Chapter 26 Activity Book Solutions

Income Statement A (The Trading Account)

Q1 - Q6 Complete the Income Statements for each business below.

Business	(i) Goods available	(ii) Cost of Sales	(iii) Gross Profit
Q1 ABC Ltd	62,000	(44,000)	56,000
Q2 JKL Ltd	102,000	(83,000)	97,000
Q3 DEF Ltd	162,000	(141,000)	139,000
Q4 MNOP Ltd	612,000	(594,000)	236,000
Q5 GHI Ltd	590,000	(552,000)	348,000
Q6 QRS Ltd	128,500	(113,500)	236,500

Workings: **(i) Opening Stock + Purchases. (ii) (i) less Closing Stock. (iii) Sales less Cost of Sales. Eg Q1: 8,000 + 54,000 = 62,000; 62,000 - 18,000 = 44,000; 100,000 - 44,000 = 56,000.**

Q7 - Q12 Complete the Income Statements for each business below (missing figures worked backwards).

Business	First missing figure	Second missing figure	Third missing figure
Q7 Boru Ltd	(i) Purchases 64,000	(ii) Closing Stock (9,000)	(iii) Gross Profit 45,000
Q8 Celt Ltd	(i) Sales (label)	(ii) Sales 340,000	(iii) Closing Stock (42,000)
Q9 Dún Ltd	(i) Purchases 124,000	(ii) Closing Stock (31,000)	(iii) Gross Profit 178,000
Q10 Erne Ltd	(i) Sales (label)	(ii) Sales 480,000	(iii) Closing Stock (58,000)
Q11 Finn Ltd	(i) Purchases 155,000	(ii) Closing Stock (22,000)	(iii) Gross Profit 266,000
Q12 Glen Ltd	(i) Sales (label)	(ii) Sales 615,000	(iii) Closing Stock (67,000)

Workings: **Q7: 76,000 - 12,000 = 64,000; 76,000 - 67,000 = 9,000; 112,000 - 67,000 = 45,000. Q8: 235,000 - 193,000 = 42,000; 193,000 + 147,000 = 340,000. Q9: 142,000 - 18,000 = 124,000; 142,000 - 111,000 = 31,000; 289,000 - 111,000 = 178,000. Q10: 344,000 - 286,000 = 58,000; 286,000 + 194,000 = 480,000. Q11: 196,000 - 41,000 = 155,000; 196,000 - 174,000 = 22,000; 440,000 - 174,000 = 266,000. Q12: 442,000 - 375,000 = 67,000; 375,000 + 240,000 = 615,000.**

Q13 - Q15 Using the information from the Trial Balance, complete the partially completed Income Statements.

Income Statement of JK Ltd for the year ended 31/12/2026		
	€	€
Sales		190,000
Less cost of sales		
Opening Stock	22,000	
Purchases	92,000	
Carriage Inwards	7,000	
	121,000	
Less Closing Stock	(17,500)	
Cost of Sales		(103,500)
Gross Profit		86,500

Income Statement of HB Ltd for the year ended 31/12/2026		
	€	€
Sales		310,000
Less cost of sales		
Opening Stock	35,000	
Purchases	175,000	
Customs/import duties	14,000	
	224,000	
Less Closing Stock	(41,000)	
Cost of Sales		(183,000)
Gross Profit		127,000

Income Statement of TG Ltd for the year ended 31/12/2026		
	€	€
Sales		240,000
Less cost of sales		
Opening Stock	28,000	
Purchases	130,000	
Customs/import duties	11,000	
	169,000	
Less Closing Stock	(24,000)	
Cost of Sales		(145,000)
Gross Profit		95,000

Income Statement B (The Profit and Loss Account)

Q16 - Q18 Complete the partially completed Profit and Loss Accounts.

