



LEVEL 4 ACCOUNTING TECHNICIAN APPRENTICESHIP

MONDAY 9 MARCH 2026

2.5 HOURS

ROLE SIMULATION EXAMINATION

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

Marks breakdown

Task 1	60 marks
Task 2	40 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 (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 60 marks.

Task 1.1

Yin Zhou, financial accountant at Hewrick Textiles Ltd (HT), asks you to help prepare the financial statements for the year ended 31 December 2025. She also asks you to explain some of your work to Pat Eade, the recently appointed accounting apprentice. Yin gives you information about matters that still need to be appropriately accounted for.

Inventories

The inventory count took place on 31 December 2025. At that date inventories were measured at £11,650,000, before considering the following matter.

HT started using a new cleaning agent in October 2025. Yin has discovered that 7,000 units of this cleaning agent in HT's warehouse were correctly counted. However, this inventory was incorrectly measured using first in first out (FIFO) and included in closing inventory at a cost of £174,000, when it should have been measured using average cost (AVCO).

The movements of inventory of the cleaning agent were as follows:

Date	Movement in inventory	Number of units	Cost per unit
6 October	Purchased	5,000	19.00
7 November	Purchased	5,000	22.00
13 November	Used in production	8,000	
19 December	Purchased	5,000	26.00

Expenditure on machinery

In April 2025 HT arranged for annual routine maintenance work on HT's machinery at a cost of £75,000. This is deemed to be a production overhead.

At the same time, HT installed a new component on a production machine to increase efficiency and reduce wastage, at a cost of £60,000. The machine has a remaining useful life of five years from 1 April 2025, and this new component is expected to be used for the same period.

For both these transactions, Yin has recently discovered that a temporary accounts assistant, who was unsure of whether to treat these items as capital or revenue expenditure, credited cash and debited the suspense account.

Requirements

Using the information above and the information in **Advance Information – Appendix B**:

- Calculate the revised cost of the closing inventory of the cleaning agent using average cost (AVCO). **Show your workings. (4 marks)**
- Set out the debits and credits to make the necessary accounting entries for the expenditure on machinery above in HT's financial statements for the year ended 31 December 2025. Do not provide narrative explanations. **Show your workings. (4 marks)**

- c. Explain to Pat the difference between capital and revenue items in financial reporting, illustrating your answer with reference to the expenditure on machinery above and to the IFRS Conceptual Framework for Financial Reporting. **(6 marks)**

Total: 14 marks

Task 1.2

Yin asks you to prepare a draft statement of profit or loss for the year ended 31 December 2025, which she can take to a meeting with Kai Mueller, finance director. She gives you an extract from the trial balance as at 31 December 2025.

She tells you that the amounts extracted from the trial balance and the additional information below do **not** include any of your adjustments from **Task 1.1**.

Trial balance (extracts)	Dr	Cr
	£'000	£'000
Inventories as at 1 January 2025	10,831	
Trade receivables	10,360	
Allowance for irrecoverable receivables as at 31 December 2024		100
Purchases and other production costs (including labour, overheads and depreciation)	55,860	
Operating expenses	15,529	
Finance costs	829	
Revenue		76,903

Yin also gives you the following additional information:

(1) On 1 November 2025 HT received £220,000 from a customer for fabric to be supplied over a six month period from 1 November 2025 to 30 April 2026. Yin has credited the entire £220,000 to revenue. By 31 December 2025, HT had delivered textiles with a sales value of £77,000 to the customer.

(2) In January 2026 a customer, which owed £160,000 as at 31 December 2025, was declared insolvent. HT will be unable to recover any money from the customer. Yin asks you to make the appropriate adjustments to account for this irrecoverable debt and to update the allowance for receivables.

(3) R J Welland Chartered Accountants LLP (Welland) has estimated that tax on profits for the year will be £1,278,000.

(4) On 30 June 2025, HT paid a dividend of £1,800,000.

Requirements

Using **Advance Information – Appendices A and B**, the information above and the adjustments you made in **Task 1.1**:

- a. Prepare the statement of profit or loss for HT for the year ended 31 December 2025. Work to the nearest £1,000. Do not include comparative figures. **Show your workings. (10 marks)**

b. Calculate retained earnings as at 31 December 2025. **(2 marks)**

Total: 12 marks

Task 1.3

Yin asks you to prepare notes that she can use to explain some aspects of the audit of the purchases system to directors and managers, including, Dev Sharma, operations and sales director (**Advance Information – Appendix C**).

