



LEVEL 4

ACCOUNTING TECHNICIAN APPRENTICESHIP

TUESDAY 10 JUNE 2025

2.5 HOURS

ROLE SIMULATION EXAMINATION

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

Marks breakdown

Task 1	58 marks
Task 2	42 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 word processing area.

Important Information

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. Do not include any content of a personal nature, such as your name.

Only your answer in the word processing area will be marked. You must copy over any data for marking from the spreadsheet area to the word processing area.

Issues during the exam

If you encounter any issues during the exam you should tell the online chat support as they may be able to resolve the issue at the time. The online chat support cannot advise you on how to use the software.

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.

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

We 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. To be eligible for an exam disruption appeal, you must raise the issue immediately via the online chat agent

Task 1

This task consists of **four** parts worth a total of 58 marks.

Task 1.1

Noah Hurwitz, financial accountant of Montabo plc (Montabo), asks you to help him prepare the financial statements for the year ended 31 March 2025.

The year-end inventory count took place in the evening on Monday 31 March 2025. During the count Sam Wylde, inventory manager, identified three large sub-assemblies which are used only in the DE-163 aircraft. Few aircraft of this type are still flying. Montabo does not want to use storage space for these sub-assemblies and so they will be sold to an aircraft spares dealer.

Noah tells you that the draft figure for total inventories as at 31 March 2025 is £75.9 million, including the three DE-163 sub-assemblies at cost.

Sam prepared the following information about the DE-163 aircraft sub-assemblies for Noah.

DE-163 sub-assemblies	Cost	Expected selling price	Expected sales costs to be incurred
Reference	£m	£m	£m
549846	2.0	1.5	0.4
900687	3.0	3.5	0.4
362894	4.0	4.2	0.4
Total	9.0		

Noah asks you to calculate the revised value of total inventories to be included in the financial statements for the year ended 31 March 2025.

Requirements

Using the information above and the information in the Finance function handbook (**Advance Information – Appendix B**):

(a) Calculate:

- the revised value of the three DE-163 sub-assemblies to be included in the figure for inventories as at 31 March 2025; and
- the revised figure for total inventories to be included in Montabo's financial statements for the year ended 31 March 2025.

(4 marks)

(b) Describe and explain the accounting treatment of the inventories of DE-163 sub-assemblies in Montabo's financial statements for the year ended 31 March 2025. Your answer should refer to the IFRS® Conceptual Framework for Financial Reporting and any relevant IFRS® Accounting standards. **(4 marks)**

Total: 8 marks

Task 1.2

Noah has made most of the year-end adjustments in the nominal ledger and gives you a trial balance extracted as at 31 March 2025:

	Dr	Cr
	£m	£m
Borrowings		67.3
Cash	13.7	
Equity share capital: £1 shares		15.0
Income tax payable		2.3
Inventories	75.9	
Non-current assets		
- cost	172.7	
- accumulated depreciation, amortisation and impairments		69.1
Profit for the year ended 31 March 2025		13.7
Retained earnings as at 1 April 2024		125.6
Share premium		10.0
Trade and other payables		46.9
Trade and other receivables	87.6	
Totals	349.9	349.9

Noah asks you to prepare a statement of financial position from the trial balance, incorporating the revised inventories figure calculated in **Task 1.1** and the following additional information:

- A new specific allowance of £3 million is required against trade receivables in relation to the balance that Plintor plc (Plintor) owes to Montabo, which is in dispute.
- Montabo needs to recognise a provision of £2.5 million in respect of a warranty liability that is expected to arise.
- A one for one bonus issue of shares took place on 31 March 2025, but no accounting entries were made. Montabo wishes to make maximum use of the share premium account when recording the bonus issue.
- £3.3 million of the borrowings figure is repayable by 31 March 2026.

Requirement

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

Prepare a statement of financial position for Montabo plc as at 31 March 2025 in a form suitable for publication.

Include a separate working for retained earnings.

Do not include comparative figures.

Total: 14 marks

Task 1.3

The internal audit function

Hera Nicolo, finance director, has prepared a briefing paper for the next board meeting about Montabo's secondary corporate objectives and setting up the internal audit function (**Advance Information – Appendix C**). Hera has specified two additional secondary corporate objectives for Montabo to those agreed at the board's strategy meeting:

- to achieve the standards of corporate governance required to achieve a listing on AIM, and
- to improve sustainability in all aspects of operations.

Hera tells you she hopes the internal audit function will be established as soon as possible. However, some of the directors have:

- asked whether setting up an internal audit function will reduce the large fee paid each year to Strensall LLP (Strensall) for the statutory audit, and
- requested more information about how the internal audit function will help Montabo to achieve its secondary corporate objectives.

