

## Marking guide for Role Simulation Examination March 2025

The Role Simulation exam aims to examine knowledge, skills and behaviours in roughly equal proportions. This is reflected in the marking process where the available marks for each requirement are identified as Knowledge marks (K), Skills marks (S) and Behaviour marks (B).

A set of answers is issued to markers, giving an overview of the K, S and B points that can attract marks for each requirement. The model answers are extensive and contain all the points that could have been made; candidates are not expected to produce such full answers in the exam.

Broadly speaking, the K marks are for demonstration of appropriate and accurate knowledge and understanding from the Learning Materials for the five Certificate syllabuses assessed by the Role Simulation. This knowledge can be explicit or implied (eg where the answer is developed using recognised terminology, not just common sense).

Specifically, the K marks are for knowledge related to:

- Technical (T)
- Business awareness (BA)
- Ethics and standards (E&S)
- Regulation and compliance (R&C)
- Systems and processes (S&P)

The S marks are for the following skills:

- Analysis (A)
- Communication (C)
- Leadership (L)
- Planning and prioritisation (P&P)
- Producing quality and accurate information (Q&AI)
- Team working and collaboration (TW&C)
- Using systems and processes (US&P)

The B marks are for the following behaviours:

- Adaptability (A)
- Adding value (AV)
- Ethics and integrity (E&I)
- Proactivity (P)
- Professional scepticism (PS)

For example, if the requirement was to 'analyse the industry using Porter's Five Forces model' then K marks would be available for knowing the meaning of the key headings and the terminology for items commonly seen under these headings, and both S and B marks would be available for applying this knowledge to the scenario and using the information in the scenario to explain how the force works.

For written requirements where the candidate may make many equally valid points using different aspects of knowledge, skills and behaviour, more marks were identified for explanations in the mark scheme than were available in the maximum mark awarded. In these requirements, once the maximum awarded mark was achieved by a candidate, no further marks were given.

The pass mark is 70% across the paper. There is no requirement to score at least 70% in each of the K/S/B pools of marks, nor to score at least 70% in each of the two tasks.

## March 2024 marking grid

	Marks identified in marks scheme				Maximum full marks	Syllabus
	K	S	B	Total		
<b>Task 1</b>						
1.1a	5	3	0	8	8	ACC
1.1b	9	3	2	14	7	ACC
1.2a	1	8	0	9	9	ACC
1.2b	2	3	0	5	5	ACC
1.3a	4	5	0	9	4	ASS
1.3b	0	11	0	11	4	ASS
1.3c	3	2	1	6	4	ASS
1.3d	0	6	0	6	2	ASS
1.3e	1	0	0	1	1	ASS
1.4a	4	4	6	14	6	ASS
1.4b	3	2	2	7	3	ASS
	<b>32</b>	<b>47</b>	<b>11</b>	<b>90</b>	<b>53</b>	
<b>Task 2</b>						
2.1a	0	11	0	11	10	MI
2.1b	0	8	0	8	3	MI
2.1c	5	0	9	14	6	BTF
2.2a	8	2	3	13	6	LAW
2.2b	0	0	8	8	4	BTF
2.2c	1	4	4	9	4	MI
2.2d	0	0	4	4	4	MI
2.3a	0	7	5	12	6	BTF
2.3b	0	14	0	14	4	BTF
	<b>14</b>	<b>46</b>	<b>33</b>	<b>93</b>	<b>47</b>	
<b>Total</b>	<b>46</b>	<b>93</b>	<b>44</b>	<b>183</b>	<b>100</b>	

The marking information set out below is that used to mark the requirements in the March 2025 exam. Markers were encouraged to use discretion and generally to give the benefit of the doubt where it was evident what the candidate was trying to explain even though the explanation could have been expressed more clearly. No partial marks were awarded but the 'own figure' (OF) rule in calculations was applied.

<b>Task 1.1</b>
<b>Examiner's comments</b>
Overall performance on this sub-task was good.

Task 1.1(a)	Marks	Nature
<p>(1)</p> <p>Dr Suspense account 46,500</p> <p>Cr Revenue (46,500 x 4/10) 18,600</p> <p>Cr Performance obligation / Deferred income (46,500 x 6/10) 27,900</p> <p>(2)</p> <p>Dr Prepayments 2,475</p> <p>(2,700 x 11/12)</p> <p>Cr Administrative expenses 2,475</p> <p>(3)</p> <p>Dr PPE 3,300</p> <p>Cr Suspense 3,300</p> <p>Dr Administrative expenses / Depreciation expense (3,300 x 1/5 x 3/12) 165</p> <p>Cr Accumulated depreciation 165</p>	<p>2 for Dr/Cr</p> <p>1 for amounts</p> <p>1 for Dr/Cr</p> <p>1 for amounts</p> <p>2 for Dr/Cr</p> <p>1 for amounts</p>	<p>K-T</p> <p>K-T</p> <p>S-Q&amp;AI</p> <p>K-T</p> <p>S-Q&amp;AI</p> <p>K-T</p> <p>K-T</p> <p>S-Q&amp;AI</p>
<b>Examiner's comments</b> Performance on this requirement was generally good. The most common mistakes were to omit the journal entries for depreciation and to not account appropriately for the revenue and the performance obligation.		
Total possible marks	8	5K 3S
Maximum full marks	8	

