



LEVEL 4 ACCOUNTING TECHNICIAN APPRENTICESHIP

TUESDAY 11 MARCH 2025

2.5 HOURS

ROLE SIMULATION EXAMINATION

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

Marks breakdown

Task 1	53 marks
Task 2	47 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 53 marks.

Task 1.1

Miguel Ramírez, accounting manager, asks you to help him with work for Amethyst Ltd (Amethyst) (**Advance Information – Appendix A**). He gives you some information, which should be reflected in the financial statements for the year ended 31 December 2024.

(1) In June 2024 Ariana Rezaei, the owner of Amethyst, agreed with a local secondary school that Amethyst would supply private tuition to students at the school during the following academic year. The tuition services are being provided evenly over the ten-month period from 1 September 2024 to 30 June 2025. The head teacher at the school wanted to make a single payment in advance in order to spend funds from a specific budget. Therefore, the school paid the full amount due of £46,500 to Amethyst on 22 July 2024. On that date, Ariana debited cash and credited a suspense account with the full amount, because she was unsure how to account for a receipt from a customer in advance. Payments to tutors have been correctly accounted for.

(2) On 1 December 2024 Amethyst purchased a subscription to an online database for its freelance tutors to use. The subscription runs from 1 December 2024 to 30 November 2025 and cost £2,700 in total. Ariana credited the full amount to cash and recorded it as an administrative expense in the year ended 31 December 2024.

(3) On 1 October 2024 Amethyst purchased new computers, at a cost of £3,300, for use by Ariana and her assistant. Amethyst has not previously owned any property, plant and equipment. Ariana paid for the computers on her personal credit card and Amethyst reimbursed her. The only accounting entry that Ariana made was to credit cash and debit a suspense account with £3,300 when Amethyst reimbursed Ariana in November 2024. Ariana thought the computers would last for around five years. Miguel determined that the computers should be depreciated over five years, calculated to the nearest month, on a straight-line basis, with no residual value.

Miguel asks you to explain some of your work to Jess McNeil, accounting apprentice. Jess asks you about depreciation and asks whether Amethyst can depreciate the computer equipment over five years when she has seen another client depreciate similar equipment over only three years.

Requirements

Refer to **Advance Information – Appendix A, sections 1 and 2**.

- a. Set out the debits and credits to record the necessary accounting adjustments for the three matters above in Amethyst's financial statements for the year ended 31 December 2024. Do not provide narrative explanations. Ignore VAT. **(8 marks)**
- b. Explain to Jess:
 - the purpose of depreciation;
 - how the useful life of the computer equipment is determined; and
 - why different companies might use different useful lives for similar assets

Your answer should refer to the IFRS Conceptual Framework for Financial Reporting where relevant. **(7 marks)**

Total: 15 marks

Task 1.2

Miguel gives you some extracts from Amethyst's trial balance as at 31 December 2024 and asks you to prepare parts of the draft financial statements for the year ended 31 December 2024.

He tells you that the amounts extracted from the trial balance do **not** include any of your adjustments from Task 1.1.

Trial balance (extracts)	Dr	Cr
	£	£
Revenue		636,540
Administrative expenses	99,352	
Finance costs	240	
Trade receivables	40,500	
Prepayments	755	
Cash at bank	65,966	

He also gives you the following additional information:

- Cost of sales needs to be calculated on the basis that Amethyst makes a gross profit margin of 20%.
- Miguel has discussed invoices unpaid by customers, totalling £2,080, with Ariana. Ariana knows that these customers are having financial difficulties and Amethyst has stopped supplying services to them. Miguel has determined that these amounts are unlikely to be recovered.
- The balance on the loan account has not changed since 1 January 2024 and Amethyst did not pay any interest to Ariana in 2024.
- Onyx has correctly calculated Amethyst's tax on profits for the year ended 31 December 2024 as £6,490. Miguel reminds you that the tax charge also needs to reflect the underestimate for the previous year.

Requirements

Refer to **Advance Information – Appendix A, sections 1 and 2** and your answers to **Task 1.1**.

- a. Prepare the statement of profit or loss for Amethyst Ltd for the year ended 31 December 2024. **(9 marks)**
- b. Prepare the 'Assets' section, including the computer equipment, of the statement of financial position for Amethyst Ltd as at 31 December 2024. **(5 marks)**

Total: 14 marks

Task 1.3

As part of your training, you have been allocated to the audit team for Bismut Ltd (Bismut) (see **Advance Information – Appendix B**). Mei-Ling Tan, audit manager, tells you that she needs to develop a detailed audit strategy and a detailed audit plan. She asks you to help her with some audit planning procedures.