Hera asks you to prepare answers to these queries, which she will add to her briefing paper for the board.

Statutory audit

Noah has given Allen Devlin, engagement partner at Strensall, the information he requires to conduct direct confirmation of amounts owed to Montabo by its customers as at 31 March 2025 (**Advance Information – Appendix D**). Noah tells you that, as in previous years, several customers are unlikely to respond to the request for confirmation, including Plintor.

Aida Hameed, accounts assistant, is unsure about what action Strensall is likely to take to get persuasive audit evidence about the trade receivables balance in the statement of financial position as at 31 March 2025. Noah asks you to explain it to her.

Requirements

- (a) Describe **three** differences between internal auditors and statutory auditors. **(3 marks)**
- (b) In relation to the internal audit function (**Advance Information – Appendix C**):
 - Explain **two** benefits for Montabo of having an internal audit function. **(4 marks)**
 - Explain **two** activities which the internal audit function can perform in support of achieving Montabo's secondary corporate objectives. **(4 marks)**
- (c) With regard to Strensall's direct confirmation of amounts owed by customers as at 31 March 2025 (**Advance Information – Appendix D**), prepare an email to Aida which:
 - Explains why the positive method of requesting confirmation of amounts owed by customers will result in more persuasive audit evidence for Montabo's balance of trade receivables than the negative method. **(3 marks)**

- Identifies and explains **three** alternative procedures which Strensall might undertake during the statutory audit to obtain sufficient audit evidence with respect to an individual customer's outstanding balance. **(6 marks)**

Total: 20 marks

Task 1.4

Joint venture with Dreenar

The board will shortly be voting on entering into the joint venture with Dreenar Ltd (Dreenar) to manufacture and supply parts and sub-assemblies for aircraft landing gear (**Advance Information – Appendix E**). As requested by Jude Forner, CEO, Noah emailed Montabo's directors with adapted extracts of the financial information that Dreenar supplied in April. During a recent conversation, Noah expressed some concerns to Hera:

'I'm worried about the board meeting vote on the joint venture with Dreenar. Although I think it is a good opportunity for Montabo, the financial information I supplied to the board is incomplete, and may mislead the board about Dreenar's financial stability and ability to act as a reliable joint venture partner.'

When Hera questioned Noah further, Noah revealed that, before he supplied the financial information to Montabo's board, Jude instructed him to omit certain pieces of information which Dreenar had originally sent. Noah argued against this instruction. Jude assured Noah that, once approved by the board, the joint venture would provide a big boost to Noah's career, as he would be appointed the finance director of the joint venture. Noah complied with Jude's instruction and supplied the directors with incomplete information.

Hera has asked you, confidentially, to set out for her how Noah's actions should be viewed in light of his professional ethics as an ICAEW Chartered Accountant.

Bob Hargreave

Walid Mathe, sales and marketing director, has gathered further information about the activities of Montabo's European agent, Bob Hargreave (**Advance Information – Appendix E**).

Walid now has documentary evidence that indicates Bob potentially committed fraud by retaining a fee payment that he requested and obtained from Historia SE (Historia) without informing Walid.

Walid also has evidence that Bob bullied Sam Wylde, inventory manager, to send a batch of spare parts, which were in short supply, to Historia, rather than to another of Bob's customers, Jerana Inc (Jerana). There is nothing in the contract between Montabo and Historia to support the preferential treatment it received. As Bob had previously promised these parts to Jerana, Jerana suffered considerable inconvenience when it did not receive them as expected.

Sam complained to Walid about Bob's bullying. In a meeting last week, Walid asked Bob for an explanation of his behaviour towards Sam. Bob refused to give Walid any information, telling him it was none of his business.

Hera has asked you to prepare some notes for Walid on Bob's actions given:

- his implied duties towards Montabo as its agent, and
- Montabo's statement on business ethics.

Requirements

With reference to **Advance Information – Appendix E**:

(a) Explain **three** ways in which Noah's actions in presenting incomplete information about Dreenar threaten his compliance with the fundamental principles in the ICAEW Code of Ethics. **(6 marks)**

(b) Identify and explain, in relation to Bob Hargreave:

- **three** ways in which Bob breached the implied duties he owes to Montabo as its agent
- **two** ways in which Bob's actions fail to comply with Montabo's statement on business ethics.

(10 marks)

Total: 16 marks

Task 2

This task consists of **three** parts worth a total of 42 marks.

Task 2.1

Elisha Heinze, manufacturing director, asks you to prepare an investment appraisal for Project Compo, the new production line for composite material sub-assemblies for the HR-654 aircraft. Elisha refers you to the initial estimates prepared by Anya Suomi, management accountant (**Advance Information – Appendix F**), and gives you some updated information:

'We need to budget for installation costs of £2 million on 1 January 2026. At the end of 2028 there will be an additional cost of £1.4 million for servicing the robot. At the end of 2029 we will move production on to a separate line and sell the robot for £3.3 million.'