Business	(i) Missing expense	(ii) Total Expenses	(iii) Net Profit/Loss
Q16 BAN Ltd	Insurance 4,200	(54,500)	Net Profit 15,500
Q17 RAN Ltd	Rent 28,000	(103,700)	Net Profit 74,300
Q18 DAN Ltd	Light and Heat 4,800	(66,300)	Net Loss (6,300)

Workings: **Q16: 4,200 + 18,000 + 30,000 + 2,300 = 54,500; 70,000 - 54,500 = 15,500. Q17: 28,000 + 12,400 + 60,000 + 3,300 = 103,700; 178,000 - 103,700 = 74,300. Q18: 4,800 + 9,500 + 51,000 + 1,000 = 66,300; 60,000 - 66,300 = a Net Loss of (6,300), as Total Expenses were greater than Gross Profit.**

Q19 SUN Ltd, complete the Profit and Loss Account.

Profit and Loss Account of SUN Ltd		
	€	€
Gross Profit		85,000
Less Expenses		
Rent	14,000	
Marketing	8,500	
Salaries	27,000	
Energy bills	5,500	

Total Expenses		(55,000)
Net Profit		30,000

Calculating Depreciation

Q20 Depreciation = Cost x Depreciation Rate.

Asset	Workings	Answer
Building	250,000 x 2%	€5,000
Vehicle	40,000 x 15%	€6,000
Machinery	24,000 x 20%	€4,800

Q21 Depreciation = Cost x Depreciation Rate.

Asset	Workings	Answer
Building	280,000 x 1%	€2,800
Vehicle	45,000 x 20%	€9,000
Equipment	18,000 x 10%	€1,800

Q22 - Q24 Calculate the net profit for each business, including depreciation.

Q22 ROY Ltd		
	€	€
Gross Profit		280,000
Less Expenses		
Insurance	12,000	
Advertising	50,000	
Wages	85,000	
Light and Heat	18,000	
Depreciation on Buildings (400,000 x 1%)	4,000	
Depreciation on Vehicles (70,000 x 20%)	14,000	
Total Expenses		(183,000)
Net Profit		97,000

Q23 GEM Ltd		
	€	€
Gross Profit		192,000
Less Expenses		
Insurance	11,000	
Marketing	60,000	
Salaries	78,000	
Light and Heat	9,000	
Depreciation on Buildings (300,000 x 1%)	3,000	
Depreciation on Vehicles (50,000 x 15%)	7,500	
Total Expenses		(168,500)
Net Profit		23,500

Q24 DAN Ltd		
	€	€
Gross Profit		79,000
Less Expenses		
Insurance	5,800	
Advertising	20,000	
Rent	48,000	
Light and Heat	8,500	
Depreciation on Buildings (220,000 x 2%)	**4,400**	
Depreciation on Machinery (35,000 x 10%)	**3,500**	
Total Expenses		**(90,200)**
Net Loss		**(11,200)**

Total Expenses of 90,200 are greater than the Gross Profit of 79,000, so DAN Ltd made a Net Loss of (11,200).

Calculating P&L Balance/Reserves on 31/12

Q25 - Q26 Calculate P&L Balance/Reserves/Retained Earnings for each business at year end (31/12).

Q25 Ran Ltd		
	€	**€**
Net Profit		49,000
Less Dividend Paid		(12,000)
		37,000
Add P&L Balance 01/01/26		17,500
P&L Balance 31/12/26		54,500

Q26 Tub Ltd		
	€	**€**
Net Profit		41,200
Less Dividend Paid		(17,200)
		24,000
Add P&L Balance 01/01/26		9,400
P&L Balance 31/12/26		33,400

Calculating A Full Income Statement

Q27 Income Statement of Rhino Ltd for the year ended 31/12/2026.

Workings (Depreciation): Buildings 250,000 x 1% = 2,500. Vehicles 40,000 x 20% = 8,000.

