

ACCA Accounting Technician
Apprenticeship
(Level 4)

Technician Role Simulation (TRS)

Thursday 5 December 2024

Pre-seen Material

You must familiarise yourself with this pre-seen material before you attempt the Technician Role Simulation examination.

You are NOT permitted to bring a copy of this pre-seen material into the examination hall.

The pre-seen material will be provided again on the day of the examination as part of the Technician Role Simulation examination.

TRS

Think Ahead

ACCA

The Association of
Chartered Certified
Accountants

Section 1 – Technician Role Simulation pre-seen material

You recently began work as an apprentice accountant in the finance department at Dug's Dinner Ltd ('Dug'), a subscription-only vegetarian dog food producer and retailer. You received the following information about the company as part of your induction.

Dug was established ten years ago by Dr Ali Siegert, a veterinary scientist and life-long vegetarian who wanted to introduce some vegetarian meal options for her puppy. Ali developed an algorithm which identifies the nutritional needs of an individual dog and determines the ideal composition of a vegetarian food for that dog.

The company had experienced steady revenue and profit growth in each year since its incorporation up to the year ended 31 December 20X4, and at that date was the UK's largest vegetarian subscription dog food provider. The company operates under a functional management structure, with Ali being the managing director and actively participating in all strategic decisions. The company has three other directors responsible for production, sales and marketing, and finance respectively. Ali is keen to ensure the company stays ahead of market trends and wishes to explore new directions. Her veterinary knowledge and the fact she developed the algorithm herself means the company is well placed to respond to changes in the market and consumer preferences. The company has successfully launched a number of new ranges, such as grain-free and organic ranges, since it was formed.

There has been a significant increase in the number of vegetarian and vegan dog food options being offered by Dug's competitors in the last few years, which has led to the market becoming saturated. Demand for Dug's products fell in 20X5. The company has increased the price of its products by 15% in each of the last two years, making it the most expensive on the market, which has allowed it to maintain a consistent level of revenue, but its profit has fallen. Ali believes the company has entered into the recession phase of its business cycle but is not concerned about the long-term viability of the company as she has identified the key areas for development and hopes you can contribute to improving the company's position over the coming years.

Dug is an online-only direct-to-customer retailer. Customers complete a form on the company's website, providing information regarding their dogs' breed, age, activity level and weight. The algorithm uses the information to formulate a nutritionally balanced meal plan comprising wet food, dry food and treats for each individual dog. Customers then subscribe to receiving a combination of food and treats from the meal plan, which is delivered direct to customers on a monthly basis. The subscription offering is becoming less popular as customers are finding it increasingly difficult to commit to the cost on a monthly basis.

Dug uses an absorption costing system and the finance department maintains a standard cost card for its products. The standard costs have not been regularly updated. The price of the products is determined by applying a mark up to the standard costs. Due to rising prices, the finance department has recommended that costs should be determined more frequently and is keen to consider what other types of performance standard could be applied. Ali wants to ensure that the price for the company's product range is set at a level which customers are prepared to pay and that the products are priced appropriately in relation to competitor offerings.

Dug uses organic vegetables, rice and wholegrains which are guaranteed not to be genetically modified, and cheese and eggs from local farms. All products are sourced from the UK market due to the difficulties in importing fresh produce into the UK and because Ali is keen to support UK businesses. Market data analysis has identified that the increasing 'humanisation' of pet food, whereby pet owners look for pet food to have the same attributes as human food, is a continuing trend. This has led to an increasing demand for dog food to contain products which appear palatable to humans and means that labelling products as free range or organic is an important factor in attracting and retaining customers.

There are two key areas which Ali is keen to investigate further:

- Improvements in sustainability.
- Response to the increasing cost of living.

Ali is sensitive to the impact of any changes on Dug's existing customers and the company's reputation, and she will carefully consider this before making any significant changes.

