



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 11 March 2025 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: [Role simulation exam | ICAEW](#).

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 2024 Role Simulation Workbook and the 2024 Certificate 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 your answer in the word processing area will be marked. You must copy over any data for marking from the spreadsheet area to the word processing area.

Onyx LLP

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This document reflects information available as at 14 January 2025.

Introduction: Onyx LLP

Onyx LLP (Onyx) is a UK professional services firm providing accounting, business advisory and assurance services. Onyx has one large office in Midchester and several smaller offices across the Midchester region, acquired as Onyx took over several smaller firms. Many employees work remotely for some or most of the time.

Industry background

Professional services constitute a major part of the UK's service economy and firms offer services such as accounts preparation, audit, assurance, tax compliance, tax planning and business advisory services. Firms are increasingly trying to add value for clients by focussing on business advice more than compliance services, and by moving into growth areas such as IT security and sustainability assurance. UK professional services firms undertake activities which are regulated by professional bodies such as ICAEW and the Financial Reporting Council (FRC).

Onyx organisational structure

Lee Thompson is the senior managing partner of Onyx and was one of the founding partners. There are 40 partners in total. Onyx offers its services to clients using three departments:

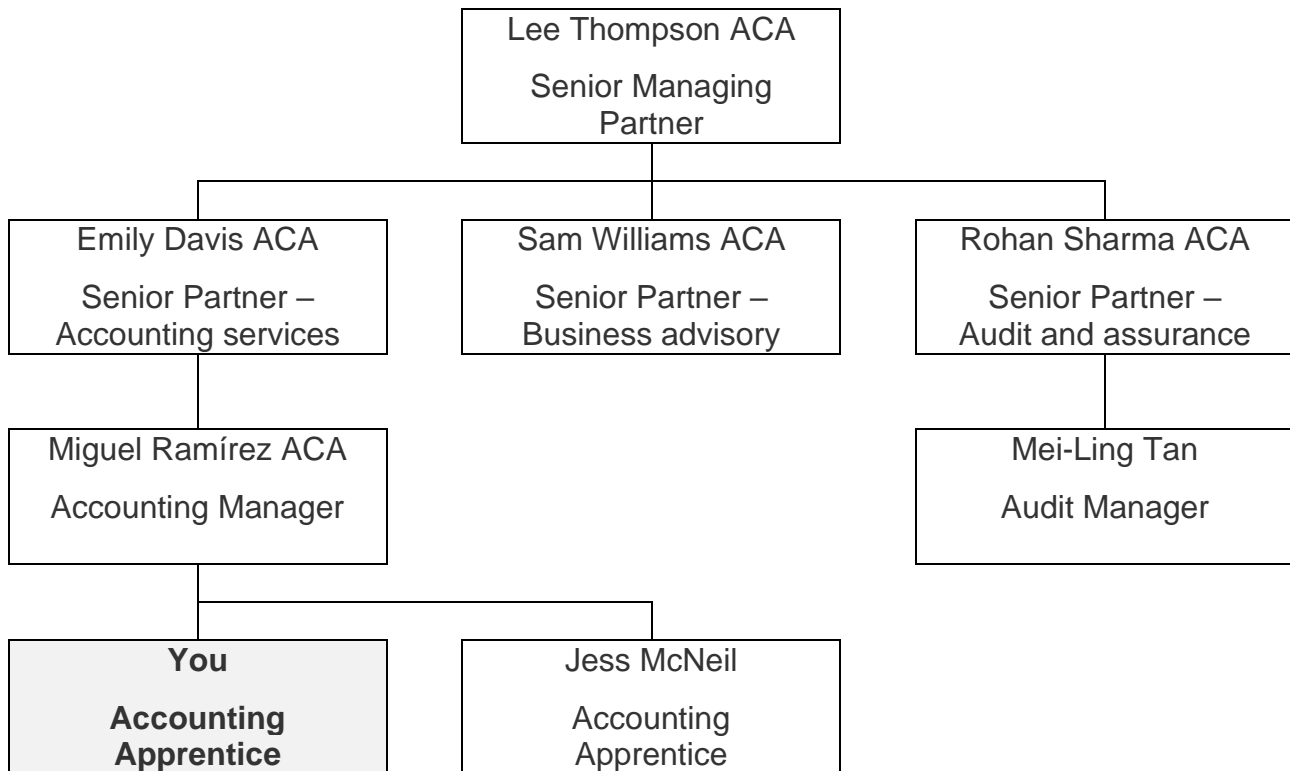
- Accounting services
- Business advisory
- Audit and assurance

Each department is led by a senior partner and has specialist managers and employees. There is considerable movement of employees around the firm via internal secondments and in response to short-term business needs. Employees thus gain experience in different areas.

