



LEVEL 4 ACCOUNTING TECHNICIAN APPRENTICESHIP

TUESDAY 9 DECEMBER 2025

2.5 HOURS

ROLE SIMULATION EXAMINATION

This exam consists of **two** tasks (100 marks).

Marks breakdown

Task 1	59 marks
Task 2	41 marks

You will need to refer to your copy of the Advance Information (AI) during this exam. A clean copy of the AI will be available as a PDF in the exam software. Your personal copy will be available on the ICAEW bookshelf providing you have added it.

The link to the ICAEW bookshelf can be found in each question above the answer area.

Instructions

Please read this information carefully before you begin your exam.

Starting the exam

Click on the **right-hand arrow** in the header to begin the exam. The exam timer will begin to count down.

Preparing your answers

Answer all questions.

Respond directly to the exam question requirements. Show all workings. Do not include any content of a personal nature, such as your name.

Copying over answers for marking

Only the data in the answer area will be marked. You **MUST** copy over any data for marking from the spreadsheet area to the answer area.

Issues during the exam

If you encounter any issues during the exam you should tell the invigilator (exam centre) or online chat support (sitting remotely) as they may be able to resolve the issue at the time. Neither the invigilator nor the online chat support can advise you on how to use the software.

To be eligible for an exam disruption appeal, you must raise the issue immediately with either the invigilator (centre) or online chat support (sitting remotely).

Ending the exam

When the exam timer reaches zero, the exam will end. To end the exam earlier, go to the last question and click the right-hand arrow button, then click the **Submit** button to close the exam.

For Remotely Invigilated exams, after clicking the **Submit** button you should close the **Assessment Master** browser tab and click **End Exam** on the **Proctor Exam** tab if this option appears for you.

After the exam

ICAEW will invite you to complete a student survey after the exam.

If you believe that your performance was affected by issues which you raised during the exam, you should submit an exam disruption appeal to ICAEW within **7 days of the exam**, as per ICAEW's published policy.

Task 1

This task consists of **four** parts worth a total of 59 marks.

Task 1.1

Gianni Ricci, the financial accountant of Specca Ltd (Specca), asks you for help in calculating the amounts for property, plant and equipment (PPE) to be shown in the financial statements for the year ended 30 September 2025. He gives you the following information:

- Specca purchased a large shop in Tonbridge (**Advance Information: Recent developments**) on 1 August 2025 for cash. The total cost was £450,000, of which £100,000 was for the land and £350,000 was for the building. The building's residual value is estimated at £170,000.
- The residual value of the other existing buildings is estimated to be £1,400,000.
- On 1 June 2025 Specca bought new eye test equipment incorporating advanced 3-D imaging technology for £84,000.
- On 1 October 2024 Specca sold eye test equipment for £5,000. The equipment originally cost £12,000 on 1 October 2022.
- There were no other additions or disposals in the period.

Requirements

Using the information above and the information in **Advance Information – Appendices A and B**:

- a. Prepare the PPE note to the financial statements for the year ended 30 September 2025. Show your calculations in relation to depreciation for the year. The total column of the note is **not** required. **(14 marks)**
- b. Calculate the profit or loss on disposal of the eye test equipment. **(2 marks)**

Total: 16 marks

Task 1.2

Gianni has prepared a draft statement of profit or loss for the year ended 30 September 2025 which shows:

	£
Sales	14,420,000
Cost of sales	12,868,600
Gross profit	1,551,400
Administrative expenses	542,000

He asks you to calculate some adjustments needed for the year ended 30 September 2025 based on the following information:

- The profit or loss on disposal and the depreciation which you calculated in **Task 1.1** have not yet been recorded. Of the depreciation charge for fixtures, fittings and equipment which you calculated in **Task 1.1a**, £13,500 relates to the central functions.
- Cost of sales has been adjusted for closing inventories of £170,200. However, this figure does not include closing inventory held at the Ramsgate shop on 30 September 2025, correctly measured at £9,300, which the manager forgot to report.
- Specca recorded a payment of business rates for the shops on 1 September 2025 of £309,000. This payment covered the period from 1 August to 31 October 2025.
- As at 30 September 2025, customers had paid deposits of £5,600 for glasses they had not yet received. The whole amount is included in sales.
- The interest rate on the long-term loan from Romano and Monica Specca has been agreed with them at 5% for the year ended 30 September 2025, but no interest payments have been made. No additions to or repayments of the loan were made in the year.

The other accounts assistant, Chris Pontan, is unsure about the accounting treatment of customer deposits and asks you to explain it.

Requirements

Refer to **Advance Information – Appendices A and B** and your answers to **Task 1.1**.