Yin tells you that HT has recently enhanced its controls. The goods received record now includes a detailed list of physical checks on quantity, quality and accuracy of description that staff must undertake on receipt of items.

Sam Brookes, audit senior at Welland, contacted Yin and confirmed that Welland will start by assessing HT's overall control environment. Welland will then test controls and perform substantive procedures, including selecting some samples of invoice payments for testing (**Advance Information – External audit**).

Requirements

- a. Explain how Welland's assessment of the strengths or deficiencies of HT's control environment will affect the audit approach taken by Welland. **(4 marks)**
- b. In relation to goods inwards and recording invoices, explain the risks arising from each of the following possible events and their significance to HT:
- accepting poor quality items delivered by suppliers
 - items being misappropriated for personal use once delivered.
- (4 marks)**
- c. Describe **three** tests of control that Welland could perform in relation to goods inwards and recording invoices. **(3 marks)**
- d. In relation to the auditor selecting a sample of invoice payments for performing tests of control:
- explain how Welland could use the random selection method and the systematic selection method in selecting invoices for testing
 - state **two** criteria which Welland could use to determine sample size.
- (6 marks)**
- e. State whether each of the following statements is **true** or **false**.

Statement 1: Welland could use audit software to extract a sample of invoices according to specified criteria. **(1 mark)**

Statement 2: If Welland did use audit software, HT would also need to install its own specialised software to perform audit procedures. **(1 mark)**

Total: 19 marks

Task 1.4

Dev reminds you that HT's potential new customer, Elrad Apparel Ltd (Elrad), has requested information about the environmental sustainability of HT's operations (**Advance Information – Review of operations: Sustainability and Appendix D**).

You are aware that HT has recently implemented new dyeing processes that require less water, in line with its commitments to environmental sustainability.

Dev asks you to review some of the figures in the sustainability information that he proposes supplying to Elrad.

Dev's request to you

'I have made some assumptions and simplifications to report the best figures possible to Elrad. I have assumed that HT's consumption of single-use plastic is zero, because it is not used in our production processes, only in our packaging and distribution. I have also assumed that only 10% of HT's waste that is collected by Osalv Ltd (Osalv) goes to landfill, because that is Osalv's stated target, so we can rely on that.

'I know that you have covered sustainability reporting in your studies. I would like you to review these figures for me, as they need to be approved by someone working in the finance function. But I do not want you to look too closely at my assumptions, because we really need Elrad's business and they just want some reassurance.

'I will tell Yin how helpful you have been and if we can get this contract with Elrad there could be a nice bonus in it for all of us.'

Requirements

- a. Using the information above, **Advance Information – Review of operations: Sustainability and Appendix D**:
 - explain **two** examples of good practice in HT's operations, in relation to environmental sustainability
 - explain **one** area where HT's business activity has a negative impact on the environment.
(6 marks)
- b. Identify and explain **three** fundamental ethical principles in the ICAEW Code of Ethics that are threatened by Dev's request to you. **(6 marks)**
- c. State **three** actions that you should take as a result of Dev's request. **(3 marks)**

Total: 15 marks

Task 2

This task consists of **three** parts worth a total of 40 marks.

Task 2.1

Yin asks you to help with some calculations relating to the potential new sales contract with Elrad (**Advance Information – Appendix D**). She gives you information about production of the preliminary batch of premium cotton fabric which took place in February, asking you to update the estimated cost card and to prepare some pricing calculations.

With regard to calculating the actual total absorption (full) cost of the preliminary batch:

- In addition to the raw materials cost originally estimated, HT had to pay an additional £600 for delivery, as that was not included in the supplier's quote.
- Labour hours and machine hours were 10% higher than originally estimated as staff were unfamiliar with processing the raw material.
- Labour rates and variable overhead rates were unchanged from the original budget.
- Staff were paid an additional bonus which cost a total of £2,000.
- Actual fixed costs attributable to production of the preliminary batch were £8,700.

