Chapter 26: Final Accounts

Strand 2 Enterprise

L.O. 2.13 Prepare final accounts to assess the financial performance of an organisation at the end of a trading period, analyse and evaluate its financial position and recommend a course of action.

Course Links And Units Of Learning

Links in the textbook chapter opener: Chapter 22 (L.O. 2.9), Chapter 23 (L.O. 2.10), Chapter 24 (L.O. 2.11), Chapter 25 (L.O. 2.12), Chapter 28 (L.O. 3.2).

Building units of learning: The trial balance extracted in Chapter 25 becomes the Income Statement and Statement of Financial Position here, closing the loop that began with Chapter 23's documents. Section B has asked for full final accounts in 2022 (41m), 2023 (42m) and 2026, and Section A drills its extracts almost every year. The Hoodie Hub running case carries one trial balance through every section, colour-coded A to F for students that benefit from colour coding.

Topic Map, Learning Intentions And Timing (Deck Order)

Topic (In Deck And Book Order)	TB Pages	AB Questions	Learning Intentions (From The Chapter Key Skills)	Mins
1. Final Accounts And The Trading Account	279 to 284	Q1 to Q12,	Explain the two statements and their six sections, and calculate gross profit: sales less cost of sales, adding opening stock, purchases, duties and carriage inwards, deducting closing stock.	100
2. The Profit And Loss Account And Depreciation	285 to 288	Q13 to Q24	Identify expenses (including bad debts), calculate depreciation as cost by rate, and complete the P&L to net profit.	100
3. The Appropriation Account And Profit Trends	289 to 290	Q25 to Q31, Q37 to Q38	Deduct dividends paid, add the opening P&L balance to reach the P&L balance 31/12, and evaluate gross and net profit trends with actions.	70
4. The Statement Of Financial Position: Fixed Assets And Working Capital	291 to 297	Q39 to Q50	Classify fixed and current items, calculate Net Book Value (cost minus depreciation), and calculate working capital and total net assets, evaluating liquidity against the 2:1 ideal.	110
5. Financed By And The Full Statement	298 to 302	Q51 to Q60	Distinguish authorised from issued share capital, calculate capital employed (issued shares plus P&L balance plus long-term loans), prove it equals total net assets, and recommend finance for expansion from the capital structure.	110
6. Assessing Performance With Ratios	303 to 304	Q61 to Q66	Apply the profitability ratios (gross margin, net margin, return on investment), liquidity ratios (current 2:1, acid test 1:1) and the gearing ratio, naming the trend and one improvement for each.	90
Total	278 to 305	Q1 to Q66	Chapter opener intro activity and Key Takeaways review included in topic timings.	**580**

Knowledge, Skills And Values

Knowledge	Skills	Values
The two statements and six sections (Trading, P&L, Appropriation; Fixed Assets, Working Capital, Financed By); gross profit with stock adjustments; expenses including bad debts and depreciation (cost by rate); net profit; dividends and the P&L balance; Net Book Value; current assets and liabilities, working capital and liquidity (the 2:1 ideal); authorised v issued share capital, capital employed and its equality with total net assets; the profitability, liquidity and gearing ratios with trends and improvements.	Placing every trial balance line in its one correct section (the A to F codes); computing forwards and backwards through extracts; depreciating only where a rate is given; proving the statement (net assets equal capital employed); evaluating profit, liquidity and gearing trends and recommending an action with figures.	Accountability in its literal sense: the accounts are how a company answers to shareholders, banks and Revenue; the discipline of statements that must balance; honest evaluation, naming the bad trend as readily as the good one.

Junior Cycle Key Skills in this chapter:

- Being Numerate (gross to net profit, depreciation, NBV, working capital, capital employed, ratios)
- Managing Information and Thinking (classifying every trial balance line with the A to F codes)
- Communicating (evaluations that cite the figure, the trend and the recommended action).

Differentiation And Extension

Support Strategies	Extension Opportunities
Trial balance line cards sorted into six labelled zones (A to F) on the desk before any account is written; the book's colour coding made physical. Two skeletons on every page: Sales less Cost of Sales equals Gross Profit, less Expenses equals Net Profit; and Cost less Depreciation equals NBV. The layout is half the marks. The Hoodie Hub trial balance permanently on the wall beside its finished statements; every new section is pointed at where its lines came from.	Backwards drills: extracts solved in reverse (Gabriel Ltd style), because Section A blanks the middle as often as the bottom. The full 2023 Q17 under exam conditions: income statement (18m) and statement of financial position (24m) from the Cupan Eco trial balance in 45 minutes, self-marked against the book's worked solution.