- Prepare the statement of profit or loss for Specca Ltd for the year ended 30 September 2025, down to **Profit before tax**. Show your workings. **(9 marks)**
- Explain to Chris how the deposits paid by customers should be treated in Specca's financial statements for the year ended 30 September 2025. Your answer should refer to the IFRS® Conceptual Framework for Financial Reporting and any relevant IFRS® Accounting Standards. **(5 marks)**

Total: 14 marks

Task 1.3

Payroll fraud

Luca Specca, CEO, has thoroughly investigated the payroll issue that was first identified in an anonymous email on Friday 10 October (**Advance Information – Recent developments** and **Appendix C**). He now has clear evidence of fraud:

- Helena Masters, owner of the payroll firm Nastrene Ltd (Nastrene), initiated the fraud. The payments to fictitious Specca employees were paid into two of her personal bank accounts.
- A Specca employee, Frankie Dobbs, knowingly received overpayments and paid 50% of these to Helena.

The total financial cost to Specca arising from the fraud in August and September is £11,000. Luca estimates that Specca will not be able to recover any of this amount.

Luca has terminated Specca's contract with Nastrene and dismissed Frankie from Specca's employment.

He has also notified Jake Thorne, the engagement partner at Specca's statutory auditor, Barnes & Bart LLP (BB).

Luca received the following email from Jake:

'Hello Luca, thank you for confirming the information about the payroll fraud.

'As I mentioned at my meeting with Kyle Tilling, finance director, on 13 October 2025, I am considering how this fraud affects our audit planning, in particular audit risk and materiality. From an audit perspective, I am particularly concerned about lapses in management and internal controls that allowed this fraud to happen.'

Luca is still not clear about the respective responsibilities of Specca's management and BB for preventing and detecting issues such as those which occurred in the payroll system. He asks you to prepare some information about these matters to share with Specca's board.

PPE audit

In a separate email, Jake confirms that the BB audit team will be performing detailed testing in relation to the risk that Specca's property, plant and equipment (PPE) may be misstated in the financial statements for the year ended 30 September 2025.

Requirements

- a. Prepare an email to Luca in which you explain the respective responsibilities of Specca's management and BB for preventing and detecting fraud. **(5 marks)**
- b. Which of the following is the definition of audit risk?

A	The risk that the auditor fails to complete the audit on time
B	The risk that audit procedures will not detect a material misstatement that exists
C	The susceptibility of an assertion to material misstatement, before consideration of any related controls
D	The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated

(1 mark)

- c. Explain how the payroll fraud at Specca is likely to affect BB's:
 - assessment of audit risk; and
 - determination of materiality for the financial statements as a whole.**(4 marks)**
- d. In relation to the figure for fixtures, fittings and equipment in the financial statements for the year ended 30 September 2025:
 - Describe **three** key assertions, other than the existence assertion, that BB will test. **(3 marks)**

- For each of the three assertions, state **two** substantive procedures which BB could undertake as part of the audit. **(6 marks)**

Total: 19 marks

Task 1.4

Luca talked at length to Kyle and Gianni about how the fraud in **Task 1.3** was carried out by Helena and why it went undetected. He discovered the following information:

- Gianni was under considerable time pressure at work during August and September, when the fraud was ongoing, as Kyle was often absent on sick leave. Gianni did not complete the review and checks on the payroll summaries methodically.
- Gianni and Helena have been close friends for many years, and Gianni enjoyed free holidays every year at Helena's ski chalet. Kyle and Luca were not aware that Gianni knew Helena personally.
- Gianni began to suspect that there was a problem with the payroll amounts in August 2025. He challenged Helena, but she was offended by this and suggested he was putting their friendship at risk. She said that Gianni would no longer be welcome at the ski chalet if he asked any more questions.
- Helena also hinted that she would tell Kyle and Luca about their friendship so Gianni would lose his job.

Luca has suggested to Gianni that he needs to demonstrate more professional scepticism in carrying out his duties.

Requirements

With reference to the above information and **Advance Information – Appendix C**:

- a. Identify and explain **three** threats to Gianni's fundamental ethical principles presented by the situation with Helena and Nastrene. **(6 marks)**
- b. Explain **two** actions that Gianni should have taken in **August 2025** to demonstrate his professional scepticism. **(4 marks)**

Total: 10 marks

Task 2

This task consists of **three** parts worth a total of 41 marks.

Task 2.1

Following their meeting in October (**Advance Information – Recent developments** and **Appendix D**), the Specca family members met again.

Developing strategies to increase profits

They each presented a strategic option for increasing Specca's profits:

Option 1: Romano thought that Specca should increase its sales of designer frames by using more sophisticated marketing techniques. This will attract the target market of wealthy, younger customers who place much higher value on fashion than Specca's usual customers. It will also involve selling online.

Option 2: Amira suggested that spare space in some of the bigger Specca shops could be rented to small businesses. These businesses will sell consumer goods such as books, chocolates, cosmetics and clothing. Specca will receive a percentage of each business's revenue as well as rental income. Amira felt that this would attract new customers into Specca's shops.

Option 3: Monica suggested that Specca adopts the same business model for optometrist services and eyewear as its two biggest competitors. This will involve cutting retail prices for glasses, contacts and accessories to increase the volume of sales. Specca will need to sell lower quality frames and lenses, as they cost less, and find other ways to reduce costs, such as by achieving economies of scale and improving employee productivity.

Option 4: On the basis that many Specca customers are older, wealthy and interested in products and services that improve their health and lifestyle, Luca was keen to offer audiology services and products: hearing tests and digital hearing aids. This will involve training some of Specca's existing general retail staff to become audiologists.