The following information is relevant to establishing a revised cost card for future batches:

- The raw materials cost will be 5% lower than the original estimated cost and there will be no separate delivery cost, because HT has agreed a discount with its supplier for regular purchases.
- Labour hours and machine hours will be as the original forecast, as HT is confident that staff will gain familiarity with processing the material.
- Labour cost will increase from the original forecast to £9,600 per batch, following a recent staff pay rise.
- The variable overhead rate will not change.
- The fixed overhead absorption rate will increase from the original forecast to £55 per machine hour to reflect general cost increases.

Yin also tells you that HT remains unsure whether to use full cost or marginal cost in setting the selling price, as the contract with Elrad would be only a small part of HT's total business. She asks you to calculate two possible selling prices: one applying a markup of 25% on full cost and the other a markup of 50% on marginal cost.

Requirements

- a. Calculate the actual total absorption (full) cost of the preliminary batch of premium cotton fabric. Show clearly any under-absorption or over-absorption of fixed overheads. **(6 marks)**

- b. Prepare a revised cost card for a future batch for the Elrad contract, showing total marginal cost and total absorption (full) cost. **(4 marks)**
- c. Using your answer to requirement b, calculate the price that HT should charge Elrad for one batch of premium cotton fabric, using:
- full cost-plus pricing
 - marginal cost-plus pricing.
- (2 marks)**
- d. Explain **one** advantage and **one** disadvantage to HT of using marginal cost-plus pricing for the Elrad contract. **(4 marks)**
- e. Identify and explain **two** additional factors from the '4Cs' of pricing, other than cost, which HT should consider when setting the prices for the Elrad contract. **(4 marks)**

Total: 20 marks

Task 2.2

Christine Laurent, technology director, knows that you have recently studied contract law and asks you for some help in identifying HT's contractual obligations with two suppliers (**Advance Information – Review of operations: Contracts with suppliers**).

Poulon Ltd

On 25 February 2026 Dev contacted a sales manager at Poulon Ltd (Poulon) by email to enquire about renting a 3D printer. The same day, Poulon's sales manager sent an email to Dev with a quote of £3,000 per month for a 12 month rental contract. Dev said that he would agree to the contract if the rent was reduced to £2,500 per month. Poulon's sales manager replied saying 'OK'.

On 4 March 2026, Poulon contacted HT to request payment at the rate of £2,500 per month and arrange for delivery.

Christine would like to either reduce the price further or not proceed with the printer rental.

Fylp Ltd

Hannah Hewrick, CEO, and Christine had an online meeting with a consultant from Fylp Ltd (Fylp) on 10 February 2026. The consultant presented the range of cybersecurity services that Fylp could offer. No further contact has taken place between HT and Fylp since that meeting. Christine would prefer not to use Fylp and has identified an alternative supplier that HT has used previously.

Christine also asks for your suggestions in relation to another aspect of dealing with suppliers. She tells you:

'One of our suppliers is offering a 10% discount, if we pay their invoices in cryptocurrency (**Advance Information – Review of operations: Contracts with suppliers**). I admit I don't know much about cryptocurrency. I would like the discount, but are there any disadvantages to doing this?'

Requirements

- a. Prepare an email to Christine to explain HT's position in relation to the two suppliers Poulon and Fylyp:
- Explain, for each supplier, whether a valid contract exists with HT.
 - State what legal obligations HT has in relation to each supplier.
- (6 marks)**
- b. Identify and explain **two** possible risks for HT of paying a supplier in cryptocurrency. **(4 marks)**

Total: 10 marks

Task 2.3

Christine asks you for some help in preparing her proposal to the board of directors about using big data and data analytics (**Advance Information – Review of operations: Data analytics**). Christine says to you:

'Dev told me that HT already uses data analytics, but all he does is basic analysis like looking at the effect that past price increases or decreases had on customer orders.

'I would like more sophisticated software that would use big data to understand the likely effect on customer demand of setting prices at different levels.

'I am trying to persuade the other directors that HT should invest in data analytics capability. Could you prepare some notes for me that I can use when presenting my proposal to the board of directors about the benefits and risks of making more extensive use of big data and data analytics?

Requirements

- a. Identify each of the different types of data analytics:
- currently undertaken by Dev
 - proposed by Christine.
- (2 marks)**
- b. Explain **two** possible benefits and **two** possible risks to HT of increasing its use of big data and data analytics. **(8 marks)**

Total: 10 marks