Income Statement of Rhino Ltd for the year ended 31/12/2026		
	€	**€**
Sales		320,000
Less cost of sales		
Add Opening Stock	22,000	
Purchases	162,000	
Carriage Inwards	8,000	
	192,000	
Less Closing Stock	**(12,000)**	
Cost of Sales		**(180,000)**
Gross Profit		**140,000**
Less Expenses		
Insurance	16,000	
Advertising	8,400	
Wages	11,200	
Light and Heat	6,500	
Depreciation on Buildings	**2,500**	
Depreciation on Vehicles	**8,000**	
Total Expenses		**(52,600)**
Net Profit		**87,400**
Less Dividend Paid		**(12,000)**
		75,400
Add P&L Balance 01/01/26		**21,500**
P&L Balance 31/12/26		**96,900**

Q28 Income Statement of Hippo Ltd for the year ended 31/12/2026.

Workings (Depreciation): Buildings 310,000 x 1% = 3,100. Machinery 60,000 x 15% = 9,000.

Income Statement of Hippo Ltd for the year ended 31/12/2026		
	€	**€**
Sales		288,000
Less cost of sales		
Add Opening Stock	41,000	
Purchases	118,000	
Carriage Inwards	6,500	
Custom/import duties	12,000	
	177,500	
Less Closing Stock	**(38,000)**	
Cost of Sales		**(139,500)**
Gross Profit		**148,500**
Less Expenses		
Insurance	19,200	
Marketing expenses	4,450	
Wages	30,000	
Light and Heat	3,320	
Depreciation on Buildings	**3,100**	
Depreciation on Machinery	**9,000**	
Total Expenses		**(69,070)**
Net Profit		**79,430**
Less Dividend Paid		**(12,350)**
		67,080
Add P&L Balance 01/01/26		**19,800**
P&L Balance 31/12/26		**86,880**

Q29 Income Statement of Brainz Ltd for the year ended 31/12/2026.

Workings (Depreciation): Buildings 380,000 x 2% = 7,600. Machinery 60,000 x 10% = 6,000.

Income Statement of Brainz Ltd for the year ended 31/12/2026		
	€	**€**
Sales		415,000
Less cost of sales		
Add Opening Stock	13,200	
Purchases	210,000	
Carriage Inwards	11,000	
Custom/import duties	24,000	
	258,200	
Less Closing Stock	**(18,000)**	
Cost of Sales		**(240,200)**
Gross Profit		**174,800**
Less Expenses		
Insurance	8,000	
Marketing	24,040	
Salaries	78,200	
Energy Bills	3,200	
Depreciation on Buildings	**7,600**	
Depreciation on Machinery	**6,000**	
Total Expenses		**(127,040)**
Net Profit		**47,760**
Less Dividend Paid		**(38,000)**
		9,760
Add P&L Balance 01/01/26		**19,500**
P&L Balance 31/12/26		**29,260**

Q30 Income Statement of Sterland Ltd for the year ended 31/12/2026.

Workings (Depreciation): Buildings 200,000 x 2% = 4,000. Machinery 40,000 x 20% = 8,000.

Income Statement of Sterland Ltd for the year ended 31/12/2026		
	€	**€**
Sales		440,000
Less cost of sales		
Add Opening Stock	32,300	
Purchases	195,000	
Carriage Inwards	9,000	
Custom/import duties	12,000	
	248,300	
Less Closing Stock	**(24,800)**	
Cost of Sales		**(223,500)**
Gross Profit		**216,500**
Less Expenses		
Insurance	3,100	
Advertising	18,000	
Wages	70,000	
Light and Heat	12,000	
Depreciation on Buildings	**4,000**	
Depreciation on Machinery	**8,000**	
Total Expenses		**(115,100)**
Net Profit		**101,400**
Less Dividend Paid		**(22,000)**
		79,400
Add P&L Balance 01/01/26		**8,400**
P&L Balance 31/12/26		**87,800**

Q31 Income Statement of Dorigo Ltd for the year ended 31/12/2026.

Workings (Depreciation): Buildings 240,000 x 1% = 2,400. Vehicles 50,000 x 20% = 10,000.

