

# DEB

## Questions and Answers

# Service Firms

**PAST DEB QUESTIONS****100 Marks**

1. The company now wishes to purchase equipment for the new extension. Advise the company on how to fund the expected cost of €240,000. (6)

2017

2. Briefly explain the purpose of preparing Service Firm Accounts. (10)

2009

**SUGGESTED SOLUTIONS****100 Mark****2017**

1. The company now wishes to purchase equipment for the new extension. Advise the company on how to fund the expected cost of €240,000. (6)

Advice

1. sell the investments €70,000 (1)
2. sell the remaining shares €125,000 (1)
3. borrow the remaining €45,000 (1)
4. the company would be well able to pay back the loan quickly (1) as the accounts show that it had a surplus of €166,820 (1) in 2016 and is generating enough cash
5. although the company has a bank overdraft of €154,200, it has made capital payments of €378,000 in 2016 (1)

**2009**

**Briefly explain the purpose of preparing Service Firm Accounts. (10)**

Any 3: (4 + 3 + 3)

1. to calculate the profit/loss of a firm and the profit/loss of the various sections of a firm
2. to keep a record of the amounts owed to and by the firm.
3. for taxation purposes.
4. to use when applying for loans and/or grants.