'You can assume that:

- Anya's initial production cost estimates are correct, and
- we should estimate revenue from sales of the HR-654 sub-assemblies based on our usual mark-up on materials and other variable operating costs of 25%.

'Please use this revised information to produce a net present value (NPV) calculation, using a discount rate of 10%. We will also be using internal rate of return (IRR) to appraise this investment. The board's required return on investment is 10%.'

This is the first time Montabo's board has appraised investments using discounted cash flow methods. Elisha asks you to prepare some notes for her about these methods, which she can use if necessary at the board meeting.

Discount factors

Number of years n	Present value of £1 receivable at the end of n years	
	at 10%	at 15%
1	0.909	0.870
2	0.826	0.756
3	0.751	0.658
4	0.683	0.572

Requirements

Using **Advance Information – Appendix F** and the information above:

- Calculate, to three decimal places, the NPV of the proposed investment in Project Compo as at 1 January 2026. **Show your workings** and explain your reasons for excluding any figures from your calculation. **(8 marks)**
- Calculate the IRR of the investment in Project Compo. **(3 marks)**
- Explain whether Montabo should proceed with the investment in Project Compo, in light of your calculations in both (a) and (b). **(3 marks)**

(d) Explain **three** benefits for Montabo of using discounted cash flow methods, such as NPV and IRR, to appraise investments. **(6 marks)**

Total: 20 marks

Task 2.2

Targets for bank lending

Hera is meeting Montabo's bank next week to discuss Montabo's current financial position. Recently the bank extended Montabo's borrowing limit, in anticipation of the investment it will be making in Project Compo. Hera is planning to draw down some funds during June 2025, but to do this Montabo must meet the targets for bank lending set out by the bank in **Advance Information – Appendix B**.

The following balances were extracted from Montabo's accounting records on Friday 30 May 2025:

	Balance £m
Borrowings	71.3
Cost of sales (12 months to 30 May 2025)	155.2
Total equity	158.6
Inventories	70.8
Revenue (12 months to 30 May 2025)	194.0
Trade and other payables	51.9
Trade and other receivables	79.2

Future financing

Hera wants to apply for longer term green finance in respect of Project Compo (**Advance Information – Appendix F**). She wants to know if the project will meet environmental objectives set out in the Green Bond Principles for using the proceeds of green finance. She tells you that aircraft which are manufactured with wings and sub-assemblies made of composite materials, rather than steel, use lower amounts of fossil fuels, and emit less CO₂ (carbon dioxide), per passenger kilometre flown.

Hera asks you to prepare some notes that she will take with her to the meeting with the bank.

Requirements

Refer to **Advance Information – Company information (Working capital and Financial gearing), Appendices B and F**, and the information above.

(a) Calculate, to one decimal place, Montabo's:

- financial gearing ratio at 30 May 2025, and
- cash operating cycle at 30 May 2025.

Assume there are 365 days in the year.
(5 marks)

(b) For each measure calculated in (a):

- Identify whether the change in the measure from 31 March 2024 is an improvement or a deterioration in Montabo's ability to meet the target set by the bank.
- Suggest **one** reason why the measure has changed.
(4 marks)

(c) Briefly explain **three** eligible environmental objectives from the Green Bond Principles that Project Compo meets. **(3 marks)**

Total: 12 marks

Task 2.3

Montabo's board must decide whether to use more expensive electronic components in its products, to support the requirements of Leopard plc (Leopard) for several types of data analytics (**Advance Information – Appendix G**). Following their meeting with Leopard, Lily Cornwell, technology director, and Jude consulted Montabo's other directors.

Walid believed Montabo has no choice: 'In a call the other day, Leopard's procurement director left me in no doubt. Meeting these requirements will undoubtedly increase our costs, but failure to do so will result in us making very reduced sales to Leopard. We have very little bargaining power in relation to aircraft manufacturers and so we have to agree.'

Elisha wanted more information: 'I have heard that there are four different types of data analytics, but I don't really understand how aircraft manufacturers can make use of these. For example, if the data indicated a fault in one of our sub-assemblies, how would the different types of data analytics help Leopard?'

After the meeting Lily asks you to prepare notes that she can use to respond to the directors' comments.

Requirements

(a) Explain **three** ways in which aircraft manufacturers have a strong degree of customer power in relation to Montabo. **(6 marks)**

(b) Identify and explain **two** types of data analytics that Leopard could use in relation to data about a faulty sub-assembly. **(4 marks)**

Total: 10 marks