Income Statement of Dorigo Ltd for the year ended 31/12/2026		
	€	€
Sales		205,000
Less cost of sales		
Add Opening Stock	9,500	
Purchases	94,000	
Custom Duties	4,500	
	108,000	
Less Closing Stock	**(12,750)**	
Cost of Sales		**(95,250)**
Gross Profit		**109,750**
Less Expenses		
Insurance	28,000	
Marketing	5,200	
Salaries	32,200	
Light and Heat	6,650	
Depreciation on Buildings	**2,400**	
Depreciation on Vehicles	**10,000**	
Total Expenses		**(84,450)**
Net Profit		**25,300**
Less Dividend Paid		**(8,000)**
		17,300
Add P&L Balance 01/01/26		**17,500**
P&L Balance 31/12/26		**34,800**

Q32 Is an increase in Gross Profit a good or bad trend for a business?

Good trend. The business is earning more from selling its goods than the goods cost to buy or make, so more gross profit is available to cover expenses.

Q33 True or False.

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

Q34 Items that go into the cost of sales section:

Opening stock, Purchases, Carriage inwards, Closing stock. (Insurance, Rent, Wages and Advertising are expenses in the Profit and Loss section.)

Q35 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.		✓

Q36 Expenses in the profit and loss section:

Light and heat, Insurance, Marketing expenses, Wages, Telephone and broadband. (Purchases, Opening stock and Carriage inwards belong in cost of sales.)

Q37 Fallon Sports Ltd, Gross Profit trend.

(i) Bad trend. Gross Profit fell from 100,000 to 25,000 because Cost of Sales rose by 75,000 while Sales stayed the same at 500,000.
(ii) Their supplier may have increased prices, so the stock they sold cost more to buy. (Also acceptable: they cut selling prices; higher import or delivery costs.)

Q38 Right Sports Ltd, Net Profit trend.

(i) Bad trend. Net Profit fell from 60,000 to 15,000 because Total Expenses more than doubled from 40,000 to 85,000 while Gross Profit stayed the same.
(ii) An expense such as wages or energy bills may have risen sharply during the year.
(iii) Reduce expenses, eg switch to a cheaper electricity provider or reduce advertising spending, so more of the gross profit is kept as net profit.

The Statement of Financial Position - Fixed Assets

Q39 - Q42 Complete the partially filled Fixed Assets sections.

Business	(i)	(ii)	(iii)	Workings
Q39 Fairclough Ltd	(2,500)	24,000	280,000	250,000 - 247,500; 30,000 - 6,000; 250,000 + 30,000
Q40 Whyte Ltd	(3,600)	20,400	204,000	180,000 - 176,400; 24,000 - 3,600; 180,000 + 24,000
Q41 McAllister Ltd	196,000	(3,000)	215,000	200,000 - 4,000; 15,000 - 12,000; 200,000 + 15,000
Q42 Strachan Ltd	150,000	36,000	183,000	147,000 + 3,000; 40,000 - 4,000; 147,000 + 36,000

Q43 Sharpe Ltd.

Statement of Financial Position of Sharpe Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	260,000	(2,600)	257,400
Vehicles	35,000	(7,000)	28,000
Total Fixed Assets	295,000	(9,600)	285,400

Workings: Buildings 260,000 x 1% = 2,600. Vehicles 35,000 x 20% = 7,000.

Q44 Wallace Ltd.

Statement of Financial Position of Wallace Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	300,000	(3,000)	297,000
Vehicles	50,000	(10,000)	40,000
Total Fixed Assets	350,000	(13,000)	337,000

Workings: Buildings 300,000 x 1% = 3,000. Vehicles 50,000 x 20% = 10,000.

Q45 Molenaar Ltd.

Statement of Financial Position of Molenaar Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	450,000	-	450,000
Machinery	120,000	(12,000)	108,000
Total Fixed Assets	570,000	(12,000)	558,000

Workings: Buildings: no depreciation % given, so the fixed asset is not depreciated (NBV = cost). Machinery 120,000 x 10% = 12,000.

Working Capital and Total Net Assets

Q46 - Q48 Complete the partially filled sections to calculate the working capital.