Class Activities: Prompts, Cues And Answers

Page 278 | Introduction Class Activity: Two Questions Every Business Must Answer

Key idea: Three true-or-false statements and three name-it questions setting up the two statements: performance and worth.

1. False: profit is sales minus costs, not costs added to sales.

2. False: even a van bought outright costs the business through depreciation, its fall in value from wear and tear.

3. True: a profitable business can still fail to pay bills on time; that is a liquidity problem.

Questions, open: expenses for a clothing business include rent, wages and electricity; things owned with value include premises, stock, vehicles and cash; money owed includes creditors, unpaid bills or a loan.

Page 279 | Business In Practice: Hoodie Hub Limited

Key idea: The chapter's running business: imported blank hoodies customised in an Irish warehouse; its trial balance builds every account that follows.

1. Customers buy directly through the website and from the selected retailers who stock the hoodies.

2. Extra costs before the hoodies are ready to sell: delivery charges to transport them to Ireland (carriage inwards) and customs or import duties on goods from outside the EU.

3. Other spending: renting the warehouse, buying the large printer, wages, advertising, insurance and bills such as light and heat.

4. Valuable things owned: the printer and equipment, the stock of hoodies, cash and money owed by debtors (the warehouse is rented, not owned).

Page 284 | Key Skill: Calculate Gross Profit (Rice Ltd And Gabriel Ltd)

Key idea: Two income statement extracts with missing figures, one solved forwards and one solved backwards.

Rice Ltd

A = €30,000 + €410,000 = €440,000.

B = €440,000 - €18,000 = €422,000 (Cost of Sales).

C = €650,000 - €422,000 = €228,000 (Gross Profit).

Gabriel Ltd, worked backwards:

B = €195,000 - €160,000 = €35,000 (Opening Stock).

C = €195,000 - €175,000 = €20,000 (Closing Stock).

A = €175,000 + €95,000 = €270,000 (Sales).

Page 288 | Key Skills: Deadly Donuts Ltd (Expenses, Depreciation, Net Profit)

Key idea: One business across three linked drills: name the expenses, depreciate the assets, then finish the P&L.

A(i). €14,000 = Advertising; €3,500 = Insurance; €42,000 = Wages; €6,800 = Light and Heat; €18,000 = Rent.

A(ii). Total expenses before depreciation = €84,300.

B. Buildings: 250,000 x 1% = 2,500. Equipment: 15,000 x 20% = 3,000.

C. A = €18,000 (Rent).

B = €3,000 (Depreciation on Equipment).

C = €14,000 + €3,500 + €42,000 + €6,800 + €18,000 + €2,500 + €4,000 + €3,000 = €93,800 (Total Expenses).

D = €120,000 - €93,800 = €26,200 (Net Profit).

Page 294 | Key Skill: Fixed Assets And Net Book Value

Key idea: Four true-or-false judgements with reasons, then a three-blank NBV extract; the page's Top Tip (no percentage, no depreciation) decides statement 4.

A1. False: a fixed asset is used for more than one year.

A2. False: closing stock is a current asset, expected to convert to cash within the year.

A3. True: vehicles depreciate through wear and tear.

A4. False: an asset given no depreciation rate keeps a Net Book Value equal to its cost, per the Top Tip.

B. (i) €400,000 - €8,000 = €392,000.

(ii) €60,000 - €48,000 = €12,000.

(iii) €400,000 + €60,000 = €460,000.

Checks: total depreciation €8,000 + €12,000 = €20,000 and NBV €392,000 + €48,000 = €440,000, both matching the printed totals.

Page 297 | Key Skill: Calculate Working Capital

Key idea: Two extracts, one ending negative and one landing exactly on the ideal 2:1, each with an evaluation part.

A.

A = €4,000 + €9,000 = €13,000.

B = €11,000 + €6,000 = €17,000.

C = €13,000 - €17,000 = (€4,000).

