



Think Ahead

# Technician Role Simulator (TRS) June 2024 Examiner's report

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for those sitting the exam in the future.

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## General Comments

This examiner's report should be used in conjunction with the published TRS June 2024 exam which is available on the ACCA website as part of the [TRS past exam library](#).

This report provides constructive guidance on how to answer the questions and shares observations from the marking process, highlighting the strengths and weaknesses of candidates who attempted the June 2024 exam. Future candidates can use this examiner's report as part of their exam preparation. It is recommended that future candidates attempt the [specimen](#) and [past exams](#) available on the ACCA website, and self-review their attempt using the published solution alongside this report.

The TRS exam is offered as a computer-based exam (CBE). Pre-seen information is released six weeks before the exam date and it is important that candidates familiarise themselves with the information contained in the pre-seen information and use it to identify any areas that could be asked in detail in the exam. Candidates are **not** required to research the industry or sector described in the pre-seen information, although the context is important when addressing the requirement.

The TRS exam will always contain three compulsory questions:

- Q1 will always include a financial statements preparation requirement(s).
- Q2 will always include ratios, although they may also feature in other questions.
- Q3 will always require investment appraisal.

These are core areas of the exam and you would be advised to develop your exam technique in these areas.

Ethics will also always be included in the exam and will be worth approximately 10 marks. Other common areas include:

- Technology, including big data
- Internal controls
- Impact on stakeholders, including environmental and sustainability considerations
- Costing/budgeting
- Cash management, including cash forecasts
- Legal and/or regulatory issues

Candidates typically perform very well in ethics and investment appraisal questions. The financial statements preparation question is often more challenging, with candidates frequently not showing their workings and therefore limiting the number of marks they gain. The examiner strongly recommends that candidates clearly label and set out all workings.

It is very difficult to pass the exam if any requirements are not answered or are lacking sufficient detail and therefore candidates must manage their time effectively. There are two marks available for each well explained relevant point in narrative

questions and candidates should use this as a guide when answering such questions.

Candidates are advised to provide answers that are relevant to the pre-seen information and to the exhibits provided in the exam. Candidates will be awarded credit for relevant points that are not in the suggested solution.

## **Specific Comments**

### **Pre-seen scenario**

Candidates were provided with a pre-seen scenario relating to Risso Ltd, a small company which sells plastic-free health and beauty products from its website. Risso Ltd has grown quickly, which has resulted in a lack of controls, forecasts and budgeting being prepared. The directors wish to grow the business but are concerned about the impact on the company's cash flows.

### **Question One**

Question one contained two parts. Part (a) was focused on controls around Risso Ltd's banking system. Candidates were asked to explain hacking and a risk associated with being hacked. Candidates were then asked to explain why a bank reconciliation is an important control and to give one additional control over banking. Finally, candidates were asked to prepare a bank reconciliation. The bank reconciliation was prepared in the spreadsheet software and a proforma was provided for candidates to complete.

Part (b) required candidates to prepare financial statement extracts relating to revenue, cost of sales, gross profit and administrative expenses (which are statement of profit or loss accounts) and property, plant and equipment, revaluation surplus and current liabilities (which are statement of financial position accounts). There were 17 marks available for preparing the financial statements extracts, of which eight marks related to the statement of profit or loss and nine marks were for extracts from the statement of financial position.

Candidates were required to account for:

- the purchase of land on credit
- the revaluation of land and buildings
- disposal of equipment
- cost vs net realisable value (NRV) of inventories
- accruals
- taxation.

Candidates found the revaluation of land and buildings difficult to account for, perhaps because there were several elements to be considered, including the purchase of land and depreciation. When working with land and buildings, it is normally best to separate the information into a land element, which is not depreciated, and a buildings element, which is depreciated. The following is an example of a clear approach to workings within the spreadsheet software:

C46		=C44/40	
	A	B	
39	Tax payable		
40			
41	<b>Workings</b>		
42	W1 - Revaluation		
43		Land	Buildings
44	Opening per TB	100,000	78,000
45	Purchase	25,000	
46	Depreciation		1,950
47	Acc dep per TB		8,900
48	Carrying amount	125,000	67,150
49	Valuation	140,000	110,000
50	Gain	15,000	42,850
51			

Basic spreadsheet formulae can be used for workings. Markers can see the formulae you use.

Short labels are provided for the workings and all numbers

The total is shown in bold to make it clear that this is the final answer.

Candidates need to prepare workings to show how they have accounted for adjustments.

Requirement 1(b)(ii) asked candidates to use the financial statement extracts to calculate the gross profit margin, which is calculated as gross profit/ revenue × 100 and then in 1(b)(iii) candidates were asked to explain, using information in the pre-*seen*, why *Risso Ltd's* gross profit is different to industry average. Marks were awarded for any reasonable points relating to the scenario, including *Risso Ltd* paying its staff more due to being a living wage employer, *Risso* paying more to source ethical products or *Risso* having to offer goods at a discount due to previously unsuccessful product launches.