Business	(i) Current Assets	(ii) Current Liabilities	(iii) Working Capital
Q46 Shutt Ltd	41,500	(30,000)	11,500
Q47 Sellars Ltd	21,800	(8,700)	13,100
Q48 Speed Ltd	100,000	(40,000)	60,000

Workings: **Q46: 4,500 + 17,000 + 20,000 = 41,500; 14,000 + 16,000 = 30,000; 41,500 - 30,000 = 11,500. Q47: 3,300 + 5,500 + 13,000 = 21,800; 3,500 + 5,200 = 8,700; 21,800 - 8,700 = 13,100. Q48: 23,000 + 37,000 + 40,000 = 100,000; 24,000 + 16,000 = 40,000; 100,000 - 40,000 = 60,000.**

Q49 - Q50 Calculate the working capital using the trial balance information.

Q49 Statement of Financial Position of Varadi Ltd (extract)		
	€	€
Current Assets		
Cash	4,500	
Debtors	26,900	
Closing Stock 31/12/26	30,000	61,400
Current Liabilities		
Creditors	18,300	
Bank Overdraft	2,100	(20,400)
Working Capital		41,000

Q50 Statement of Financial Position of Deane Ltd (extract)		
	€	€
Current Assets		
Cash	14,500	
Debtors	21,200	
Closing Stock 31/12/26	12,500	48,200
Current Liabilities		
Creditors	8,250	
Bank Overdraft	3,100	(11,350)
Working Capital		36,850

Financed By / Capital Employed

Q51 - Q53 Calculate the Capital Employed for each business.

Q51 Statement of Financial Position of ROF Ltd as at 31/12/2026			
Total Net Assets			**343,500**
Financed by	**Authorised**	**Issued**	
Share Capital €1 Ordinary Shares	400,000	200,000	
Profit & Loss Balance 31/12/26		23,500	
8 year loan		120,000	
Capital Employed			343,500

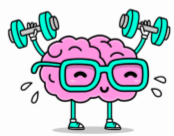
Capital Employed = 200,000 + 23,500 + 120,000 = 343,500, which equals Total Net Assets. Only the Issued Share Capital is used in the calculation.

Q52 Statement of Financial Position of Joyce Ltd as at 31/12/2026			
Total Net Assets			**426,200**
Financed by	**Authorised**	**Issued**	
Share Capital €1 Ordinary Shares	500,000	300,000	
Profit & Loss Balance 31/12/26		41,200	
6 year loan		85,000	
Capital Employed			426,200

Capital Employed = 300,000 + 41,200 + 85,000 = 426,200.

Q53 Statement of Financial Position of MacMahon Ltd as at 31/12/2026			
Total Net Assets			**541,250**
Financed by	**Authorised**	**Issued**	
Share Capital €1 Ordinary Shares	600,000	450,000	
Profit & Loss Balance 31/12/26		28,750	
8 year loan		62,500	
Capital Employed			541,250

Capital Employed = 450,000 + 28,750 + 62,500 = 541,250.



Calculating The Full Statement of Financial Position

Q54 Statement of Financial Position of Lahiff Ltd as at 31/12/2026.

Workings: Buildings 300,000 x 1% = 3,000. Vehicles 40,000 x 20% = 8,000. Total Net Assets = 329,000 + 32,750 = 361,750 = Capital Employed.

Statement of Financial Position of Lahiff Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	300,000	(3,000)	297,000
Vehicles	40,000	(8,000)	32,000
Total Fixed Assets	340,000	(11,000)	329,000
Current Assets			
Cash	5,000		
Debtors	26,950		
Closing Stock 31/12/26	22,000	53,950	
Current Liabilities			
Creditors	18,800		
Bank Overdraft	2,400	(21,200)	
Working Capital			32,750
Total Net Assets			361,750
Financed by	Authorised	Issued	
Share Capital €1 Ordinary Shares	300,000	200,000	
Profit & Loss Balance 31/12/26		71,750	
8 year loan		90,000	
Capital Employed			361,750

Q55 Statement of Financial Position of Carna Ltd as at 31/12/2026.