(ii) Yes, a liquidity problem: working capital is negative, current liabilities exceed current assets, far below the €2:€1 ideal, so Deadly Donuts may struggle to pay bills as they arise.

B. A = €3,000 + €7,000 + €10,000 = €20,000.

B = €4,000 + €6,000 = €10,000.

C = €20,000 - €10,000 = €10,000.

(ii) A positive trend: working capital doubled from €5,000 in 2026 to €10,000 in 2027, and current assets are now exactly double current liabilities, the ideal €2:€1 liquidity position.

Activity Book pairing: Q49 to Q57.

Exam Corners And Top Tips Explained

Page 284 | 2025 Q14 With Top Tip

Complete the Income Statement of Doyle Ltd (6m for the question), completed in the book: opening stock 20,000 plus purchases 280,000 gives 300,000; less closing stock (15,000) gives Cost of Sales (285,000); Sales 500,000 minus 285,000 gives Gross Profit 215,000.

The Top Tip: opening stock is added because it was available to sell this year; closing stock is subtracted because it was not sold this year – the accounts run from Jan 1st to Dec 31st so a business needs to adjust for what it had starting and what it ended with so it only shows what happened between those dates.

Page 291 | 2025 Q1

Tick whether each asset is fixed or current (6m for the question), completed: Premises fixed, Cash current, Delivery Vehicle fixed. The four-box table on the same page (fixed assets, current assets, current liabilities, financed by) answers every classification question.

Page 294 | 2024 Q6 With Top Tip

Complete the Statement of Financial Position extract (6m for the question), completed with workings: (i) €550,000 - €11,000 = €539,000; (ii) €92,000 - €82,800 = €9,200; (iii) €550,000 + €92,000 = €642,000. Cost minus depreciation equals Net Book Value.

The Top Tip: some assets are given no depreciation percentage; if none is given, do not depreciate that fixed asset.

Pages 301 to 302 | 2023 Q17 (a) And (b)

Complete the Income Statement (18m per the marking scheme) and prepare the Statement of Financial Position (24m) for Cupan Eco Ltd, both fully worked in the book.

Every figure traces to the printed trial balance; the colour codes A to F used all chapter mark exactly where each line goes.

L.O. 2.13 Exam Question History (Update Each Year)

Paper	What Was Asked	Skill	Marks
2019 Sample Q8	Complete the NBV extract for O'Gorman Ltd (depreciation 2% and 15% of cost)	Net Book Value	6m
2019 Q14	Complete the trading account extract to gross profit (Sales 850,000)	Gross profit	6m
2022 Q17 (a)-(b)	Complete the Income Statement of Cadden Ltd (17m); complete the Statement of Financial Position (24m)	Full final accounts	41m
2023 Q17 (a)-(b)	Complete the Income Statement of Cupan Eco Ltd (18m); prepare the Statement of Financial Position (24m)	Full final accounts	42m
2024 Q6	Complete the Statement of Financial Position extract: NBV, depreciation and total cost	Net Book Value	6m
2025 Q1	Tick whether premises, cash and a delivery vehicle are fixed or current assets	Asset classification	6m
2025 Q14	Complete the Income Statement of Doyle Ltd to gross profit	Gross profit	6m
2026 Q17	Prepare final accounts from the trial balance of Donnelly Ltd (authorised capital 550,000 shares)	Full final accounts	?

Key skills required so far in the JC exam:

1. complete a trading account to gross profit, adjusting for opening and closing stock
2. calculate depreciation and Net Book Value, and classify assets as fixed or current
3. prepare a full income statement and statement of financial position from a trial balance, proving net assets equal capital employed.

These exam skills act as the success criteria for the chapter: share them with students alongside the learning intentions so they know what meeting each intention looks like in an exam answer.

Assessment And CBA Connections

Formative	Summative	CBA Relevance
Chapter Key Skill activities; Kahoot quiz from the hub; whiteboard rounds calling the section (A to F) for read-out trial balance lines, or the missing extract figure. Student self-assessment: AB page 310 Key Skills reflection grid, where students rate themselves against the eight chapter key skills and note what to revisit.	Chapter 26 Class Exam with solutions from the hub; Activity Book Q1 to Q66 with Workbook Solutions.	-