



LEVEL 4

ACCOUNTING

TECHNICIAN

APPRENTICESHIP

MONDAY 8 JUNE 2026

2.5 HOURS

ROLE SIMULATION

EXAMINATION

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

Marks breakdown

Task 1	58 marks
Task 2	42 marks

Resources

You will need to refer to your copy of the Advance Information (AI) during this exam. A clean copy of the AI is 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.

Disclaimer

All names, scenarios and organisations depicted in this exam are entirely fictitious. Any similarity to actual individuals, whether living or deceased, organisations, or events is purely coincidental.

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 (exam 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 58 marks.

Task 1.1

Andy Moyo, financial accountant, has prepared the following initial trial balance for Purtlog Ltd (Purtlog) for the year ended 31 March 2026.

	£	£
Retained earnings as at 1 April 2025		10,256,000
Dividend paid on 31 July 2025	475,000	
Profit for the year to 31 March 2026		1,673,400
Borrowings – long-term		10,231,000
Borrowings – short-term		407,700
Cash at bank	1,090,900	
Property, plant and equipment (PPE) as at 31 March 2026	36,536,200	
Provision for legal action as at 1 April 2025		850,000
Share capital: £1 shares		16,000,000
Suspense account		38,000
Tax payable		277,300
Trade and other payables		7,394,900
Trade and other receivables	<u>9,026,200</u>	
	47,128,300	47,128,300

Andy refers you to **Advance Information – Review of business operations** and gives you information about the following matters, which have not yet been recorded in the nominal ledger:

1. The dispute with Nolbo plc (Nolbo), arising from digital data which was incorrect, has been resolved. Purtlog has agreed it overcharged Nolbo and will issue credit notes for £22,000 in relation to the three months to 31 March 2026.
2. An independent legal adviser has reported that the likely cost of losing the joint legal action brought by several former employees is lower than previously estimated. She recommends that the provision for legal action should be reduced to £722,500 as at 31 March 2026.
3. Since 1 January 2026, Yolande Vernon, a health and safety expert, has been reviewing every aspect of Purtlog's business operations. Yolande has not issued any invoices to Purtlog for her services, and no accounting entries have been made. It is estimated that Purtlog owed fees to Yolande of £12,700 as at 31 March 2026.
4. Purtlog sold a refrigerated HGV on 31 March 2026 and recorded a receipt of £38,000 in the bank account. The other entry was temporarily recorded as the only entry in the suspense account. The refrigerated HGV had been purchased on 1 October 2020 for £90,000, when it had an estimated useful life of 10 years and no estimated residual value. Depreciation has been correctly charged for the period of ownership (**Advance Information – Appendix B**).

Ella Finch, accounting apprentice, is studying the IFRS *Conceptual Framework for Financial Reporting*. Andy asks you to explain to Ella the fundamental qualitative characteristic of 'faithful representation' in financial statements.

Requirements

Refer to **Advance Information – Appendix B**.

- a. For matters 1 to 3 above **only**, set out the debits and credits to record the necessary accounting adjustments in Purtlog's nominal ledger for the year ended 31 March 2026. Do not provide narrative explanations. **(4 marks)**
- b. Prepare an email to Ella Finch which explains the **three** key aspects of faithful representation. Illustrate your explanations using your accounting adjustments in requirement a. above. **(7 marks)**
- c. Calculate the profit or loss on disposal of the refrigerated HGV on 31 March 2026. **(3 marks)**

Total: 14 marks

Task 1.2

Andy asks you to use the initial trial balance in **Task 1.1**, and your answers to **Task 1.1a** and **1.1c**, to prepare the statement of financial position for Purtlog for the year ended 31 March 2026.

He provides you with some additional information:

- Purtlog is due to repay borrowings of £2,000,000 to the bank on 30 September 2026. This amount is included in the figure for long-term borrowings in the initial trial balance.
- Additional finance costs of £32,500 should be accrued as at 31 March 2026.

Andy reminds you that Purtlog paid a dividend of £475,000 on 31 July 2025, as shown in the initial trial balance.

Requirements

Refer to **Advance Information – Appendices A and B**, the initial trial balance in **Task 1.1** and your answers to **Task 1.1a** and **1.1c**.