Workings: Buildings 420,000 x 2% = 8,400. Machinery 55,000 x 15% = 8,250. Total Net Assets = 458,350 + 30,700 = 489,050 = Capital Employed.

Statement of Financial Position of Carna Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	420,000	(8,400)	411,600
Machinery	55,000	(8,250)	46,750
Total Fixed Assets	475,000	(16,650)	458,350
Current Assets			
Cash	8,200		
Debtors	31,400		
Closing Stock 31/12/26	18,500	58,100	
Current Liabilities			
Creditors	22,600		
Bank Overdraft	4,800	(27,400)	
Working Capital			30,700
Total Net Assets			489,050
Financed by	Authorised	Issued	
Share Capital €1 Ordinary Shares	400,000	250,000	
Profit & Loss Balance 31/12/26		129,050	
6 year loan		110,000	
Capital Employed			489,050

Q56 Statement of Financial Position of Burger Blitz Ltd as at 31/12/2026.

Workings: **Buildings 360,000 x 2% = 7,200. Vehicles 48,000 x 20% = 9,600. Total Net Assets = 391,200 + 32,700 = 423,900 = Capital Employed.**

Statement of Financial Position of Burger Blitz Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	360,000	(7,200)	352,800
Vehicles	48,000	(9,600)	38,400
Total Fixed Assets	408,000	(16,800)	391,200
Current Assets			
Cash	11,300		
Debtors	24,600		
Closing Stock 31/12/26	21,800	57,700	
Current Liabilities			
Creditors	19,400		
Bank Overdraft	5,600	(25,000)	
Working Capital			32,700
Total Net Assets			423,900
Financed by	Authorised	Issued	
Share Capital €1 Ordinary Shares	500,000	300,000	
Profit & Loss Balance 31/12/26		28,900	
8 year loan		95,000	
Capital Employed			423,900

Q57 Statement of Financial Position of Bar Nestor Ltd as at 31/12/2026.

Workings: **Buildings 280,000 x 3% = 8,400. Machinery 62,000 x 15% = 9,300. Total Net Assets = 324,300 + 40,300 = 364,600 = Capital Employed.**

Statement of Financial Position of Bar Nestor Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	280,000	(8,400)	271,600
Machinery	62,000	(9,300)	52,700
Total Fixed Assets	342,000	(17,700)	324,300
Current Assets			
Cash	9,400		
Debtors	33,200		
Closing Stock 31/12/26	16,400	59,000	
Current Liabilities			
Creditors	14,800		
Bank Overdraft	3,900	(18,700)	
Working Capital			40,300
Total Net Assets			364,600
Financed by	Authorised	Issued	
Share Capital €1 Ordinary Shares	400,000	220,000	
Profit & Loss Balance 31/12/26		69,600	
6 year loan		75,000	
Capital Employed			364,600

Q58 (Income Statement) Income Statement of Giraffe Ltd for the year ended 31/12/2026.

Workings (Depreciation): **Buildings 300,000 x 2% = 6,000. Vehicles 60,000 x 15% = 9,000.**

Income Statement of Giraffe 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 Sales		**(237,500)**
Gross Profit		**182,500**
Less Expenses		
Insurance	11,500	
Advertising	35,600	
Wages	89,000	
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 P&L Balance 01/01/26		**51,600**
P&L Balance 31/12/26		**71,000**

Q58 (Statement of Financial Position) Statement of Financial Position of Giraffe Ltd as at 31/12/2026.

Workings: Total Net Assets = 345,000 + 26,000 = 371,000 = Capital Employed.

Statement of Financial Position of Giraffe 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
Total Fixed Assets	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	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	500,000	200,000	
Profit & Loss Balance 31/12/26		71,000	
8 year loan		100,000	
Capital Employed			371,000
(i) Bad trend. Net Profit fell from 88,000 in 2025 to 31,400 in 2026, so the business kept far less profit after paying its expenses.			
(ii) Yes. Current Assets of 43,000 are more than double the Current Liabilities of 17,000 (2 x 17,000 = 34,000). A liquidity problem is when a business does not have enough cash or short-term assets available to pay its bills as they arise.			