You are a second-year accounting apprentice employed by Onyx and you are a student member of ICAEW. You are based in the accounting services department and your line manager is Miguel Ramírez, accounting manager. As part of your training, you also work in other areas of the business when required.

Jess McNeil has recently been recruited as an accounting apprentice in Onyx's accounting services department. She is also a student member of ICAEW. Miguel has asked you to support Jess in her studies and to explain some aspects of your work to her. Jess has been reviewing the accounts of some of Onyx's clients. She has asked how those accounts reflect the IFRS Conceptual Framework for Financial Reporting, and the qualitative characteristics of financial information, that she has been studying at college.

Extracts from organisational chart:



Onyx professional services

Accounting services

Onyx offers a range of accounting services from basic bookkeeping, accounts preparation and payroll management, to the sale and implementation of accounting systems and cloud accounting software. This department also provides tax compliance and strategic tax planning advice to individual and corporate clients.

Business advisory

This department offers services to businesses needing advice and support in areas such as strategic planning, executive recruitment, IT management and cyber security, and more recently, sustainability management.

Audit and assurance

The audit and assurance department performs assurance engagements, including statutory audits. Onyx has successfully increased the size of its audit and assurance department by attracting price-sensitive statutory audit clients away from larger competitors and the firm has been careful to accept only low-risk engagements.

Client information

Amethyst Ltd (Amethyst) is an agency which supplies the services of private tutors to GCSE and A level students in and around Midchester. Onyx provides accounting services to Amethyst.

You will be helping to prepare Amethyst's financial statements for the year ended 31 December 2024. Information about Amethyst is in **Appendix A**.

Bismut Ltd (Bismut) is a manufacturer and retailer of luxury confectionery. Onyx has previously provided business advisory services to Bismut and has recently successfully tendered for the statutory audit of Bismut's financial statements. Miguel has informed you that as part of your training you will be involved in planning and carrying out the audit of Bismut's financial statements for the year ended 30 June 2025. Information about Bismut is in **Appendix B**.

Cuprel Air Services Ltd (Cuprel) is a small airline operating commercial passenger flights. Onyx provides accounting, tax and business advisory services to Cuprel. Sam Williams, business advisory senior partner, has asked you to undertake some work for Cuprel. Sam has agreed to prepare a comprehensive corporate appraisal for Cuprel which will include an analysis intended to help Cuprel's directors develop appropriate business strategies. Cuprel's board has also asked Onyx for advice on sustainability impacts and dependencies and the duty of directors in relation to the environment and ESG reporting. Information about Cuprel is in **Appendix C**.

Opportunities and challenges for Onyx

Sustainability

Lee recognises that sustainability is increasingly important and believes that it could be a very profitable area for Onyx. Onyx has recently started to offer advice on sustainability management and sustainability assurance services. It prepares sustainability reports for an increasing number of clients.

Use of data visualisation

Onyx increasingly uses data visualisation techniques to present and explain financial and other information to clients in an accessible way, thus adding value to the advice which Onyx provides. The firm has invested in a specialist software package to facilitate data visualisation which will allow numerical information to be presented using different methods, including bar charts, pie charts and line charts. However, most of the staff employed by Onyx have not yet received any training on how to use the software.

Industry specialisms

Onyx has established a reputation for expertise in two industries which are important to the economy of the Midchester region: education and aviation.

Midchester is home to two universities and a cluster of education businesses such as language schools, tutor agencies and IT specialists. The large student body stimulates demand for housing and provides a boost to Midchester's leisure economy.

Midchester has an airport located just outside the city with facilities for commercial and private aircraft. The airport is growing faster than competing airports. It provides significant employment and creates demand for associated services such as catering and local transport.

The partners at Onyx are actively targeting companies in the education and aviation sectors as they believe that the firm is in a strong position to expand as a specialist advisor in these areas.