Task 1.1 (b)	Marks	Nature
<u>Purpose of depreciation</u> <p>The purpose of depreciation is to apportion the cost (historic cost less residual value) of a non-current asset over its useful life, which will be more than one accounting period.</p> <p>This is an application of accrual accounting ie expenses are recorded when a resource is used rather than when the cash outflow occurs.</p>	<p>1</p> <p>1</p>	<p>K-T</p> <p>K-T</p>
<u>Determining useful life</u> <p>The accountant will use their judgement to estimate the useful life by considering how the asset will generate benefits, how the asset will be used, and how long it is likely to last before being replaced.</p> <p>The accountant will consider current accounting policies (Amethyst does not have one), previous experience, guidance in IFRS and what similar businesses do with similar assets.</p>	<p>1</p> <p>1</p>	<p>S-US&amp;P</p> <p>S-US&amp;P</p>

<p><u>Differences between companies</u></p> <p>Different companies will make their own estimates of useful life based on how they intend to use an asset and for how long.</p> <p>For example, Ariana might intend to replace IT equipment every five years, but another business may replace similar equipment over a shorter time period.</p> <p>Therefore it is likely, and appropriate, for different companies to use different useful lives and/or different depreciation methods (straight line vs reducing balance) for similar assets.</p> <p><u>IFRS Conceptual Framework</u></p> <p>This reflects key qualitative characteristics of the IFRS Conceptual Framework for Financial Reporting:</p> <p>Relevance:</p> <p>Using an appropriate estimate of useful life that reflects a company's intended use of the equipment provides relevant information to the users of financial statements.</p> <p>Faithful representation:</p> <p>The estimate of useful life based on intended usage provides a faithful representation – complete, neutral and free from error - of the underlying economic reality.</p> <p>Comparability:</p> <p>Comparability allows users of the accounts to identify and understand similarities in, and differences among, items ie in this case differences in the way that different companies might use similar assets.</p> <p>Communication to Jess (appropriate language for audience and attempt to address all three bullet points)</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>K-T</p> <p>B-AV</p> <p>B-PS</p> <p>K-T</p> <p>K-T</p> <p>K-T</p> <p>K-T</p> <p>K-T</p> <p>S-C</p>
<p><b>Examiner's comments</b></p> <p>Performance on this requirement was generally good, with candidates providing clear and appropriate explanations. Most candidates knew that depreciation was a cost allocation mechanism. Most candidates could explain how companies estimate the useful life of non-current assets and explained correctly that different companies could use different useful lives for the same type of asset. A significant number of headroom marks were available to reward alternative points made by candidates. Many candidates did not refer to the conceptual framework for financial reporting despite the question specifically requiring this.</p>		
<p>Total possible marks</p> <p>Maximum full marks</p>	<p>14</p> <p>7</p>	<p>9K 3S 2B</p>

<b>Task 1.2</b>
<b>Examiner's comments</b>
Overall performance on this sub-task was good.

Task 1.2 (a)	Marks	Nature
<b>Statement of profit or loss for the year ended 31 December 2024</b>  Revenue (636,540 + 18,600 (Task 1.1)) 655,140 Cost of sales (655,140 x 80%) (524,112) Gross profit 131,028 Administrative expenses (99,122) (99,352 – 2,475 (Task 1.1 subscription) + 165 (Task 1.1 depreciation) + 2,080 (Task 1.2 bad debt expense)) <b>Profit from operations 31,906</b> Finance costs (240 + (8% x 40,000)) (3,440) <b>Profit before tax 28,466</b> Income tax expense (6,490 + (12,766 – 12,171)) (7,085) <b>Profit for the period 21,381</b>	1 1    1 1 1  1  1+1	S-Q&AI S-Q&AI    S-Q&AI S-Q&AI S-Q&AI  S-Q&AI  S-Q&AI
Presentation (layout and headings, including title)	1	K-R&C
<b>Examiner's comments</b> Generally candidates performed well on this requirement. The most common mistakes were in adjusting revenue (many candidates subtracted the remaining performance obligation rather than adding the amount to be recognised as revenue in the period) and omitting the additional interest from the finance costs. Credit was given for candidates who correctly adjusted own figures from 1.1		
Total possible marks	9	1K 8S
Maximum full marks	9	