Q59 (Income Statement) Income Statement of Lion Ltd for the year ended 31/12/2026.

Workings (Depreciation): **Buildings 300,000 x 2% = 6,000. Vehicles 61,000 x 15% = 9,150.**

Income Statement of Lion Ltd for the year ended 31/12/2026		
	€	€
Sales		430,000
Less cost of sales		
Add Opening Stock	8,000	
Purchases	220,000	
Carriage Inwards	28,500	
	256,500	
Less Closing Stock	**(18,000)**	
Cost of Sales		**(238,500)**
Gross Profit		**191,500**
Less Expenses		
Insurance	10,500	
Advertising	30,100	
Wages	94,500	
Depreciation on Buildings	**6,000**	
Depreciation on Vehicles	**9,150**	
Total Expenses		**(150,250)**
Net Profit		**41,250**
Less Dividend Paid		**(11,000)**
		30,250
Add P&L Balance 01/01/26		**63,600**
P&L Balance 31/12/26		**93,850**

Q59 (Statement of Financial Position) Statement of Financial Position of Lion Ltd as at 31/12/2026.

Workings: **Total Net Assets = 345,850 + 18,000 = 363,850 = Capital Employed.**

Statement of Financial Position of Lion Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	300,000	(6,000)	294,000
Vehicles	61,000	(9,150)	51,850
Total Fixed Assets	361,000	(15,150)	345,850
Current Assets			
Cash	4,000		
Debtors	23,000		
Closing Stock 31/12/26	18,000	45,000	
Current Liabilities			
Creditors	24,000		
Bank Overdraft	3,000	(27,000)	
Working Capital			18,000
Total Net Assets			363,850
Financed by	Authorised	Issued	
Share Capital €1 Ordinary Shares	500,000	200,000	
Profit & Loss Balance 31/12/26		93,850	
8 year loan		70,000	
Capital Employed			363,850
(i) Bad trend. Net Profit fell from 93,000 in 2025 to 41,250 in 2026. To improve net profit in 2027 they could reduce an expense such as advertising, so more gross profit is kept as net profit. (Also acceptable: increase sales.)			
(ii) No. Current Assets of 45,000 are less than double the Current Liabilities of 27,000 (2 x 27,000 = 54,000). They should look to DECREASE their creditors, eg by buying fewer goods on credit, so current liabilities fall and the business moves back towards the ideal position.			

Q60 (Income Statement) Income Statement of Tiger Ltd for the year ended 31/12/2026.

Workings (Depreciation): Buildings 400,000 x 2% = 8,000. Machinery 100,000 x 15% = 15,000.

Income Statement of Tiger Ltd for the year ended 31/12/2026		
	€	**€**
Sales		588,400
Less cost of sales		
Add Opening Stock	12,000	
Purchases	267,500	
Customs Duties	40,000	
	319,500	
Less Closing Stock	**(32,000)**	
Cost of Sales		**(287,500)**
Gross Profit		**300,900**
Less Expenses		
Insurance	9,000	
Marketing	27,000	
Salaries	122,000	
Depreciation on Buildings	**8,000**	
Depreciation on Machinery	**15,000**	
Total Expenses		**(181,000)**
Net Profit		**119,900**
Less Dividend Paid		**(3,500)**
		116,400
Add P&L Balance 01/01/26		**68,000**
P&L Balance 31/12/26		**184,400**

Q60 (Statement of Financial Position) Statement of Financial Position of Tiger Ltd as at 31/12/2026.