- a. Calculate the revised profit for the year ended 31 March 2026. Your calculation should start with the draft figure of £1,673,400 from the trial balance. **(6 marks)**
- b. Prepare the statement of financial position for Purtlog plc as at 31 March 2026 in a form suitable for publication. Include a separate working for the retained earnings figure. Do not include comparative figures. **(9 marks)**

Total: 15 marks

Task 1.3

Audit of HGVs

Tash Lennox, audit manager at Kiban LLP (Kiban), Purtlog's external auditor, has contacted Andy. She has specifically identified amounts relating to the fleet of HGVs as a high-risk area for the audit of the financial statements for the year ended 31 March 2026. Tash told Andy this was because Purtlog has been making changes to the composition of the fleet (**Advance Information – Appendix D**). Tash has formally requested written representations from Purtlog's management in respect of HGVs, which form a major part of PPE, a material item in the financial statements.

Ella says to you:

'I don't understand why Kiban has identified the amounts relating to the fleet of HGVs as being a high-risk area this year. What might cause a misstatement of those amounts? Also, how will Kiban's audit provide assurance about the risks of misstatement in this area, and why has Kiban asked for written representations?'

The position of Kiban

Irene Zhi, the finance director, has found a new job and will be leaving on 31 July 2026. She is currently on extended sick leave.

Jack Bamblen, the CEO, tells Andy that he wants Purtlog to take action with respect to replacing Kiban as Purtlog's external auditor. He would like to find a new firm to conduct the audit of the financial statements for the year ending 31 March 2027. However, he is unsure about what is legally required in order to change auditor. He is also concerned that any prospective new auditor will regard Purtlog as a high-risk client and so he will struggle to find a reputable firm to take up the engagement.

Andy asks you for your thoughts on these matters.

Requirements

Refer to **Advance Information – Appendix D**.

- a. Explain **two** reasons why Purtlog's changes to the composition of the fleet of HGVs increases the risk of a misstatement in the PPE balance, identifying the relevant financial statement assertion for each reason. **(4 marks)**
- b. Explain **two** audit procedures which Kiban could use to verify assertions in respect of Purtlog's fleet of HGVs. **(4 marks)**
- c. In relation to written representations from Purtlog's management:
 - Describe **two** written representations that Kiban is likely to require in respect of the fleet of HGVs.
 - Identify **two** matters that Kiban will consider when evaluating the reliability of the written representations as audit evidence. **(4 marks)**

d. Indicate whether the following statement is **true** or **false**.

‘Because Purtlog is a private company, Kiban will be deemed to be re-appointed as auditor of the financial statements for the current year ending 31 March 2027 unless the company decides otherwise.’ **(1 mark)**

e. State **two** actions that company law requires Purtlog to take to remove Kiban as Purtlog’s auditor for the financial statements for the year ending 30 March 2027. **(2 marks)**

f. Explain **two** reasons why a potential new auditor may regard Purtlog as a high-risk client. **(4 marks)**

Total: 19 marks

Task 1.4

In the following extract from her formal resignation letter to Jack, Irene set out her concerns about the relations between Kiban and Purtlog’s finance team:

‘Since I joined Purtlog in April 2023, it has been clear to me that the Kiban audit partner is unusually close to Ursula Porter and other members of the Porter family. They are personal friends and have enjoyed shared holidays, for example.

‘When she was CEO, Ursula often queried my decisions about Purtlog’s finances and insisted on seeking approval from Kiban for any lease agreements on HGVs that Purtlog wished to enter into. This always resulted in Ursula insisting that we switch from my preferred finance company to Xiport Ltd (Xiport), a finance company which Kiban recommended. Following investigation, I have discovered that Xiport is owned by one of the partners at Kiban.’

Jack knows that you have recently covered auditor independence in your studies, so he asks you for your thoughts on the implications of Irene’s letter for Kiban as Purtlog’s external auditor.

Requirements

Refer to **Advance Information – Appendix D**.

On the assumption that Irene’s statements in her resignation letter are true:

a. Describe the **two** aspects of independence which Kiban must demonstrate as Purtlog’s auditor. **(2 marks)**

b. Explain **two** threats to its independence as auditor that have arisen for Kiban. **(4 marks)**

c. Explain **two** safeguards that Kiban should have used to eliminate or reduce threats to its independence. **(4 marks)**

Total: 10 marks

Task 2

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

Task 2.1

Cash budget

Purtlog needs to repay £2,000,000 of the £8,600,000 bank loan on 30 September 2026. To establish whether additional finance will be required for this, Andy wants you to prepare the cash budget (**Advance Information – Appendix C**) for Purtlog covering July, August and September 2026.

