



ROLE SIMULATION EXAMINATION

ADVANCE INFORMATION

This material is issued prior to the exam session.

A clean copy of the Advance Information will be available as a PDF in the exam software.

Candidates may add a copy of this Advance Information to their bookshelf which can be annotated in advance and then accessed during the exam.

Candidates can also bring a paper copy to the exam.

ADVANCE INFORMATION

This Advance Information is issued prior to the exam session held on 9 March 2026 to allow you to familiarise yourself with the information provided and to undertake any other appropriate research and analysis.

You should add your copy of the Advance Information to your bookshelf, which you can then annotate. You will be able to access your bookshelf during the exam. A clean copy of the Advance Information will also be available as a PDF in the exam software and you may bring a paper copy to the exam, annotated if you wish, and any other notes of your preparatory work.

The Advance Information is also published on the website: www.icaew.com/students.

You must carry out sufficient and appropriate analysis work **of your own** in order to have a detailed understanding of the Advance Information. You should also undertake any additional research and analysis you feel necessary to enhance your awareness of the industry and market context and to enable you to clarify any technical terms or other issues of vocabulary. You will need to be able to refer back quickly to the Advance Information and your notes during the exam; you are therefore unlikely to benefit from taking large quantities of additional material with you into the exam.

The exam will contain questions with additional information which will complete the description of the Role Simulation scenario and state the Role Simulation requirements.

The exam is based on the 2025 Role Simulation Workbook and the 2025 ACA Certificate Level Learning Materials.

Assessment of the Role Simulation exam

The marks in the Role Simulation exam are awarded for demonstration of competence in the knowledge, skills and behaviours set out in the Level 4 Accounting Technician assessment plan. The marks are allocated broadly as follows:

- Knowledge 30% - 40%
- Skills 30% - 40%
- Behaviours 30% - 40%

The knowledge, skills and behaviours will be assessed through a series of requirements in the Role Simulation exam. Marks available for each requirement will be shown next to each requirement.

Preparing your answers in the exam

You will need to refer to your copy of the Advance Information during the exam.

Answer all questions.

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

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.

Hewrick Textiles Ltd

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Introduction: Hewrick Textiles Ltd

Hewrick Textiles Ltd (HT) is a UK-based textile manufacturer, specialising in premium woven and knitted fabrics using natural materials.

Industry information: Textile manufacture

Textile manufacturers buy raw materials such as wool and cotton. They use these raw materials to produce fabrics, which they may also dye and/or treat with special finishes and coatings using chemical agents. They sell these fabrics to customers such as clothes manufacturers.

The UK textile industry has annual revenues of around £9 billion. It consists of enterprises of all sizes. Operating profit margins are typically 5-7%, but these can be as high as 12% for premium, heritage producers with a reputation for traditional British craftsmanship and sustainable practices.

Company information

History

HT was established in 1885, in a textile mill in Yorkshire, by William Hewrick. HT initially focused on making high-quality, woven wool fabrics for local tailors, taking advantage of the area's then abundant water supply and wool-producing farms.

HT expanded significantly during the 20th century to produce woollen and cotton fabrics for luxury fashion houses across Europe. It has used strategic acquisitions and organic growth to maintain its position as a premium, heritage textile manufacturer with a focus on using high-quality, traditional production methods.

The company remains strongly influenced by the founding Hewrick family. Family members own the majority of the shares and some fourth and fifth generation family members work for the company, including Hannah Hewrick, CEO. The rest of the shares are owned by private investors. The company's year end is 31 December, and it usually makes a single dividend payment in June each year.

Business activities

HT purchases raw materials such as wool, cotton, dyes and chemicals for coatings from many different suppliers.

The company's production facilities, including all warehouses and factory buildings, are still located in Yorkshire, on the same site in and around the original mill building. Whenever HT acquired another company, it relocated all that company's activities to HT's own premises. These production facilities are where HT converts the raw materials into fabrics using traditional techniques combined with modern innovations.

HT has two divisions:

- Fine cotton fabrics: Production of high-quality cotton fabrics for clothing and home furnishings, utilising both traditional and modern weaving techniques.

- Bespoke wool fabrics: Custom fabric production for fashion houses. This includes specialised dyeing and finishing services using traditional methods which are labour-intensive.