Improvements in sustainability

Data analysis shows pet owners are increasingly concerned about the carbon footprint of owning a pet. Contributing factors include the ingredients and packaging of the pet food and the delivery miles involved in sourcing products and delivering to end customers.

Dug is working towards net zero status within the next ten years. Vegetarian dog food has a lower carbon footprint than more traditional animal-based foods, however, the company is committed to reducing its carbon footprint further by removing cheese and eggs from its product range. Ali is investigating how best to replace the protein found in cheese and eggs to ensure that the nutritional balance is maintained. She is also keen to understand the impact of any change on the production process, the company's market share and the price of its products. Ali has provided you with the following article she recently read on a popular news website.

News4U article dated 31 January 20X6

Sustainability conscious dog owners are choosing meals which include 'lab-grown protein' in response to the high carbon emissions produced by more traditional diets. 'Lab-grown protein' is protein grown synthetically in a laboratory for human or animal consumption. It is an important development in food security and creating a sustainable food future.

One of the benefits of lab-grown protein is that vitamins and other nutrients can be added to ensure it has a high nutritional quality.

Market experts estimate that the market for lab-grown protein will increase significantly in the next 10 years as it is approved for consumption by major markets.

Ali is aware that lab-grown protein would be a significant change in direction for the company as it may no longer be considered a vegetarian supplier. She has not yet considered any other implications of such a change and hopes you can help with preparing analysis to help with this. She is also aware that suppliers of lab-grown protein are scarce and that it may be necessary to invest in another company rather than entering into a supply contract. Analysis of the lab-grown protein industry is needed in order to make such a decision and Dug would require additional financing to proceed with such an investment.

The company has publicly stated that the amount of packaging it uses will be cut by 25% by 20X7 to reduce the carbon emissions generated from the manufacture and distribution of the packaging, however, it is proving difficult to source a suitable supplier at a reasonable cost. One of the directors has suggested that the company could demonstrate its environmental credentials by purchasing carbon credits, which would allow it to generate an agreed level of CO₂ emissions. The director believes that purchasing the carbon credits, rather than reducing the amount of packaging used, would be sufficient to post to its social media accounts that it had succeeded in reducing its emissions from packaging. The director has suggested that you prepare the wording to be used in the social media post.

Increasing cost of living

Dug and other subscription pet food providers survey any customers who stop their subscriptions to establish the primary reason for doing so. In the years 20X3 to 20X5, the market research revealed the primary reason was the cost of the products being too high or no longer affordable to customers.

Ali is considering whether to launch a dry food retail range which would be available as an 'off-the-shelf' option sold through selected pet stores. The company would establish a marketing strategy for the off-the-shelf range and determine an appropriate price point based on that strategy. Entering the off-the-shelf market would be a significant change in approach and would require expenditure to expand the processing facility and to acquire robotic equipment to automate part of the production and packaging process. Ali believes it is vital that such an important decision is adequately controlled and appraised and has asked for the help of the finance department in ensuring this is the case. Some employees have heard about this potential automation, and this has resulted in low morale, which is concerning to Ali and the other directors.

You are employed in the finance department, reporting directly to Asif Waseen, the company's financial accountant. You have access to Dug's cloud accounting software where you can view the draft trial balance at 31 December 20X5 and the key accounting policy information. Asif has also stated that you should be familiar with the ACCA *Code of Ethics and Conduct* before you undertake any more work.

Appendix 1 – Draft trial balance for Dug as at 31 December 20X5

	Dr £	Cr £
Land and buildings – cost (land: £100,000)	275,000	
Land and buildings – accumulated depreciation at 31 December 20X5		70,000
Plant and equipment – cost	201,745	
Plant and equipment – accumulated depreciation at 31 December 20X4		60,350
Patent – cost	15,000	
Patent – accumulated amortisation at 31 December 20X5		5,000
Capitalised development expenditure – cost	72,160	
Capitalised development expenditure – accumulated amortisation at 31 December 20X4		28,865
Inventories at 31 December 20X4	42,810	
Cash at bank	39,890	
Trade receivables	1,800	
Prepayments	16,400	
Ordinary share capital		100,000
Retained earnings at 31 December 20X4		96,040
Bank loan		150,000
Trade payables		72,380
Accruals		10,775
VAT payable		11,200
Current tax payable		26,800
Revenue		815,325
Purchases	397,455	
Distribution costs	110,175	
Administrative expenses	242,050	
Finance cost	5,450	
Tax expense	26,800	
	1,446,735	1,446,735