Task 1.2 (b)	Marks	Nature
<b>Statement of financial position as at 31 December 2024 (extract)</b>  <b>ASSETS</b> <b>Non-current assets</b> Property, plant and equipment 3,135 (3,300 – 165 (Task 1.1)) 3,135  <b>Current assets</b> Trade and other receivables (40,500 – 2,080) 38,420 Prepayments (755 + 2,475 (Task 1.1)) 3,230 Cash and cash equivalents 65,966 107,616  <b>Total assets 110,751</b>	1     1 1 1  1	S-Q&A     S-Q&A S-Q&A K-T  K-R&C
<b>Examiner's comments</b> Generally candidates performed well on this requirement.		
Total possible marks	5	2K 3S
Maximum full marks	5	

<b>Task 1.3</b>
<b>Examiner's comments</b>  Overall performance on this sub-task was varied: – requirement (a) had the lowest average mark, but candidates generally performed well on requirements (b), (c) and (d). Overall candidates demonstrated a good level of understanding of Bismut as an audit client for Onyx. Candidates could identify relevant factors within the control environment and explain how these factors would affect the audit.

Task 1.3 (a)	Marks	Nature
Inquiries of management and others within the entity:	1	K-S&P
Directors and employees can give auditors an insight into the environment in which the financial statements are prepared and can help the auditors to understand business strategy, plans for future development, problems facing the company and how directors intend to address them.	1	S-US&P
Analytical procedures:	1	K-S&P
Analytical procedures identify material items in financial statements, and items which are at risk of misstatement (eg significant changes from previous year or out of line with expectation). This will assist the auditor to determine the nature, timing and extent of other audit procedures.	1	S-US&P
Observation and inspection:	1	K-S&P
Observing business operations (eg manufacturing operations, finance function procedures), reading documents (eg internal handbooks), visiting manufacturing sites and even partner retail outlets where Bismut's products are sold and similar techniques are used can help confirm and provide additional support for the answers to inquiries made of management. This also assists in understanding operating procedures and information flows within the organisation	1	S-US&P
Discussion of the susceptibility of the financial statements to material misstatement among the audit team:	1	K-S&P
Discussions can help to improve the audit team's understanding of audit risk and how the audit strategy addresses audit risk.	1	S-US&P
<b>Max 2 methods, in each case 1 for stating method and 1 for an explanation.</b>		
Onyx may also seek additional information from the previous auditor to improve their understanding.	1	S-TW&C
<i>Tutorial note: IAS (UK) 315 also lists prior period knowledge, but this would not be appropriate here because Bismut is a new audit client for Onyx.</i>		
<b>Examiner's comments</b>  Performance on this requirement was varied but generally relatively poor – this requirement had the lowest average mark of the paper. Weaker answers talked in general terms about analysing companies rather than focusing on the methods that the external auditor should use to obtain an understanding of the entity and its environment. In this case it was inappropriate to suggest prior period knowledge because Bismut is a new audit client for Onyx. Some candidates did suggest that Onyx may seek additional information from the previous auditor.		
Total possible marks	9	4K 5S
Maximum full marks	4	

Task 1.3 (b)	Marks	Nature
<p><u>Factors indicating strong control environment</u> (mark first 4 only)</p> <p>Bismut's directors place high importance on controls and communicate this to all levels of management and staff.</p> <p>Managers are educated about what the controls are and how and why they operate.</p> <p>Individual managers are competent in their roles and aware of their responsibilities.</p> <p>Additionally, finance function staff are assessed about what the controls are and how and why they operate.</p> <p>There is adequate segregation of duties in the finance function.</p> <p>Therefore the human element of risk associated with internal controls is reduced.</p> <p>There is a strong internal audit function which results in effective monitoring.</p> <p>The internal audit function of Bismut is led by a chartered accountant.</p> <p>It has operational independence and the internal audit manager reports directly to the chair of the board of directors.</p> <p>Departments and managers are expected to respond to internal audit findings and implement recommendations.</p> <p>Directors have a low risk approach to expansion and funding.</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>S-US&amp;P</p> <p>S-US&amp;P</p> <p>S-US&amp;P</p> <p>S-US&amp;P</p> <p>S-US&amp;P</p> <p>S-US&amp;P</p> <p>S-US&amp;P</p> <p>S-US&amp;P</p> <p>S-US&amp;P</p> <p>S-US&amp;P</p>
<p><b>Examiner's comments</b></p> <p>Performance on this requirement was generally excellent. Candidates appeared to easily identify four factors that indicated a strong control environment. This requirement had one of the highest average marks across the paper.</p>		
Total possible marks	11	11S
Maximum full marks	4	