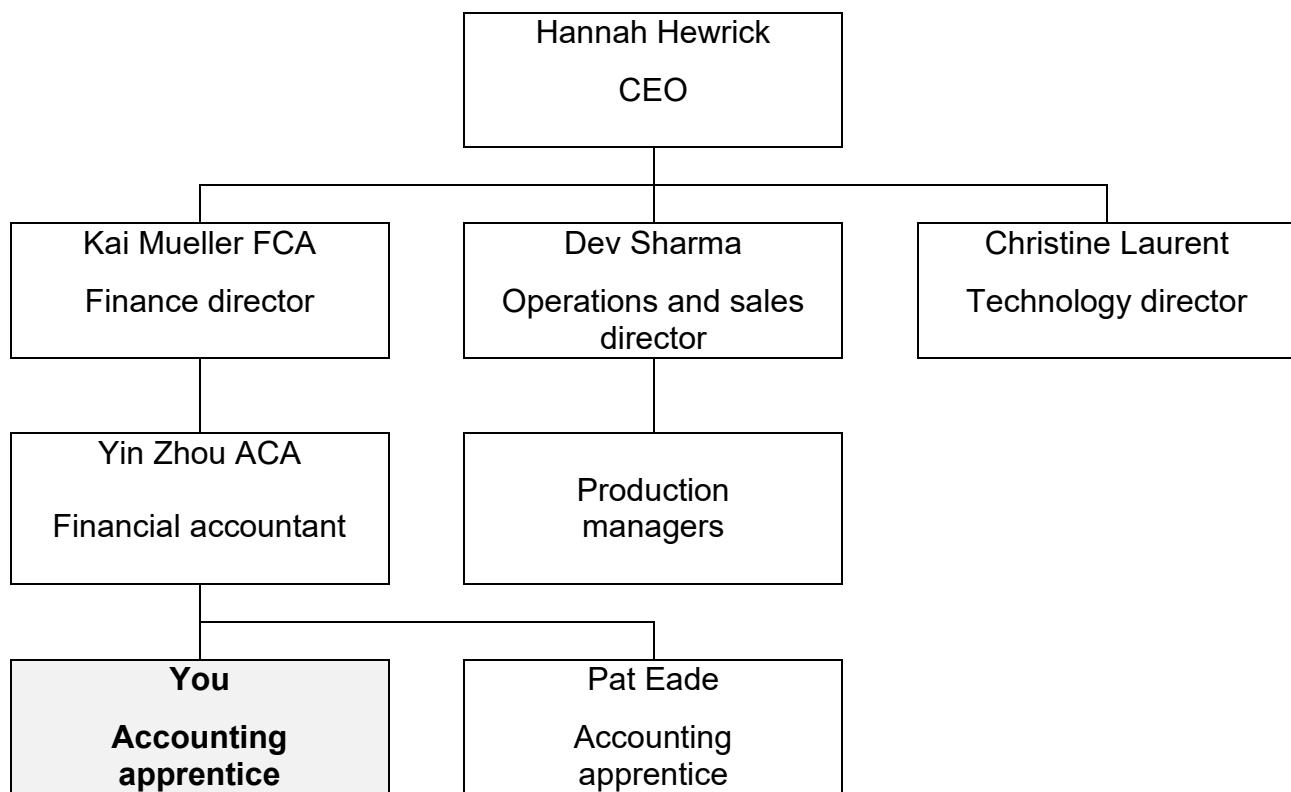
Most of HT's customers are clothing manufacturers who produce clothes using fabrics purchased from HT. There are established customers who purchase regularly and customers who place occasional one-off orders.

Your role and key people

You are a second-year accounting apprentice at HT and a student member of ICAEW. You report to Yin Zhou, financial accountant, who reports to Kai Mueller, finance director. Pat Eade joined HT last month as an accounting apprentice. Yin has asked you to mentor Pat.

See **Appendix A** for extracts from the financial statements for the year ended 31 December 2024 and **Appendix B** for extracts from HT's finance policies and procedures.

Extracts from organisational chart



External audit

R J Welland Chartered Accountants LLP (Welland) is the external auditor of HT's financial statements.

Sam Brookes, audit senior at Welland, has contacted Yin to confirm that Welland staff will visit HT's premises in March to undertake audit work. Sam informed Yin that Welland will start by updating its assessment of the overall control environment. Once this is done Welland will test controls, then undertake substantive procedures, using a new version of its audit software to select sample transactions for testing where appropriate.

Welland has already identified the purchases system, including goods inwards and recording of invoices, to be an area of high risk because of the nature of the transactions and materiality of the amounts involved. Sam reminded Yin that Welland will need evidence to confirm that goods have been appropriately ordered, are of acceptable quality and used only for company purposes.