Accounting policy – depreciation and amortisation

Dug applies the following accounting policies:

- Buildings are depreciated over their estimated useful life of 25 years and nil residual value is assumed.
- Plant and equipment is depreciated over its estimated useful life of ten years and nil residual value is assumed.
- The patent is amortised over its useful life of five years. The patent does not have any residual value.
- Capitalised development expenditure is amortised over its estimated useful life of ten years and nil residual value is assumed.

All depreciation and amortisation is calculated pro-rata using the straight-line method with a full month charged in the month of purchase and none in the month of disposal. All depreciation is presented in administrative expenses and all amortisation is presented in cost of sales

PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK

Section 100	Complying with the Code	6
Section 110	The Fundamental Principles	9
	Subsection 111 – Integrity	10
	Subsection 112 – Objectivity	11
	Subsection 113 – Professional Competence and Due Care	11
	Subsection 114 – Confidentiality	12
	Subsection 115 – Professional Behavior	14

Part 1 – Complying with the Code, Fundamental Principles and Conceptual Framework

PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK

SECTION 100: COMPLYING WITH THE CODE

Introduction

- 100.1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.
- 100.2 Confidence in the accountancy profession is a reason why businesses, governments and other organizations involve professional accountants in a broad range of areas, including financial and corporate reporting, assurance and other professional activities. Accountants understand and acknowledge that such confidence is based on the skills and values that accountants bring to the professional activities they undertake, including:
- (a) Adherence to ethical principles and professional standards;
 - (b) Use of business acumen;
 - (c) Application of expertise on technical and other matters; and
 - (d) Exercise of professional judgment.
- The application of these skills and values enables accountants to provide advice or other output that meets the purpose for which it was provided, and which can be relied on by the user of such output.
- 100.3 The Code sets out high quality standards of ethical behavior expected of professional accountants, for adoption by professional accountancy organizations which are members of the International Federation of Accountants (IFAC), or for use by such members as a basis for their codes of ethics. The Code may also be used or adopted by those responsible for setting ethics standards for professional accountants in particular sectors or jurisdictions and by firms in developing their ethics and independence policies.
- 100.4 The Code establishes five fundamental principles to be complied with by all professional accountants. It also includes a conceptual framework that sets out the approach to be taken to identify, evaluate and address threats to compliance with those fundamental principles and, for audits and other assurance engagements, threats to independence. The Code also applies the fundamental principles and the conceptual framework to a range of facts and circumstances that accountants might encounter, whether in business or in public practice.

Requirements and Application Material

- 100.5 A1 The requirements in the Code, designated with the letter “R,” impose obligations.
- 100.5 A2 Application material, designated with the letter “A,” provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance relevant to a proper understanding of the Code. In particular, the application material is intended to help a professional accountant to understand how to apply the conceptual framework to a particular set of circumstances and to understand and comply with a specific requirement. While such application material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of the Code, including application of the conceptual framework.
- R100.6** A professional accountant shall comply with the Code.
- 100.6 A1 Upholding the fundamental principles and compliance with the specific requirements of the Code enable professional accountants to meet their responsibility to act in the public interest.
- 100.6 A2 Complying with the Code includes giving appropriate regard to the aim and intent of the specific requirements.
- 100.6 A3 Compliance with the requirements of the Code does not mean that professional accountants will have always met their responsibility to act in the public interest. There might be unusual or exceptional circumstances in which an accountant believes that complying with a requirement or requirements of the Code might not be in the public interest or would lead to a disproportionate outcome. In those circumstances, the accountant is encouraged to consult with an appropriate body such as a professional or regulatory body.
- 100.6 A4 In acting in the public interest, a professional accountant considers not only the preferences or requirements of an individual client or employing organization, but also the interests of other stakeholders when performing professional activities.
- R100.7** If there are circumstances where laws or regulations preclude a professional accountant from complying with certain parts of the Code, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.
- 100.7 A1 The principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Some jurisdictions might have provisions that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.