Task 1.3 (c)	Marks	Nature
<p>Onyx's audit procedures will differ depending on its assessment of the control environment. This will affect the time spent on the audit and probably the fee.</p> <p>If the control environment is strong the risk of fraud and error is reduced.</p> <p>If controls are effective, Onyx can rely more on the controls system and will reduce, though not eliminate, the number of tests of detail.</p> <p><b>Award mark for examples of tests of detail.</b></p> <p>However, if the control environment is weak the risk of fraud and error is increased.</p> <p>If the audit team at Onyx are not confident that controls are effective, then they will rely less on the controls system and will increase the number of tests of detail.</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>K-R&amp;C</p> <p>K-R&amp;C</p> <p>S-US&amp;P</p> <p>B-AV</p> <p>K-R&amp;C</p> <p>S-US&amp;P</p>

Examiner's comments		
Many candidates correctly explained that the auditor's assessment of the control environment will affect audit procedures, the time spent on the audit and therefore (probably) the audit fee. Stronger answers explained clearly the relationship between the strength of the control environment, the risk of fraud and error, and the implications for tests of controls and tests of detail. Weaker answers tended to be less well-structured though most candidates still correctly conveyed the relationship between the auditor's assessment of the control environment and the approach to the audit.		
Total possible marks	6	3K 2S 1B
Maximum full marks	4	

Task 1.3 (d)	Marks	Nature
Possible indicators of low risk: (mark first 2 only)		
• Stable business	1	S-P&P
• Steady growth and good prospects	1	S-P&P
• Well-financed with low levels of debt	1	S-P&P
• Competent, experienced management	1	S-P&P
• Experienced finance director	1	S-P&P
• Internal audit function	1	S-P&P

Examiner's comments		
Most candidates performed very well on this requirement and easily identified factors which indicated low risk.		
Total possible marks	6	6S
Maximum full marks	2	

Task 1.3 (e)	Marks	Nature
C	1	K-R&C

Examiner's comments		
Disappointingly, this objective task question was correctly answered by only 70% of candidates.		
Total possible marks	1	1K
Maximum full marks	1	



<b>Task 1.4</b>
<b>Examiner's comments</b>
Overall performance on this sub-task was very good. Candidate demonstrated a good understanding of threats to the auditor's objectivity and independence and were able to analyse the scenario.

Task 1.4 (a)	Marks	Nature
<p>Providing taxation services can cause:</p> <ul style="list-style-type: none"> <li>a self-review threat - if Onyx prepares tax calculations that are included in the financial statements that Onyx subsequently audits;</li> <li>a self-interest threat - if taking on the tax services makes the total fees from Bismut a significant amount of Onyx's fee income;</li> <li>a management threat - if Onyx undertakes tax work that involves making judgements and taking decisions that are the responsibility of Bismut's management;</li> <li>an advocacy threat - if Onyx provides assistance in the resolution of tax disputes.</li> </ul> <p>1 for identifying threat, 1 for explaining threat, max 2 threats, max 4</p> <p>Onyx would need to adopt safeguards against threats:</p> <ul style="list-style-type: none"> <li>The tax services could be provided by partners and staff with no involvement in the audit of the financial statements.</li> <li>Tax computations prepared by audit staff members could be reviewed by a partner/staff member of appropriate experience who is not a member of the audit team.</li> <li>An audit partner not involved in the audit engagement could review whether the tax work has been properly and effectively addressed in the context of an audit of the financial statements.</li> <li>The tax services could be reviewed by an independent tax partner or senior tax employee.</li> <li>Onyx could obtain external independent advice on tax work.</li> </ul> <p>1 for each safeguard, max 2</p> <p>In accordance with the FRC Ethical Guidance, tax return preparation does not generally threaten independence, as long as management takes responsibility for the returns. Whereas tax planning may threaten independence.</p>	<p>1 1  1 1  1 1  1 1  1 1  1</p>	<p>K-ES S-P&amp;P  K-ES S-P&amp;P  K-ES S-P&amp;P  K-ES S-P&amp;P    B-E&amp;I  B-E&amp;I  B-E&amp;I  B-E&amp;I  B-E&amp;I  B-P</p>
<b>Examiner's comments</b> Most candidates answered this question well, explaining the threats to the auditor's objectivity and independence and suggesting appropriate safeguards. Weaker answers tended to describe the threats in general terms rather than specifically identifying self-review, self-interest, management and advocacy threats.		
Total possible marks Maximum full marks	14 6	4K 4S 6B