As this is the first year that Onyx will be auditing Bismut's financial statements, Mei-Ling wishes to start by undertaking a review of the entity and its environment. This will help Onyx understand the nature of Bismut's business and the context in which it operates.

Onyx has not yet undertaken a detailed risk assessment of Bismut, although Rohan Sharma, audit partner, thinks that Bismut is likely to be a low-risk client (**Advance Information – Appendix B, section 2**).

Mei-Ling has made some additional notes on Bismut's control environment (see **Advance Information – Appendix B, section 3**). Staff in the finance function receive training about internal controls as part of their induction, and their training is updated annually. Staff are assessed on that training as part of their professional development and the results feed into their annual performance appraisals. The finance function is large enough to ensure adequate segregation of duties.

Requirements

- a. Explain **two** methods that Onyx could use to obtain an understanding of Bismut as an entity and its environment. **(4 marks)**
- b. Identify **four** factors that indicate that Bismut has a strong control environment. **(4 marks)**
- c. Explain how Onyx's assessment of Bismut's control environment will affect the audit approach taken by Onyx. **(4 marks)**
- d. Identify **two** additional factors, other than the control environment, that indicate that Bismut is likely to be a low-risk audit client for Onyx. **(2 marks)**
- e. Which **one** of the following statements about the auditor's use of analytical procedures is true, in accordance with ISA (UK) 315 (Revised), Identifying and Assessing the Risks of Material Misstatement and ISA (UK) 520, Analytical Procedures? **(1 mark)**
 - A Analytical procedures are **optional** at the planning stage and **optional** as a substantive procedure.
 - B Analytical procedures are **optional** at the planning stage and **compulsory** as a substantive procedure.
 - C Analytical procedures are **compulsory** at the planning stage and **optional** as a substantive procedure.
 - D Analytical procedures are **compulsory** at the planning stage and **compulsory** as a substantive procedure.

Total: 15 marks

Task 1.4

Mei-Ling provides more information about objectivity and independence issues in relation to Bismut (see **Advance Information – Appendix B, section 2**).

She tells you:

‘I had a meeting last week at Bismut with the finance director, Lena Bauer, and the CEO, David Symonds.

‘Lena repeated her request to Rohan for Onyx to provide tax services, which would include preparing tax returns and providing tax planning advice. I know that we provide both tax and audit services to other clients, but I don’t have any clients in this position.

‘David has offered to supply the audit team with as many free sweets and chocolates as they can eat and for the team to take boxes home for their family and friends. I know that most clients provide tea and coffee for audit staff on the premises but David’s offer seems to be overly generous, because these are expensive luxury chocolates and some of the gift boxes would normally sell for over £100 each. We need to be careful that we are not compromising our objectivity and independence by accepting gifts or hospitality from our client.

‘For both these issues, I need you to prepare some notes that I can use when speaking to Lena and David. I need to know how we can maintain our objectivity and independence, based on the guidance in the ICAEW Code of Ethics and the FRC Ethical Standard.’

Requirements

- a. Explain **two** possible threats to Onyx’s objectivity and independence as auditor that might arise if Onyx provides the tax services to Bismut and identify **two** possible safeguards. **(6 marks)**
- b. Briefly explain whether the sweets and chocolates supplied by Bismut to the Onyx audit team may give rise to a threat to Onyx’s objectivity and independence as auditor. **(3 marks)**

Total: 9 marks

Task 2

This task consists of **three** parts worth a total of 47 marks.

Task 2.1

Miguel tells you that he is preparing a report for Amethyst with analysis and recommendations for working capital management (**Advance Information – Appendix A, section 3**).

Miguel refers you to Amethyst's cash budget for the period January to March 2025. He explains that Ariana is concerned that net cash flow and the cash balance fluctuate significantly from month to month. She has also expressed concern that the cash balance is not increasing even though Amethyst is profitable.

Miguel gives you some additional information about the second quarter of 2025.

- Budgeted revenue is as follows, reflecting a seasonal peak in activity during exam season:

April 2025	May 2025	June 2025
£66,300	£79,560	£66,300

- Monthly administrative expenses will increase by 4% on 1 April 2025 and will then remain constant.
- Dividend payments to Ariana will increase to £3,500 per month, with effect from 1 April 2025.
- Assume that the budgeted cash balance at 31 March 2025 will be £60,363.
- All other assumptions still apply.