Dev Sharma, operations and sales director, has objected to this, arguing that HT continually reviews its controls and their operation and so Welland should consider the area to be low risk. See **Appendix C** for details on HT's purchases system, including goods inwards and the recording of invoices.

Review of operations

HT's directors have recently started a comprehensive review of business operations. They were specifically concerned about:

- profitability and cost control
- sustainability
- contracts with suppliers
- data analytics

Profitability and cost control

The directors have noted continual cost increases affecting raw materials, labour and overheads in recent years. There are frequent changes in the price, availability and quality of raw materials such as cotton, wool and dyes. Energy-intensive processes like dyeing and finishing have become more expensive because of rising energy prices. This makes forecasting and budgeting increasingly difficult.

Sustainability

HT has a policy of purchasing raw materials from local suppliers where possible, which reduces transport emissions. It recently introduced several small environmental sustainability initiatives, including electricity generation on-site using solar and hydropower and on-site wastewater treatment to remove toxic chemicals used in production processes.

However HT faces several sustainability-related challenges:

- Climate change is affecting some raw materials price and availability and contributing to overall supply chain volatility.
- Some of the chemicals and coatings, which HT uses, are environmentally hazardous and create local air and water pollution.
- Stricter environmental regulations relating to emissions and waste disposal add cost and complexity to operations.
- Increasingly, customers demand sustainable practices and request data to support their supply chain audits.

The directors know that HT's operations could be more sustainable, but they are uncomfortable about publicly admitting this. In particular, the company still sends significant amounts of waste to landfill. To address this, HT has recently started to use Osalv Ltd (Osalv), a waste recycling company, to remove some waste from the premises. Osalv has an objective of recycling 90% of waste collected with the remainder going to landfill, but it is unclear whether this is achieved or how it is measured.

Contracts with suppliers

Last year, a temporary manager employed by HT committed the company to an expensive, one-year office cleaning contract without fully understanding what constituted a contract or what HT's contractual obligations would be. Hannah is determined to avoid any similar mistakes and intends to review the terms of any contract very carefully before committing.

HT is currently dealing with the following issues:

3D printing:

HT wants to use 3D printing to provide product illustrations and samples of fabrics for potential customers quickly and cheaply. Poulon Ltd (Poulon) is a supplier of 3D printers. Dev recently met the sales manager at Poulon to discuss HT's requirements and explore what equipment HT might purchase.

Cybersecurity:

Christine Laurent, technology director, is concerned about an overall lack of cybersecurity knowledge among the directors and knows that some of HT's IT policies and procedures are outdated. Christine believes that HT could benefit from advice on cybersecurity. She has arranged an initial online meeting for her and Hannah with a consultant from Fylp Ltd (Fylp), a firm of technology specialists, to get more information about the services that Fylp could offer to HT.

Cryptocurrency:

One of HT's suppliers has offered a discount for paying in cryptocurrency. However, none of HT's directors has any experience of using cryptocurrencies.

Data analytics

Christine suggested at a recent board meeting that HT should invest in using big data and data analytics for costing and making pricing decisions. Christine is preparing a proposal for acquiring data analytics software and specialist support, for the board to consider.

New sales contract with Elrad Apparel Ltd

Elrad Apparel Ltd (Elrad) manufactures clothing for upmarket fashion retailers. Elrad has approached HT with a request to make regular purchases of premium cotton fabric. Information about HT's potential new sales contract with Elrad is in **Appendix D**.

Appendix A – Financial statements for the year ended 31 December 2024 (extracts)

Hewrick Textiles Ltd: Statement of profit or loss for the year ended 31 December 2024

	£'000
Revenue	74,007
Cost of sales	(52,930)
Gross profit	21,077
Operating expenses	(14,831)
Profit from operations	6,246
Finance costs	(950)
Profit before tax	5,296
Income tax	(1,324)
Profit for the year	3,972

Hewrick Textiles Ltd: Statement of financial position as at 31 December 2024

	£'000	£'000
ASSETS		
Non-current assets		
Property, plant and equipment		28,583
Intangible assets		1,144
		<hr/> 29,727
Current assets		
Inventories		10,831
Trade and other receivables		9,941
Cash and cash equivalents		4,735
		<hr/> 25,507
Total assets		<hr/> 55,234
EQUITY AND LIABILITIES		
Equity		
Ordinary share capital		1,000
Retained earnings		30,446
		<hr/> 31,446
Non-current liabilities		
Borrowings		16,441
Current liabilities		
Borrowings		1,865
Trade and other payables		4,820
Income tax payable		662
		<hr/> 7,347
Total equity and liabilities		<hr/> 55,234

Appendix B – Finance policies and procedures (extracts)

Introduction

The financial statements are prepared in accordance with IFRS® Standards. Assets, liabilities, equity, income and expenses are recognised and measured in accordance with the principles in the IFRS Conceptual Framework for Financial Reporting and appropriate standards.