Task 1.4 (b)	Marks	Nature
Gifts and hospitality can cause a self-interest threat,	1	K-ES
since members of the assurance team would be obtaining benefits from the client.	1	B-PS
The general principle is that a firm or a member of an audit team should not accept gifts or hospitality	1	K-ES
unless the value of gifts or hospitality are such that a reasonable and informed third party, weighing all the specific facts and circumstances, would consider them trivial and inconsequential	1	K-ES
The context and detail would also be relevant. (award up to 2 marks here)		
<ul style="list-style-type: none"> <li>▪ If Bismut offered some sweets and chocolates with refreshments to the audit team while they were working on site, then this would probably be acceptable</li> <li>▪ One small box of chocolates per team member at the end of the audit would probably be more acceptable than large quantities regularly</li> <li>▪ Factory seconds or short-dated inventory would probably be more acceptable than full price products;</li> <li>▪ Whereas big bags of gifts to take away would be more problematic since they would obviously be gifts rather than basic hospitality;</li> <li>▪ The possibility of Onyx's staff taking away boxes for friends and family would increase the quantity and value of items given away by Bismut</li> <li>▪ Luxury chocolates would probably be more significant to a junior audit team member than to a partner on a high salary.</li> </ul>	2	S-A
Onyx could establish a clear policy, including limits, on accepting gifts.	1	B-P
<b>Examiner's comments</b>  Most candidates scored high marks in this question, identifying and explaining the key point that the sweets and chocolates fell into the category of gifts and hospitality and seemed to be unusually generous. Relatively few candidates explained that the context and detail of the sweets and chocolates offered would be relevant in determining whether they were likely to cause a self-interest threat. Better answers clearly stated a conclusion as to whether the offer was likely to cause a problem.		
Total possible marks	7	3K 2S 2B
Maximum full marks	3	

<b>Task 2.1</b>
<b>Examiner's comments</b>
Overall performance on this sub-task was excellent, with almost all candidates scoring full marks or almost full marks on the requirement to produce a cash budget.

Task 2.1 (a)				Marks	Nature
Amethyst Ltd – Cash budget April – June 2025					
	April 2025 £	May 2025 £	Jun 2025 £		
Cash receipts:					
Cash collected from customers	(54,050 x 0.5)	(66,300 x 0.5)	(79,560 x 0.5)		
	+ (66,300 x 0.5)	+ (79,560 x 0.5)	+ (66,300 x 0.5)		
	60,175	72,930	72,930	4	S-A
Cash payments:					
Payments to tutors					
(80% x 66,300/79,560/66,300)	53,040	63,648	53,040	1	S-A
Administrative expenses paid	8,060	8,060	8,060	1	S-A
Finance expenses paid	20	20	20	1	S-A
Dividends paid to Ariana	3,500	3,500	3,500	1	S-A
	64,620	75,228	64,620		
Net surplus / (deficit)	(4,445)	(2,298)	8,310	1	S-A
Opening cash balance	60,363	55,918	53,620		
Closing cash balance	55,918	53,620	61,930	1	S-A
Presentation				1	S-Q&A

Examiner's comments		
Performance on this requirement was excellent. Almost all candidates scored full marks or almost full marks. Most candidates presented the cash budget appropriately. The most common mistakes were in calculating the cash collected from customers. This requirement had the highest average mark on the paper.		
Total possible marks	11	11S
Maximum full marks	10	

<b>Task 2.1 (b)</b>	<b>Marks</b>	<b>Nature</b>
<p><u>What the cash budget shows:</u></p> <p>Amethyst's cash flows fluctuate from month to month.</p> <p>Revenue fluctuates in line with business volume - there are seasonal variations in revenue reflecting the nature of the academic year and timing of exams.</p> <p>Cash collection also reflects the pattern of payments collected from customers.</p> <p>Some cash payments relating to expenses are fixed (for example administrative costs, dividends) and some vary with business volume (for example cost of sales).</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>S-A</p> <p>S-A</p> <p>S-A</p> <p>S-A</p>

Over the three months April to June net cash flow is close to zero.	1	S-A
However, in April and May there is a negative cash flow and Amethyst will be relying on existing cash balances, supported by the loan from Ariana.	1	S-A
This is partly because Ariana has increased the amount she is taking as dividend; in some months the profit is less than the dividend paid by Amethyst.	1	S-A
It is also because of higher administrative costs compared with last year.	1	S-A
<b>Examiner's comments</b>  Most candidates scored highly on this requirement by identifying relevant information from the cash budget. Many candidates identified the key point that revenue fluctuates in line with business volume, because of seasonal variations reflecting the nature of the academic year and timing of exams, and that there was a time delay between changes in activity and subsequent collection of cash from customers. Many candidates identified that although there was a negative cash flow in April and May, Ariana was still able to take a dividend and so the business itself was profitable.		
Total possible marks	8	8S
Maximum full marks	3	

