit a good or bad trend? (3m)

Good or bad trend:	Good trend
Reason: The gross profit increased from €76,000 in 2024 to €96,000 in 2025, a rise of €20,000. This means Green Table Foods Ltd kept more money from its sales after paying for the cost of goods, which shows the business became more profitable.	

(c)(ii) How an overdraft can help and one downside. (3m)

How an overdraft could help: An overdraft allows Green Table Foods Ltd to spend more money than it has in its account, up to an agreed limit. This is useful when the business needs to pay suppliers before it receives payment from its own customers.

One downside of using an overdraft: An overdraft charges interest on the amount overdrawn. This increases costs for the business and the interest can build up quickly if the overdraft is used regularly.