Breaches of the Code

R100.8 Paragraphs R400.80 to R400.89 and R900.50 to R900.55 address a breach of *International Independence Standards*. A professional accountant who identifies a breach of any other provision of the Code shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles. The accountant shall also:

- (a) Take whatever actions might be available, as soon as possible, to address the consequences of the breach satisfactorily; and
- (b) Determine whether to report the breach to the relevant parties.

100.8 A1 Relevant parties to whom such a breach might be reported include those who might have been affected by it, ACCA or another professional or regulatory body or an oversight authority.

SECTION 110: THE FUNDAMENTAL PRINCIPLES

General

- 110.1 A1 There are five fundamental principles of ethics for professional accountants:
- (a) Integrity – to be straightforward and honest in all professional and business relationships.
 - (b) Objectivity – to exercise professional or business judgment without being compromised by:
 - (i) Bias;
 - (ii) Conflict of interest; or
 - (iii) Undue influence of, or undue reliance on, individuals, organizations, technology or other factors.
 - (c) Professional Competence and Due Care – to:
 - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - (ii) Act diligently and in accordance with applicable technical and professional standards.
 - (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.
 - (e) Professional Behavior – to:
 - (i) Comply with relevant laws and regulations;
 - (ii) Behave in a manner consistent with the profession’s responsibility to act in the public interest in all professional activities and business relationships; and
 - (iii) Avoid any conduct that the professional accountant knows or should know might discredit the profession.
- R110.2** A professional accountant shall comply with each of the fundamental principles.
- 110.2 A1 The fundamental principles of ethics establish the standard of behavior expected of a professional accountant. The conceptual framework establishes the approach which an accountant is required to apply in complying with those fundamental principles. Subsections 111 to 115 set out requirements and application material related to each of the fundamental principles.

110.2 A2 A professional accountant might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles. In such a situation, the accountant might consider consulting, on an anonymous basis if necessary, with:

- Others within the firm or employing organization.
- Those charged with governance.
- ACCA or another professional body.
- A regulatory body.
- Legal counsel.

However, such consultation does not relieve the accountant from the responsibility to exercise professional judgment to resolve the conflict or, if necessary, and unless prohibited by law or regulation, disassociate from the matter creating the conflict.

110.2 A3 The professional accountant is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions.

SUBSECTION 111 – INTEGRITY

R111.1 A professional accountant shall comply with the principle of integrity, which requires an accountant to be straightforward and honest in all professional and business relationships.

111.1 A1 Integrity involves fair dealing, truthfulness and having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organizational consequences.

111.1 A2 Acting appropriately involves:

- (a) Standing one's ground when confronted by dilemmas and difficult situations; or
- (b) Challenging others as and when circumstances warrant, in a manner appropriate to the circumstances.

R111.2 A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information provided recklessly; or
- (c) Omits or obscures required information where such omission or obscurity would be misleading.

- 111.2 A1 If a professional accountant provides a modified report in respect of such a report, return, communication or other information, the accountant is not in breach of paragraph R111.2.
- R111.3** When a professional accountant becomes aware of having been associated with information described in paragraph R111.2, the accountant shall take steps to be disassociated from that information.

SUBSECTION 112 – OBJECTIVITY

- R112.1** A professional accountant shall comply with the principle of objectivity, which requires an accountant to exercise professional or business judgment without being compromised by:
- (a) Bias;
 - (b) Conflict of interest; or
 - (c) Undue influence of, or undue reliance on, individuals, organizations, technology and other factors.
- R112.2** A professional accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.