Luca wants to understand the risks and implications of the various options, so he asks you to explain each of them in terms of product/market and generic strategies.

Improving sustainability

Amira told the family that she has:

- enrolled all Specca shops in a nationwide scheme to enable old glasses to be re-used. The scheme encourages customers to hand in old glasses so they can be refurbished and sent to low-income communities in the UK and other countries;
- investigated apprenticeship schemes to train more of Specca's general retail staff to be assistant optometrists.

After the meeting, Amira asks you to clarify for the family how these actions support the UN Sustainability Development Goals (SDGs) for social sustainability.

Requirements

- Describe how each of the **four** strategic options presented by the family is classified by Ansoff's matrix of product/market strategies. **(4 marks)**
- Explain which of Porter's generic strategies is demonstrated by **each** of Option 1 and Option 3. **(4 marks)**
- Explain **two** ways in which Amira's actions support Specca's social sustainability and identify one relevant UN SDG for each action. **(6 marks)**

Total: 14 marks

Task 2.2

Using optometrist time efficiently

Amira has made significant revisions to some of the initial estimates for the two eye tests offered by the Brighton shop (**Advance Information – Appendix E**). She provides you with updated information on the annual demand and the likely selling prices. She also gives you an estimate of the amount of incremental fixed overheads absorbed for each test.

Updated estimates	Eye test 1	Eye test 2
Annual demand	585 tests	440 tests
Time per test	2 hours	1.5 hours
	£ per test	£ per test
Selling price	89.00	84.00
Variable costs	(3.00)	(1.50)
Fixed overheads absorbed	(64.00)	(48.00)

She tells you:

- the optometrist has 1,200 hours per year available for the eye tests
- fixed overheads are absorbed at £32 per hour.

Amira asks you to help her determine the optimum use of the optometrist's available time, and therefore which eye test to prioritise. She tells you that, if the optometrist has insufficient time to meet demand, Luca and Amira may be able to carry out some eye tests at the shop.

Performance measurement and management

You have been helping Amira set up a balanced scorecard system for measuring and managing individual shop performance (**Advance Information – Recent developments and Appendix E**). Amira is happy that the key performance indicator (KPI) for measuring the financial perspective should continue to be gross profit margin, which is how Specca shops are currently evaluated.

For the customer, business processes and innovation/learning perspectives, in addition to **Advance Information – Company information** Amira has gathered the following information which she believes may assist in identifying relevant KPIs:

- Most customers want to collect their new glasses promptly after ordering. It is important therefore that shops order frames and lenses quickly, receive them safely and assemble them carefully, ready for customer collection.
- Each shop needs enough trained general retail staff to ensure that the frames are correctly assembled.
- Shops send a short survey to each customer by email, once they have collected their glasses, requesting feedback on the service the customer received.

Requirements

Refer to **Advance Information – Company information** and **Appendix E** and the other data provided.

- Assuming that Specca wants to maximise contribution at the Brighton shop, calculate:
 - the optimum use of the optometrist's available time for one year;
 - the total contribution and total profit per year that will be generated by this use of the optometrist's time; and
 - the number of additional optometrist hours per year that the shop needs from Luca and Amira in order to conduct enough eye tests to meet demand fully.
(9 marks)
- For **each** of the customer, business processes and innovation/learning perspectives of the Brighton shop's balanced scorecard:
 - identify **one** relevant key performance indicator (KPI), and
 - briefly explain how that KPI supports achievement of the Brighton shop's financial perspective KPI, gross profit margin. **(6 marks)**

Total: 15 marks

Task 2.3

Rachael Kemp, procurement director, and Amira have continued to raise operational problems presented by Specca's outdated IT systems (**Advance Information – Recent developments** and **Appendix F**). Luca has failed to find an IT director to resolve these problems, but he has secured the services of an IT consultancy company, Zozint Ltd (Zozint), to review and update Specca's systems and advise on next steps.

Unfortunately, an inexperienced Zozint consultant, who was unfamiliar with Specca's customer relationship management (CRM) system, removed some of its controls instead of enhancing them. Yesterday this led directly to confidential customer data entering the public domain. Zozint staff are now rectifying the consultant's errors and securing the CRM system. Luca is seeking advice on how the release of data represents a failure by Specca to comply with the Data Protection Act and its Principles.

Luca is now even more concerned about cyber-risk. He asks you for ideas on how Specca can prevent cyberattacks on its systems.

Requirements

Refer to **Advance Information – Appendix F** and the other data provided.

- a. In relation to the release of confidential data from Specca's CRM system into the public domain:
- explain why the type of data that is held in Specca's CRM system is covered by the Data Protection Act;
 - identify the Data Protection Principle that Specca breached;
 - state two actions Specca should have taken, in accordance with this Data Protection Principle, to prevent the data breach; and
 - identify who Specca must inform about the data breach. **(6 marks)**
- b. Explain **three** measures which Specca can implement to prevent cyberattacks. **(6 marks)**

Total: 12 marks