Workings: **Total Net Assets = 477,000 + 57,400 = 534,400 = Capital Employed.**

Statement of Financial Position of Tiger Ltd as at 31/12/2026			
	Cost €	**Dep €**	**N.B.V. €**
Fixed Assets			
Buildings	400,000	(8,000)	392,000
Machinery	100,000	(15,000)	85,000
Total Fixed Assets	500,000	(23,000)	477,000
Current Assets			
Cash	30,000		
Debtors	19,500		
Closing Stock 31/12/26	32,000	81,500	
Current Liabilities			
Creditors	18,500		
Bank Overdraft	5,600	(24,100)	
Working Capital			57,400
Total Net Assets			534,400
Financed by	Authorised	Issued	
Share Capital €1 Ordinary Shares	500,000	300,000	
Profit & Loss Balance 31/12/26		184,400	
8 year loan		50,000	
Capital Employed			534,400

(i) Good trend. Gross Profit rose from 259,500 in 2025 to 300,900 in 2026, so the business earned more from selling its goods than the goods cost to buy.

(ii) Suitable source of finance: **issue more shares.**

Reason: **the Final Accounts show Issued Share Capital of 300,000 against Authorised Share Capital of 500,000, so Tiger Ltd can still issue 200,000 of shares. Unlike a loan, share capital does not have to be repaid with interest. (Also acceptable: a long-term loan secured on the buildings, NBV 392,000, repaid with interest.)**

Assessing Performance Using Ratios

Q61 Brennan Sports Ltd, gross profit %.

(a) 2027: **(84,000 ÷ 210,000) x 100/1 = 40%.**
(b) Bad Trend. (c) The gross profit margin fell from 50% in 2026 to 40% in 2027, so the business made less gross profit on every €1 of sales.

Q62 Mensah Foods Ltd, net profit %.

(a) 2026: (15,000 ÷ 150,000) x 100/1 = 10%. 2027: (24,000 ÷ 160,000) x 100/1 = 15%.
(b) Good Trend. (c) Improve it further by reducing expenses such as wages, advertising or light and heat, so more of every €1 of sales is kept as net profit.

Q63 Novak Joinery Ltd, return on investment.

(a) 2026: (20,000 ÷ 200,000) x 100/1 = 10%. 2027: (28,000 ÷ 175,000) x 100/1 = 16%.
(b) Good Trend. (c) Every €1 of capital employed in the business now earns 16c of net profit, up from 10c in 2026, so the capital invested is earning more.

Q64 Healy Hardware Ltd, current ratio.

(a) 2026: 120,000 : 60,000 = 2 : 1. 2027: 90,000 : 90,000 = 1 : 1.
(b) Bad Trend. (c) The ratio fell from the ideal 2:1 to 1:1, so the business may struggle to pay its short-term debts as they fall due.

Q65 Kearney Pharmacy Ltd, acid test ratio.

(a) 2026: (100,000 - 40,000) : 60,000 = 1 : 1. 2027: (110,000 - 50,000) : 80,000 = 0.75 : 1.
(b) Bad Trend. (c) Sell off slow-moving stock to turn it into cash for the business. (Also acceptable: reduce current liabilities, eg buy fewer goods on credit.)

Q66 Lenehan Motors Ltd, gearing ratio.

(a) 2026: 150,000 : 125,000 = 1.2 : 1. 2027: 90,000 : 150,000 = 0.6 : 1.
(b) Good Trend. (c) Improve it further by repaying some long-term debt, or by raising more equity capital by issuing shares or keeping more profit in the business.

Keyword Recap - Fill in the Blanks

Sentence	Answer
The fall in value of a fixed asset due to wear and tear over time is called ________.	DEPRECIATION
Payments made by a company to its shareholders from its profits are called ________.	DIVIDENDS
A business that cannot pay its short-term debts as they arise has a ________ problem.	LIQUIDITY
Sales minus Cost of Sales gives the ________ Profit of a business.	GROSS
Deducting Total Expenses from Gross Profit gives the ________ Profit of a business.	NET
Deducting a business's short-term liabilities from its short-term assets gives its ________ Capital.	WORKING
Items a business owns and uses for more than one year are its ________ assets.	FIXED
Amounts a business owes that must be repaid within one year are its ________ liabilities.	CURRENT
The value of shares a company has actually sold to investors is its ________ share capital.	ISSUED
Suppliers who have sold goods to a business on credit but have not yet been paid are its ________.	CREDITORS