SUBSECTION 113 – PROFESSIONAL COMPETENCE AND DUE CARE

- R113.1** A professional accountant shall comply with the principle of professional competence and due care, which requires an accountant to:
- (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - (b) Act diligently and in accordance with applicable technical and professional standards.
- 113.1 A1 Serving clients and employing organizations with professional competence requires the exercise of sound judgment in applying professional knowledge and skill when undertaking professional activities.
- 113.1 A2 Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional, business and technology-related developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.

- 113.1 A3 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.
- R113.2** In complying with the principle of professional competence and due care, a professional accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.
- R113.3** Where appropriate, a professional accountant shall make clients, the employing organization, or other users of the accountant's professional services or activities, aware of the limitations inherent in the services or activities.

SUBSECTION 114 – CONFIDENTIALITY

- R114.1** A professional accountant shall comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired as a result of professional and business relationships. An accountant shall:
- (a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member;
 - (b) Maintain confidentiality of information within the firm or employing organization;
 - (c) Maintain confidentiality of information disclosed by a prospective client or employing organization;
 - (d) Not disclose confidential information acquired as a result of professional and business relationships outside the firm or employing organization without proper and specific authority, unless there is a legal or professional duty or right to disclose;
 - (e) Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party;
 - (f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after that relationship has ended; and
 - (g) Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance are obtained, respect the accountant's duty of confidentiality.
- 114.1 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the professional accountant's client or employing

organization to the accountant in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances where professional accountants are or might be required to disclose confidential information or when such disclosure might be appropriate:

- (a) Disclosure is required by law, for example:
 - (i) Production of documents or other provision of evidence in the course of legal proceedings; or
 - (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light;
- (b) Disclosure is permitted by law and is authorized by the client or the employing organization; and
- (c) There is a professional duty or right to disclose, when not prohibited by law:
 - (i) To comply with the quality review of ACCA or another professional body;
 - (ii) To respond to an inquiry or investigation by ACCA or another professional or regulatory body;
 - (iii) To protect the professional interests of a professional accountant in legal proceedings; or
 - (iv) To comply with technical and professional standards, including ethics requirements.

114.1 A2

In deciding whether to disclose confidential information, factors to consider, depending on the circumstances, include:

- Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the client or employing organization consents to the disclosure of information by the professional accountant.
- Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose include:
 - Unsubstantiated facts.
 - Incomplete information.
 - Unsubstantiated conclusions.
- The proposed type of communication, and to whom it is addressed.
- Whether the parties to whom the communication is addressed are appropriate recipients.

- R114.2** A professional accountant shall continue to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organization. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result of a professional or business relationship.

SUBSECTION 115 – PROFESSIONAL BEHAVIOR

- R115.1** A professional accountant shall comply with the principle of professional behavior, which requires an accountant to:
- (a) Comply with relevant laws and regulations;
 - (b) Behave in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships; and
 - (c) Avoid any conduct that the accountant knows or should know might discredit the profession.

A professional accountant shall not knowingly engage in any business, occupation or activity that impairs or might impair the integrity, objectivity or good reputation of the profession, and as a result would be incompatible with the fundamental principles.

- 115.1 A1 Conduct that might discredit the profession includes conduct that a reasonable and informed third party would be likely to conclude adversely affects the good reputation of the profession.

- R115.2** When undertaking marketing or promotional activities, a professional accountant shall not bring the profession into disrepute. A professional accountant shall be honest and truthful and shall not make:
- (a) Exaggerated claims for the services offered by, or the qualifications or experience of, the accountant; or
 - (b) Disparaging references or unsubstantiated comparisons to the work of others.

- 115.2 A1 If a professional accountant is in doubt about whether a form of advertising or marketing is appropriate, the accountant is encouraged to consult with ACCA.

- 115.3 *A professional accountant shall behave with courtesy and consideration towards all with whom the professional accountant comes into contact in a professional capacity.*