Non-current assets (capital expenditure)

Property, plant and equipment (PPE) consists of land, buildings, machinery and vehicles. PPE is measured at historical cost less accumulated depreciation and impairments. Assets are depreciated over their estimated useful lives on a straight line basis (to the nearest month). Depreciation and impairment expenses are shown in cost of sales.

Intangible assets consist of purchased goodwill and intellectual property rights. Intangible assets are measured at historical cost less accumulated amortisation and impairments. Amortisation and impairment expenses are shown in operating expenses.

Inventories

Inventories are measured at the lower of cost and net realisable value. Some items are measured using first in first out (FIFO) and some are measured using average cost (AVCO), depending on the nature of the item and its use in production. An annual inventory count takes place on or close to the reporting date.

Trade receivables

Trade receivables are recognised when HT has delivered the products.

A trade receivable which is not expected to be collected is written off as an irrecoverable debt. The remaining trade receivables are tested for impairment at the end of each reporting period. HT maintains an allowance of 1% of trade receivables, which reflects the board's estimate of the proportion of trade receivables that will not be collected. The cost of irrecoverable debts and changes in the allowance are shown in operating expenses.

Borrowings

Borrowings consist of leases relating to property, plant and equipment, and bank loans.

Operating costs (revenue expenditure)

Cost of sales includes purchases of materials, adjusted for opening and closing inventory, and other production costs, including labour and overheads, as well as depreciation and impairments for PPE.

All other operating costs are included in operating expenses.

Appendix C – Purchases system

HT purchases raw materials such as wool, cotton, dyes and chemicals for coatings from its suppliers, many of which are specialists in one type of product. HT prioritises obtaining high quality raw materials from reliable suppliers, to minimise inefficiencies in production and any risk of substandard output. Although HT tries to minimise inventory-holding, high levels of inventory of some items are necessary for production processes and to satisfy one-off orders and fluctuations in volumes required by regular customers.

Regular orders to suppliers are placed automatically by the procurement system, according to pre-set re-order levels. One-off orders can be placed by a production manager.

Suppliers deliver items to the goods inwards area of HT's main warehouse.

HT's procurement system generates sequentially numbered goods received records. After the goods arrive at the warehouse, staff check them for quantity and quality and update the procurement system. Raw materials are kept in the warehouse until required in production, at which point they are transferred into the relevant production line.

Then, items are transferred to either one of HT's warehouses or straight to one of the factory buildings.

Suppliers send an invoice by email to HT's finance department. A member of finance staff records the invoice received and matches the goods received record in the procurement system with the supplier's invoice before authorising payment.

Appendix D – Potential new customer: Elrad Apparel Ltd

Elrad Apparel Ltd (Elrad) is a large clothing manufacturer whose customers include upmarket fashion retailers. Elrad has approached HT with a request to make regular purchases of premium cotton fabric. HT's directors consider that a contract with Elrad could be profitable and high profile, so they are keen to quote a competitive price.

The directors have agreed to produce a test run in February of a preliminary batch of the premium cotton fabric required by Elrad.

Costing

Yin and Dev have worked together to produce the following estimated cost card for production of the preliminary batch.

Estimated cost card	Per batch
	£
Raw materials	8,400
Labour	9,300
Variable overheads (£43 per machine hour x 160 hours)	6,880
Fixed overheads (£53 per machine hour x 160 hours)	8,480
Total absorption (full) cost	33,060

Pricing

HT uses full cost-plus pricing for most customer contracts. However, Dev suggests that marginal costing may be more appropriate, as the work for Elrad would be a small part of HT's total work.

Dev knows that HT should consider all '4C's' of pricing when setting prices, but he is unsure how much importance to give to each of these factors.

Environmental sustainability

Elrad has requested detailed information about the environmental sustainability of HT's processes, including water usage and carbon emissions. Dev is preparing an analysis of HT's sustainability impacts, and he has asked you to help him present HT's operations in the best possible light to secure the contract with Elrad.

Dev suggested to HT's board of directors that HT could use information from this analysis to generate favourable publicity and attract other customers which want evidence of good practices in their supply chains.