Task 2.1 (c)	Marks	Nature
<u>Advantages of data visualisation:</u> (mark first two only)		
High level information can often be more quickly understood and interpreted because visualisations can summarise information effectively.	1+1	K-BA B-AV
Visual information in charts and icons is often easier to understand than tables of numerical data which might require the reader to be experienced in numerical analysis.	1+1	K-BA B-AV
Using colours, shapes, icons etc can make information more pleasing to look at and help to engage the reader.	1+1	K-BA B-AV
Visualisations can emphasise trends or large differences and de-emphasise unimportant detail.	1+1	K-BA B-AV
Visualisations are particularly helpful for non-experts (eg non-accountants) in communicating technical information and so are likely to be helpful here as Onyx is providing advice to a small business owner without a specialist financial background.	1+1	K-BA B-AV
<u>Recommendation:</u>		
Ariana needs to be able to see forecast net cash flow, understand how the cash balance changes month by month, and understand the medium-term trends.	1	B-AV
The main cash outflow is payments to tutors and this is always 80% of revenue. So the components of cash flow are of limited interest to Ariana as they are unlikely to vary much month by month.	1	B-AV
Line charts present data as a series of points joined by lines on a graph. They are particularly useful for showing absolute amounts and trends in a data series (for example cashflows over time).	1	B-AV

<p>Therefore it is likely that a line chart will be the most appropriate way to show the data on cash flows to Ariana.</p> <p><i>Tutorial note:</i></p> <p><i>Bar charts present information using bars, where the length of the bars represents the value of the data. Different bars can represent different time periods or categories of cash flow in one time period. Component bar charts can show one column representing the total, broken into the components that make up that total, so could show cash flows in different time periods and different components of total cash flow.</i></p> <p><i>Pie charts also show the components that make up a total - the larger the angle of a particular component is, the higher is its proportion of the total. But they only show information for one time period.</i></p> <p>Award marks for sensible, justified recommendation of bar charts.</p>	1	B-AV
<p><b>Examiner's comments</b></p> <p>Candidates generally explained the advantages of using data visualisation. Better answers included the point that data visualisation can be particularly helpful when presenting technical information to non-experts: therefore this technique would be useful for Onyx when presenting information to Ariana, who is not an accountant. Better answers identified a line chart as being an appropriate way to show the data on cash flows because line charts are particularly useful for showing absolute amounts and trends in a data series. (In this case the individual components of cash flow are of limited interest to Ariana – the main cash outflow is payments to tutors which will fluctuate in line with revenue, though with some time difference, and dividends which are within Ariana's direct control.)</p>		
<p>Total possible marks</p> <p>Maximum full marks</p>	<p>14</p> <p>6</p>	5K 9B

<b>Task 2.2</b>
<b>Examiner's comments</b>
Performance on this sub-task overall was reasonable, although the average mark for this sub task was the lowest on the paper.

<b>Task 2.2 (a)</b>	<b>Marks</b>	<b>Nature</b>
<p>EMAIL From: sam@onyx.co.uk To: chrisheaton@Cuprel.com Subject: Directors' duties</p> <p>Dear Chris,</p> <p>Here is a summary of points relevant to directors' duties.</p> <p><u>Environmental considerations:</u></p> <p>Directors have a duty under the Companies Act to consider the environment and the impacts of business activities on it when making decisions.</p> <p>The board can meet this duty by:</p> <ul style="list-style-type: none"> <li>ensuring that all directors understand and can act on ESG data available to them</li> <li>ensuring that relevant sustainability disclosures are made by the company</li> <li>using specialist advice (eg from EnviroSan)</li> <li>allocating specific responsibility for this aspect to one or more directors</li> <li>documenting how environmental considerations are factored into decision-making.</li> </ul> <p><u>Conflict of interest:</u></p> <p>The Companies Act states that a director must avoid a situation in which they have or may have an interest that conflicts or may conflict with the interests of the company or another duty.</p> <p>In this case the managing director of EnviroSan is the husband of one of Cuprel's directors and</p> <p>so there is a potential conflict of interest.</p> <p>A director must declare any interest he or she has in an existing or proposed transaction or arrangement.</p> <p>However, the duty to avoid a conflict of interest is not infringed if the matter has been authorised by the directors.</p> <p>Therefore if the board of directors are satisfied that any potential conflict of interest can be managed and authorise the arrangement then Onyx can go ahead in using EnviroSan.</p> <p>Alternatively, the board may consider using a different company (not EnviroSan) to completely avoid the risk of conflict of interest.</p> <p>Best wishes</p> <p>Sam</p> <p><b>Max 2 for how to meet duty, max 4 for conflict of interest</b></p>	<p><b>1</b> <b>For email format / tone</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p> <p><b>1</b></p>	<p>S-C</p> <p>K-R&amp;C</p> <p>K-R&amp;C</p> <p>K-R&amp;C</p> <p>K-R&amp;C</p> <p>K-R&amp;C</p> <p>K-R&amp;C</p> <p>S-A</p> <p>B-PS</p> <p>K-R&amp;C</p> <p>K-R&amp;C</p> <p>B-P</p> <p>B-P</p>