In requirement 1(b)(iv), candidates were faced with an ethical dilemma and were expected to explain its relevance in terms of the fundamental principles from the Code of Ethics. Candidates generally perform well in ethics questions, providing a short explanation of the principle before linking it to the scenario. Professional competence and due care was one of the weaker areas. Candidates should realise that they do not yet have the competence to make significant judgements and should have identified this as an ethical threat.

## Question Two

Question two was in three parts. Part (a)(i) required candidates to explain an advantage and disadvantage of introducing performance related pay which was generally well done. Part (a)(ii) asked candidates to explain any accounting difference between the directors paying themselves a salary and drawing a dividend. Candidates were generally able to say that salary is an expense which will reduce profit for the year, but many also answered that a dividend was an expense. Dividends are deducted from retained earnings and therefore do not impact the profit for the year.

Part (b) asked candidates to prepare an email. Two professional marks were available for the format and tone of the email. To gain those marks, candidates should appropriately head and introduce their email, for example:

Email  
 To: Ashley and Charlie  
 From: Apprentice accountant  
 Re: Big data and marketing

Please find below the information requested in respect of veracity, big data and promotion.

Candidates should have included in their email: an explanation of what is meant by the veracity of big data, with reference to reliability, accuracy and trustworthiness, and their explanation should have made it clear that big data and data analytics are different to one another. Many candidates found it difficult to make this distinction. Candidates were expected to explain that big data itself is not useful to business until it has been analysed.

Candidates were also required to identify and explain one way in which Risso Ltd was using the promotion variable of the marketing mix. Candidates were expected to use the scenario to identify that live streams and social media were well used by the company.

Part (c)(i) asked candidates to prepare a cash budget for three months and to identify whether, and if so when, loan funding may be required.

The cash budget should have been prepared using the proforma available in the spreadsheet. Candidates could use formula available within the software to calculate the closing cash balance at the end of each month, for example:

B79		=B78+B72-B73-B74-B75-B76			
	A	B	C	D	
69					
70	<b>2(c)(i) Cash budget</b>				
71		<b>January (£)</b>	<b>February (£)</b>	<b>March (£)</b>	
72	Sales - 90% (current month)	25,410	24,560	30,040	
73	Purchases	10,030	9,800	12,510	
74	Wages and overheads	18,480	9,380	11,070	
75	Asset expenditure	0	16,000	16,000	
76	Bonus and director payments	3,000	3,000	5,000	
77					
78	Opening cash	30,000	23,900	10,280	
79	Closing cash	23,900	10,280	-4,260	
80					

There were two marks available for stating that Risso Ltd would need a loan (one mark) and that it would be needed in March (one mark). These are relatively easy

marks and are a good example of why candidates should ensure they address all requirements.

Part (c)(ii) asked candidates to show the interest cover and gearing ratios and to explain why the bank might be interested in these. Candidates were expected to explain that interest cover gives the bank information about the entity's ability to meet its interest obligations and gearing gives information about the risk of the entity.

### Question Three

Question three contained two parts. Requirement 3(a)(i) asked candidates to explain why stakeholders are likely to be interested in the environmental impact of a proposed change to the business. Most candidates were able to link stakeholders to Risso Ltd's ethos and to say that the change would have a negative impact on those stakeholders. Requirement 3(a)(ii) asked candidates to identify one opportunity and one threat from entering into a new market, with credit given for sensible commercial points that were relevant to the scenario.

Part (b) of the question was focused on investment appraisal which is an important feature of all exams. Requirement 3(b)(i) required candidates to recalculate cash flows, calculate the internal rate of return (IRR) and state whether the investment was acceptable. Candidates should use the pre-formatted spreadsheet when answering this question. It is important to ensure adjustments are correctly entered as positive or negative amounts. The SUM function available in the spreadsheet software could be used to calculate the net cash flows:

G97		=SUM(B97:F97)						
	A	B	C	D	E	F	G	H
93	Question 3(b)(i)							
94	Cashflows and IRR							
95	Year	Initial outlay £000	Fixed costs £000	Variable costs £000	Sales Receipts £000	Residual value £000	Net cashflow £000	DF@ 10%
96	Y0	-85					-85	1.000
97	Y1		-40	-248	320		32	0.909
98	Y2		-50	-273	320		-3	0.826
99	Y3		-40	-300	420	5	85	0.751
100							29	
101								

One mark was available for clearly stating whether the investment would be acceptable based on the IRR calculated.

Requirement 3(b)(ii) asked candidates to discuss three non-financial factors relevant in deciding whether to invest. Candidates were asked to focus on the following areas:

- Initial investment – candidates should consider which required the greater outlay and link that to the scenario by identifying that the cash was not available.
- Environmental – candidates were expected to use the scenario to identify that one option was more in keeping with the company's strong environmental ethos.

- Equipment downtime – candidates were expected to discuss the reliability of the equipment based on information in the scenario.

Requirement 3(b)(iii) tested candidates understanding of law and regulations, specifically relating to health and safety. Candidates were expected to reflect on the impact on employees (e.g. motivation, the right to feel safe at work, potential time away from work due to injuries) and on the company (reputational damage, risk of fines, investigations).

Requirement 3(b)(iv) asked candidates to explain the impact of a request to sign a document falsely confirming that health and safety advice was followed. Most candidates were able to link this to professional behaviour and give reasonable actions.