Appendix A – Amethyst Ltd

1. Company information

Amethyst is a private tutor agency based in Midchester which provides tutorial support for GCSE and A level students. The owner and sole director is Ariana Rezaei, who was previously a head teacher at a well-respected school in Midchester. Onyx provides accounting services to Amethyst, including preparing the company's annual accounts. Amethyst's reporting date is 31 December.

Amethyst has relationships with freelance tutors, all of whom are independent contractors, and supplies the services of these tutors to school students who live in or near Midchester. Some students require support with home schooling, and some have a small number of hours per week of tuition to supplement learning in school, most commonly to help them prepare for GCSE and A level exams. In most cases the services are arranged with the parent or guardian of the student and delivered at the student's home or online. Additionally, a small number of local schools engage Amethyst to support their students with extra tuition.

Amethyst's main source of revenue is the tuition fee charged to customers: the parent or guardian of the student or the school which the student attends. The fee is between £30 and £60 per hour, varying with the subject and the experience and qualifications of the tutor. Amethyst invoices customers either weekly or monthly. Amethyst recognises revenue as tuition is delivered.

Amethyst has low fixed costs as it does not require office premises. Ariana works from home and the company employs one administrative assistant, who also works from home. The main costs for Amethyst, and their presentation in the statement of profit or loss, are as follows:

Cost	Classified as:
The fee which Amethyst pays to the tutor, which is 80% of the amount invoiced by Amethyst to the customer	Cost of sales
Marketing and advertising expenses, for example for social media advertisements and search engine optimisation	Administrative expenses
Administrative costs, mainly the salary paid to Ariana's assistant	Administrative expenses

Amethyst does not pay Ariana a salary but makes regular payments of dividends. In 2024 this was £3,000 per month.

2. Financial statements for the year ended 31 December 2023

Amethyst Ltd: Statement of financial position as at 31 December 2023

£

ASSETS

Current assets

Trade receivables	28,885
Prepayments	950
Cash and cash equivalents	54,214

Total assets **84,049**

EQUITY AND LIABILITIES

Equity

Ordinary share capital (£1 shares)	1,000
Retained earnings	34,959
Total equity	35,959

Non-current liabilities

Long-term borrowings (Note 1)	40,000
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Current liabilities

Trade payables	5,724
Accruals	1,533
Income tax payable	833
	8,090

Total equity and liabilities **84,049**

Amethyst Ltd: Statement of profit or loss for the year ended 31 December 2023

£

Revenue	632,520
Cost of sales	(506,016)
Gross profit	126,504
Administrative expenses	(67,834)
Operating profit	58,670
Finance costs (Note 2)	(3,440)
Profit before tax	55,230
Income tax (Note 3)	(12,171)
Profit for the period	43,059

Notes

- (1) Ariana made a loan to Amethyst when she established the business in 2018. As at 1 January 2024 the amount outstanding was £40,000 and the interest rate on the loan is 8% pa.
- (2) Finance costs consist of:
 - Interest on the loan from Ariana (£3,200 pa)
 - Bank charges (£240 pa)
- (3) Onyx estimated the tax on profit for the year ended 31 December 2023 as £12,171. This was an underestimate and after the accounts were submitted, Amethyst agreed with HMRC that the actual amount payable was £12,766.

Transactions in the year ended 31 December 2024

On 1 October 2024 Amethyst purchased new computers for Ariana and her assistant, who had previously used their own computers to carry out their work for Amethyst. Amethyst has not previously made any capital expenditure and has no accounting policy for property, plant and equipment.

In respect of the loan from Ariana, Amethyst has not made an interest payment since 31 December 2023.

3. Working capital management

To maintain a positive cash balance, Amethyst relies on regular collection of amounts due from customers. The company does not have an overdraft facility.

During 2024, Ariana noticed that collecting payment from customers was becoming slower and more difficult. Ariana attributed this to the effect of the cost-of-living crisis on families. Amethyst has also seen a significant increase in administrative expenses, as it has increased spending on marketing in response to a slight reduction in sales volume compared with 2023.

Ariana and Miguel will meet next month to identify whether any receivables need to be written off and to discuss working capital management and cash management in general. Miguel has suggested that Onyx should produce regular cash budgets for Amethyst. He has produced a cash budget for January to March 2025, based on forecasts supplied by Ariana.