Examiner's comments		
<p>Many candidates showed a lack of technical knowledge in answering this requirement, failing to identify the specific ways in which the board of directors could meet its duty under the Companies Act to consider the environment and the impacts of business activities on it when making decisions. Many candidates talked in general terms about directors meeting their duties. Most candidates did obtain marks by identifying the potential conflict of interest and suggesting an appropriate course of action for Cuprel. Relatively few candidates made the point that the duty to avoid a conflict of interest is not infringed if the matter has been authorised by the directors and therefore the arrangement with Envirosan could go ahead.</p>		
Total possible marks	13	8K 2S 3B
Maximum full marks	6	

Task 2.2 (b)	Marks	Nature
Using the most fuel efficient / quietest aircraft more and on longer routes will improve overall sustainability as measured by emissions / fuel consumption / noise generated in total and relative to business volume.	2	B-AV
Since fuel is a major cost, this will also help profitability – average fuel cost per passenger will fall with fuller flights.	2	B-AV
Allocating the appropriate size aircraft to particular routes and flights will minimise total emissions / fuel and therefore costs per passenger since aircraft will be flying with fewer empty seats on average.	2	B-AV
Allocating environmentally efficient / quieter aircraft to routes where regulations covering emissions or noise are strictest or where penalties are highest will also save costs, improve operational flexibility and increase profitability.	2	B-AV
Up to 2 marks per well explained point, max 4.		

Examiner's comments		
<p>This requirement was quite challenging, and answers varied in quality. Relatively few candidates explained specific ways in which better utilisation of the existing aircraft could improve profitability and environmental sustainability (for example by allocating the appropriate size aircraft to particular flights or allocating specific aircraft to routes where regulations covering emissions or noise are strictest). Some candidates compared using the existing aircraft as an alternative to investing in hybrid aircraft without explaining <i>how</i> Cuprel could better use its existing aircraft.</p>		
Total possible marks	8	8B
Maximum full marks	4	

Task 2.2 (c)	Marks	Nature
Sustainability costs can be categorised as impacts (how the organisation affects ESG issues) and dependencies (how ESG issues affect the organisation).	1	K-R&C
Impacts		
Using hybrid aircraft would create less local environmental pollution from emissions,	1	S-A
thus having less impact on the local environment and on the quality of life of people living near the airports served by Cuprel.	1	B-AV
Using hybrid aircraft would create less local noise pollution,	1	S-A

thus having less impact on the quality of life of people living near the airports served by Cuprel and under flight paths used by the aircraft.	1	B-AV
Dependencies		
Reducing reliance on conventional aviation fuel may reduce the effect of dependencies on Cuprel's profitability,	1	S-A
by reducing the risk and limiting the impact of current and possible future regulations and restrictions on conventional aviation fuel.	1	B-AV
Reducing the use of conventional aircraft and fuel reliance on conventional aviation fuel may reduce the effect of dependencies on Cuprel's profitability,	1	S-A
because it will be less exposed to traveller's avoidance or reduction of activities perceived as harmful to the environment.	1	B-AV
<b>Award marks for relevant points.</b>		
<b>Examiner's comments</b>		
Answers to this question varied in quality. Some candidates did not understand the specific meaning of impact and dependences in the context of sustainability and therefore were unable to explain these concepts in relation to Cuprel's activities. Most candidates did achieve some marks by explaining even in general terms how the new hybrid aircraft would create less local environmental pollution and less local noise and that Cuprel might reduce the impact on its business of any future restrictions or costs associated with conventional aircraft fuel.		
Total possible marks	9	1K 4S 4B
Maximum full marks	4	

Task 2.2 (d)	Marks	Nature
<p>Possible metrics could include:</p> <p><b>Social:</b></p> <p>Gender diversity                      Current employee numbers by gender</p> <p>   New staff numbers and turnover by gender</p> <p>Age-based diversity                      Current employee numbers by age</p> <p>   New staff numbers and turnover by age</p> <p>Employment                              Total staff turnover</p> <p>   Total number of employees</p> <p>   Child labour</p> <p>Development &amp; training                      Average training hours per employee</p> <p>   Average training hours per employee per gender</p> <p>Health &amp; safety                              Number of fatalities</p> <p>   Number of high-consequence injuries</p> <p>   Recordable injuries/work-related ill health cases</p>	4	B-P