He gives you the following forecast of income and expenses, together with some revised assumptions to use:

	July 2026	August 2026	September 2026
	£	£	£
Forecast income and expenses			
Revenue	3,670,200	3,448,500	3,874,600
Operating costs, excluding depreciation	3,319,700	3,119,200	3,281,200

- (1) It is estimated that the cash balance on 1 July 2026 will be £1,600,000.
- (2) Purtlog intends to improve cash collection from clients. Assume that, for any sales made from 1 July 2026, 70% of clients will pay in the same month that the revenue is earned, and 30% in the following month.
- (3) The updated forecast for June 2026 shows revenue of £3,900,000 and operating costs, excluding depreciation, of £3,500,000.
- (4) Purtlog expects to dispose of an HGV for cash of £20,000 in July and to purchase HGVs for cash of £250,000 in each of July and August.
- (5) A dividend of £500,000 will be paid to shareholders in July.

Except for these matters, the assumptions used for the cash budget for April to June 2026 in **Advance Information – Appendix C** apply.

Requirements

Refer to **Advance Information – Appendix C**.

- a. Prepare a monthly cash budget for Purtlog for the period 1 July to 30 September 2026, showing the net surplus/(deficit) for each month and the budgeted cash balance at the end of each month. **(13 marks)**
- b. In relation to the cash budget and the budgeted cash balance as at 30 September 2026 which you have calculated in requirement a. above:

- briefly comment on Purtlog’s ability to repay £2,000,000 of the loan on 30 September 2026; and
- identify **two** changes that Purtlog could make which would increase its budgeted cash balance on 30 September 2026.
(4 marks)

Total: 17 marks

Task 2.2

Refinancing

Purtlog’s directors are aware that additional long-term finance may be required to fund its future plans (**Advance Information – Appendix C**). The directors are considering two possible options:

- Option 1: obtain a new long-term loan secured by a charge on the fleet of HGVs; or
- Option 2: issue shares to the public.

Jack wonders what type of charge, if any, Purtlog could offer a lender in Option 1. He believes, however, that Option 2 is the obvious answer, as it is simple and has no legal implications. He asks for your views on these points.

Improving Purtlog’s social and environmental sustainability

Alex Rescorl, the planning director of QFT Ltd (QFT), recently met Gill Wrigley, the sales director and Cal Porter, the operations director, to discuss Purtlog’s social and environmental sustainability (**Advance Information – Review of business operations**).

Alex stated that QFT will require Purtlog to provide metrics which demonstrate that it operates sustainably if Purtlog wishes to retain QFT’s business.

Alex also mentioned QFT’s clients often report that Purtlog’s drivers:

- discard large amounts of used protective packaging at QFT’s premises after unloading their HGVs; and
- complain that they receive low rates of pay and very little training of any sort.

Gill and Cal promised to send Alex some ideas about specific actions that Purtlog can take to improve its social and environmental sustainability.

Market forces driving Purtlog’s sustainability actions

After the meeting with Alex, Gill and Cal ask you and Andy for advice about other actions related to sustainability that may be required in future.

Requirements

a. In relation to raising new finance:

- Explain briefly whether it would be appropriate for Purtlog to use a floating charge or a fixed charge in Option 1. **(2 marks)**
 - Describe the legal step that Purtlog must take before it can issue shares to the public. **(1 mark)**
- b. Describe:
- **three** specific actions that Purtlog can take to improve its social sustainability; and
 - **three** specific actions that Purtlog can take to improve its environmental sustainability. **(6 marks)**
- c. Explain **two** market forces which are pushing Purtlog towards dealing with the challenges of sustainability. **(4 marks)**

Total: 13 marks

Task 2.3

Cyberattack

Harpal Singh, Purtlog's technology director, recently received an anonymous phone call which informed him about an imminent ransomware attack on Purtlog's IT system. Harpal took appropriate action after the call, and the ransomware attack did not take place. However, Harpal realises this was a lucky escape. He asks you to help him prepare a list of actions which will prevent cyberattacks, including a ransomware attack, in future (**Advance Information – Review of business operations**).

Digital disruption

Jack recently attended a conference entitled 'Digital disruption and the logistics industry'. He has told Harpal that Purtlog's board needs to be fully aware of the significant effects on Purtlog of changes in digital technology in the road haulage industry (**Advance Information – Industry information: logistics and road haulage**). Harpal has asked for your help in preparing a report for the board.

Requirements

- a. Explain how a ransomware attack would affect Purtlog. **(2 marks)**
- b. Explain **three** actions that will help to prevent a future cyberattack of any type on Purtlog's IT system. **(6 marks)**
- c. Explain **two** ways in which digital disruption of the road haulage industry has affected Purtlog. **(4 marks)**

Total: 12 marks