	January 2025 £	February 2025 £	March 2025 £
Forecast income and expenses			
Revenue (Note 1)	51,020	52,990	54,050
Cost of sales (Note 2)	(40,816)	(42,392)	(43,240)
Administrative expenses (Note 3)	(6,850)	(7,750)	(7,750)
Finance costs (Note 4)	(20)	(20)	(20)
Profit before taxation	3,334	2,828	3,040

Cash budget

Cash receipts:

Cash collected from customers (Note 1)	46,730	52,005	53,520
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Cash payments:

Payments to tutors (Note 2)	40,816	42,392	43,240
Administrative expenses paid (Note 3)	6,850	7,750	7,750
Finance costs paid (Note 4)	20	20	20
Dividends paid to Ariana	3,000	3,000	3,000
	<u>50,686</u>	<u>53,162</u>	<u>54,010</u>

Net surplus / (deficit)	<u>(3,956)</u>	<u>(1,157)</u>	<u>(490)</u>
Opening cash balance	<u>65,966</u>	<u>62,010</u>	<u>60,853</u>
Closing cash balance	<u>62,010</u>	<u>60,853</u>	<u>60,363</u>

Notes and assumptions:

- (1) Half of customers pay in the same month that tuition services are provided and half pay in the following month. Revenue in December 2024 was £42,440.
- (2) Tutors are paid in the same month that tuition services are provided.
- (3) Administrative expenses are paid in the same month that the expenses are incurred.
- (4) Finance costs include only the bank charges, which are paid monthly.

Appendix B – Bismut Ltd

1. Company information

Bismut is a manufacturer and retailer of luxury confectionery, with revenue of £68 million in the year ended 30 June 2024. Its CEO is David Symonds. Onyx has provided business advisory services to Bismut for several years, including cybersecurity advice and executive recruitment.

Bismut manufactures confectionery products in its own factories and then supplies the products to consumers using two channels:

- **Retailers:** Bismut sells to an established network of retailers, including luxury department stores, speciality chocolate shops and upmarket delicatessens.
- **Direct online sales:** Bismut sells directly to consumers via its own website. This channel has experienced significant growth in recent years, driven by increasing consumer demand for online purchasing and home delivery options.

Bismut has a mix of equity and debt finance in place although its financial gearing ratio is slightly lower than the average for the luxury food sector. The business is relatively stable and the directors have been careful not to expand too quickly. Most directors have several years' experience within the company and a good working knowledge of their respective areas of responsibility. Lena Bauer is the finance director and has been in post since 2021.

2. Audit

In 2024 Onyx successfully tendered for the statutory audit of Bismut's financial statements, after Bismut expressed dissatisfaction with the cost and quality of service offered by its previous auditor, Filton Terence LLP (Filton). Bismut's reporting date is 30 June.

As part of your training, you have been allocated to the audit team for Bismut. The audit partner is Rohan Sharma and the audit manager is Mei-Ling Tan. Mei-Ling has asked you to help her with some audit planning procedures, including assessing Bismut's control environment and preparing an analysis of audit risk and business risk. Onyx has not yet undertaken a detailed risk assessment of Bismut. Rohan thinks that Bismut is likely to be a low-risk client but has not yet carried out a review of the entity and its environment.

Rohan has highlighted two potential issues that Onyx needs to consider to ensure auditor objectivity and independence, in accordance with the ICAEW Code of Ethics and the FRC Ethical Standard.

- Bismut's directors are known to be generous in offering free sample products and giving factory seconds to business acquaintances, suppliers and customers. Mei-Ling told you informally that a friend of hers who worked for Filton described Bismut as a nice client with lots of free chocolate available at its offices.
- Bismut has asked Onyx to provide tax services, including preparing tax returns and providing tax planning advice. Rohan has asked Lena for details of the work that Bismut wants Onyx to undertake.

3. Control environment

Mei-Ling has made some initial notes on the control environment at Bismut:

All directors, managers and finance function staff receive training about internal controls, including what controls exist, what their objectives are and how they work in practice. All executive directors and managers are aware of their responsibilities relating to managing and working with internal controls.

Bismut has an internal audit function, whose objectives are to support directors and managers in achieving corporate objectives and to monitor the effectiveness of the system of internal control, including the control environment. The head of the internal audit function is an ICAEW Chartered Accountant. She reports to the chair of the board of directors, who is a non-executive director. Executive directors and managers are expected to respond to internal audit findings within their areas of responsibility and to implement any recommendations made.