Miguel thinks that data visualisation techniques (**Advance Information – Opportunities and challenges for Onyx**) will help Ariana understand the amount and pattern of cash flows. He is unsure about the best way of presenting the data for her and asks you to recommend what type of visualisation (bar charts, pie charts or line charts) would be most appropriate.

Requirements

- Refer to **Advance Information – Appendix A, section 3**. Prepare a monthly cash budget for Amethyst for the period 1 April to 30 June 2025, showing the net cash flow for each month and the budgeted cash balance at the end of each month. **(10 marks)**
- Briefly explain what the cash budget shows about Amethyst's budgeted cash flows and the reasons for fluctuations in budgeted cash flows. **(3 marks)**
- Prepare notes for Miguel on using data visualisation that:
 - explain **two** advantages of using data visualisation when communicating information about Amethyst to Ariana; and
 - recommend, with reasons, the best type of chart for presenting the relevant information from the cash budget to Ariana. **(6 marks)**

Total: 19 marks

Task 2.2

Sam Williams, senior partner – business advisory, asks you to help in preparing advice for the directors of Cuprel Air Services Ltd (Cuprel) (**Advance Information – Appendix C**).

Sam has just returned from a meeting with Chris Heaton, Cuprel's finance director, about environmental sustainability reporting (**Advance Information – Appendix C, section 2**). Chris asked Onyx to provide recommendations for how Cuprel's sustainability reporting could be made more comprehensive and relevant to different stakeholders. Chris believes that the investment in new hybrid aircraft (**Advance Information – Appendix C, section 3**) could improve Cuprel's environmental performance but would like additional suggestions from Onyx.

Sam says to you:

'I would like you to prepare some notes for me that I can use in compiling a report to Cuprel's directors.

'Firstly, the directors need advice relating to the Companies Act and directors' duties. The directors know that they have a legal duty to consider environmental issues when making business decisions and need some practical suggestions on how to do this. They would like to use Envirosan Ltd (Envirosan), an environmental consultancy, to assist with the assessment of the new hybrid aircraft. However, the managing director of Envirosan is the husband of one of Cuprel's directors. The directors of Cuprel do not want there to be any conflict of interest.'

'Secondly, I think that more efficient business operations – such as more efficient utilisation of aircraft – could contribute to better financial performance and better environmental performance. I believe the directors are already working on this but I would like to make some suggestions to them.

'Finally, I need to give the directors some advice on sustainability reporting. I want you to explain how the proposed investment in hybrid aircraft could affect impacts and dependencies. I also want you to suggest some metrics that Cuprel could use when reporting on social and governance issues, so that the company can expand its sustainability reporting beyond environmental considerations.'

Requirements

- a. Prepare an email, on Sam's behalf, advising Chris on directors' duties, that:
 - identifies **two** ways in which the directors of Cuprel could fulfil their duty to consider the environment and the impacts of business activities on it when making decisions;
 - explains whether using Envirosan will breach Cuprel's directors' duty to avoid conflict of interest.
(6 marks)
- b. Explain how better utilisation of the existing aircraft could contribute to Cuprel's profitability and environmental sustainability. **(4 marks)**
- c. Explain **one** way in which the proposed investment in hybrid aircraft could affect **each** of Cuprel's:

- impacts
- dependencies

in relation to environmental sustainability. **(4 marks)**

- d. Identify **two** metrics for social issues and **two** metrics for governance issues, that Cuprel could use in sustainability reporting. **(4 marks)**

Total: 18 marks

Task 2.3

Sam asks you to suggest points which could be included in the external analysis section of the corporate appraisal that Onyx is preparing for Cuprel's business. (See **Advance Information – Client information, Opportunities and challenges for Onyx** and **Appendix C.**)

He reminds you that Cuprel's directors are particularly concerned about financial risks associated with GHG emissions and the possible effect of current and future regulations.

He also tells you that Cuprel has recently been approached by a package holiday operator that wants to purchase large numbers of seats on particular flights up to one year in advance for their package holiday customers. The directors of Cuprel are interested in exploring this opportunity, but currently finalise their flight schedules only six months in advance.

Sam tells you that the directors have confirmed that Cuprel is keen to use data analytics to improve forecasts of passenger numbers to help improve operations and decision making.

Requirements

- a. Identify **three** opportunities and **three** threats for Cuprel to include in the corporate appraisal. At least one opportunity and one threat must relate to the new information in this exam paper. **(6 marks)**
- b. Explain **two** ways in which Cuprel could benefit from using data analytics to produce better forecasts of passenger numbers. **(4 marks)**

Total: 10 marks