<b>Governance:</b>			
Board composition	Board independence		
	Number of women on the board		
Management diversity	Number of women in the management team		
Ethical behaviour	Anti-corruption disclosures		
	Anti-corruption training for employees		
Certifications	List all sustainability or ESG-related certification		
Assurance	Disclose whether sustainability report has undertaken external independent assurance, internal assurance or no assurance.		
	Provide scope of assurance if organisation has undertaken external or internal assurance		
<p>Note: credit was awarded for relevant sensible suggestions of metrics so a significant amount of headroom is available in the mark plan.</p> <p>1 for each metric suggested, max 2 for Social and 2 for Governance.</p>			
<b>Examiner's comments</b>			
Most candidates suggested sensible metrics. The most common weakness among answers was to identify just areas of reporting (such as diversity or health and safety) rather than metrics.			
Total possible marks		4	4B
Maximum full marks		4	

### Task 2.3a

### Examiner's comments

Overall performance on this sub-task was varied. There was some evidence that a small number of candidates mismanaged their time and were under pressure towards the end of the examination, with a small number of scripts either omitting answers to this subtask or including very short answers.

Task 2.3 (a)	Marks	Nature
<p><u>Opportunities</u></p> <p>Cuprel could increase revenue by:</p> <ul style="list-style-type: none"> <li>Generating ancillary revenue further by offering additional services to passengers or additional products (AI)</li> <li>Customising the service offered to passengers by segmentation (eg business vs leisure travellers) (AI)</li> <li>Offering environmentally sustainable flights using new hybrid aircraft, appealing to travellers looking to reduce or avoid contributing to fuel emissions. (AI)</li> <li>Partnering with third parties to offer additional products and services to passengers eg lounge access, parking at airports, fast-track security (AI)</li> <li>Making additional sales to the tour operator will increase seat sales (EP)</li> <li>Launching new routes or additional flights with the guarantee of a minimum number of seats sold a long time in advance of the flight to the tour operator (EP)</li> </ul>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>S-A</p> <p>S-A</p> <p>S-A</p> <p>S-A</p> <p>B-A</p> <p>B-A</p>
<p><u>Threats</u></p> <p>Cuprel may face increased costs and lower profitability from:</p> <ul style="list-style-type: none"> <li>Potentially higher fuel costs (AI)</li> <li>Capital investment required in existing and new fleet (AI)</li> <li>Availability of conventional aviation fuel (EP)</li> <li>Shortage of qualified staff (EP)</li> </ul> <p>Cuprel may face increased risk and threats to profitability from:</p> <ul style="list-style-type: none"> <li>Reliance on new, untested hybrid aircraft for growth (AI)</li> <li>Environmental legislation or restrictions on flight operations (EP)</li> </ul>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>S-A</p> <p>S-A</p> <p>B-A</p> <p>B-A</p> <p>S-A</p> <p>B-A</p>
<p><b>Examiner's comments</b></p> <p>This requirement had a low average mark. However, most candidates successfully identified some opportunities and threats. Stronger answers identified opportunities and threats from the information in the scenario (the AI and the exam paper) such as the additional sales to the tour operator and the risk of possible regulations and restrictions on aviation. Some weaker answers identified strengths and weaknesses of Cuprel (internal) rather than opportunities and threats (external) or talked in simple terms about issues such as climate change without identifying threats relevant to Cuprel.</p>		

Total possible marks	12	7S 5B
Maximum full marks	6	

Task 2.3 (b)	Marks	Nature
<p><u>Benefit of using data analytics to produce better forecasts:</u></p> <p>Capacity management: allocate appropriately sized aircraft routes / flights based on forecasted demand and/or adjust flight timetables and frequencies, if possible, to meet expected passenger numbers, resulting in efficiency gains.</p> <p>Resource allocation: adjust staffing levels at airports, on aircraft (if appropriate) and customer contact centres to minimise costs at a given level of activity.</p> <p>Use forecasts to manage inventory for in flight sales to maximise profitability and minimise excess inventory, so minimising waste and fuel costs</p> <p>Use dynamic pricing to adjust ticket prices in real time based on actual and based on predicted demand, thus increasing overall revenue.</p> <p>Target marketing efforts to fill seats on flights predicted to have unsold seats eg by creating special offers for periods of predicted low demand – thus increasing revenue at low marginal cost</p> <p>Strategic planning: use the analysis of data to make informed decisions about route expansion or reduction, timetable planning, aircraft purchases and other infrastructure investments.</p> <p>Cuprel could also analyse forecasts with partners such as airport operators, ground handlers, catering suppliers; and coordinate resources and services with partners to handle predicted passenger numbers.</p>	<p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p>	<p>S-A</p> <p>S-A</p> <p>S-A</p> <p>S-A</p> <p>S-A</p> <p>S-A</p> <p>S-A</p>
<p><b>Examiner's comments</b></p> <p>Answers to this requirement varied. Some candidates wrote in general terms about data analytics. However, the better answers made appropriate suggestions for how the airline could benefit from using data analytics to better forecast passenger numbers.</p>		
Total possible marks	14	14S
Maximum full marks	4	