Appendix C – Cuprel Air Services Ltd

1. Company information

Cuprel is a small airline operating commercial passenger flights. Onyx provides accounting, tax and business advisory services to Cuprel.

Cuprel is privately owned: 60% of the share capital is owned by the four founders and 40% is owned by a multinational logistics and engineering company. Cuprel's finance director is Chris Heaton, one of the four founders. Cuprel's head office is in an industrial park near to Midchester airport. It has operating bases, where aircraft and staff are located, at Midchester airport and at two other UK airports.

Cuprel has a fleet of 16 aircraft, operating commercial passenger flights between its UK operating bases and destinations in the UK and Europe. Around half of Cuprel's flights are on prime city routes such as Midchester to London, and around half are on predominantly leisure routes from the UK to Mediterranean holiday destinations.

Cuprel's earns revenue from:

- passenger ticket sales
- charges for additional products and services such as premium seating, extra luggage allowances and on-board food, drink and duty-free sales
- commission paid by third parties, such as car hire companies and airport lounge operators, when Cuprel refers passengers to the third party's website.

Cuprel has been particularly successful in growing revenue from additional products and services, as consumers are less price sensitive to extras than they are to flights. The directors believe that this revenue could be further increased by offering new services.

The most significant operating costs are aircraft depreciation and maintenance, fuel, staff and airport charges.

The directors are working on forecasting passenger numbers more accurately so they can allocate appropriately sized aircraft to particular routes and flights. They are interested in using data analytics to improve the quality of forecasts and therefore improve decision-making. This would allow Cuprel to allocate the optimal number of crew to each flight as well as ensuring efficient utilisation of aircraft. Currently, Cuprel only publishes its flight schedule six months in advance and often makes adjustments to times and aircraft allocations even after it is published.

Cuprel has ambitious expansion plans and has a target to grow passenger numbers by 30% by 2030. Significant capital investment will be needed in acquiring new aircraft and refurbishing older aircraft.

2. Sustainability

Environmental sustainability – impacts and dependencies

The airline industry generates significant greenhouse gas (GHG) emissions from its use of fossil fuels. The industry is therefore subject to increasing compliance costs and risks associated with

the government’s climate policies and regulations. Cuprel’s annual report includes an analysis of the relevant financial risks associated with GHG emissions and the possible effect of current and future regulations on Cuprel.

Aircraft fuel consumption is the largest contributor to total emissions from the industry and therefore fuel management is a critical part of reducing emissions. Management of fuel-related environmental impacts includes increasing fuel efficiency through fleet upgrades, aircraft refits (eg using lighter seats), and flight speed and route design optimisation, as well as using alternative and sustainable fuels. These initiatives require capital expenditure, but in the long term they may reduce fuel costs and decrease Cuprel’s exposure to GHG emissions restrictions and regulatory risk.

ESG metrics

Cuprel’s annual report currently incorporates the following quantitative metrics in its environmental sustainability reporting:

Area	Metrics
Environmental sustainability: Greenhouse Gas Emissions (GHG)	Total emissions
	Total fuel consumed
	Percentage of fuel consumed which is from sustainable sources

Chris Heaton has approached Sam Williams, senior partner – business advisory, to discuss his concerns about Cuprel’s sustainability reporting.

- Cuprel’s sustainability reporting does not clearly identify the effect of business decisions on impacts and dependencies and so it is unclear how the information is useful to different users of the annual report.
- Cuprel’s sustainability reporting currently focuses on environmental factors. Chris believes that it should be expanded to include social and governance factors.

3. New investment

Cuprel’s directors are assessing whether to invest in a new hybrid aircraft, with engines powered by a combination of hydrogen and batteries, advertised as a sustainable alternative to traditional aircraft. This investment would be consistent with Cuprel’s public commitment to sustainable aviation and its aspiration to net zero emissions. The hybrid aircraft is not yet in production and only a prototype has been shown by the manufacturer to demonstrate the technology.

Some of Cuprel’s directors doubt that the hybrid will offer a practical alternative to current aircraft. Firstly, it has a much lower operating speed than jet aircraft and so would be suitable only for short routes, which are around one quarter of Cuprel’s current route network. Secondly, passengers may be reluctant to travel on aircraft that rely on new, experimental technology.

Cuprel’s board has asked Onyx for advice on how to discharge the duty of directors to consider the environment and the impacts of business activities on the environment when making decisions.