

Technician Role Simulation (TRS) June 2023 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 2023 exam which is available on the [ACCA Practice Platform](#).

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 2023 exam. Future candidates can use this examiner's report as part of their exam preparation, attempting question practice on the [ACCA Practice Platform](#), reviewing the published answers 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. It is not expected that candidates will be required to research the industry or sector described in the pre-seen, although the context is important when addressing the requirement.

The TRS exam will always contain three compulsory questions:

- Q1 will always include an accounts preparation requirement(s).
- Q2 will always include ratio calculations and analysis.
- 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
- Costing/budgeting
- Cash management
- Legal and/or regulatory issues

Candidates typically perform very well in ethics and investment appraisal questions. The accounts preparation questions are often more challenging. 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 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

Question One

Requirement 1a (22 marks)

Referring to the pre-seen information and the financial statements information provided in Exhibit 4:

(a)(i) Identify and explain ONE advantage and ONE disadvantage of a cloud accounting system. (4 marks)

(a)(ii) Prepare the statement of profit or loss for Peach Ltd for the year ended 31 December 20X5. (14 marks)

Note: You should use the pre-formatted statement of profit or loss section of the spreadsheet response option.

(a)(iii) Prepare extracts from the following sections of the statement of financial position of Peach Ltd as at 31 December 20X5: (4 marks)

- Current assets
- Equity

Note: You should use the pre-formatted statement of financial position extracts section of the spreadsheet response option.

Question 1 was split into two parts. Part (a) began with a short narrative question regarding the advantages and disadvantages of cloud accounting software which most candidates answered well. There were then 18 marks available for accounts preparation, of which 14 marks were for the preparation of a statement of profit or loss and a further 4 marks were for extracts from the statement of financial position. Candidates were required to work through the financial statement information in Exhibit 4 and identify the adjustments that were required. Candidates are advised to show clear workings and to ensure the totals from their workings are transferred to the financial statements.

Candidates found the part exchange of plant difficult to account for, often forgetting that the old plant must be depreciated to the date of disposal and that the new plant has to be depreciated pro-rata after the date of purchase. Any gain or loss on part exchange, a gain in this case, is included in the statement of profit or loss. There are a number of workings involved in calculating the gain on part exchange and candidates must ensure they set their workings out clearly. The following is an example of a clear working.

| | A | B | C | D |
|-----|------------------------|---|------------|---|
| 101 | | | | |
| 102 | | | | |
| 103 | | | 28,000 | |
| 104 | Cost | | 28,000 | |
| | Acc dep (2.25 yrs) | | 6,300 | |
| 105 | Carrying amount | | 21,700 | |
| 106 | Part exc value (42-20) | | 22,000 | |
| 107 | Gain | | 300 | |

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

All figures are labelled so the marker can see what they are.

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

Other adjustments required candidates to:

- Depreciate motor vehicles using the reducing balance method
- Correctly account for research and development expenditure
- Calculate and correctly record interest on a bank loan
- Calculate and adjust for an insurance prepayment
- Calculate the lower of cost and net realisable value (NRV) for inventory and account for the adjustment
- Correctly account for VAT on a sales invoice
- Calculate and account for an allowance for receivables
- Adjust for an income tax expense

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

Requirement 1b (18 marks)

Using the financial statements and extracts calculated in Requirement 1(a), along with the information relating to the supermarket contract in Exhibit 5:

(b)(i) With reference to Porter's Five Forces model:

- Identify and explain which of Porter's five forces is most relevant when considering the relationship with the supermarket from the perspective of Peach Ltd; and
- Explain why the force of the supermarket means the directors are willing to reduce sugar levels and limit the number of calories before it becomes mandatory to do so.

(6 marks)

(b)(ii) Explain what is meant by the terms 'normal loss' and 'abnormal loss' in the context of process costing and explain how an abnormal loss is accounted for.

(4 marks)

(b)(iii) Calculate the following ratios for Peach Ltd:

- Inventory holding period (based on total inventory)
- Receivables collection period

and briefly explain the likely impact of the proposed contract changes on the ratios calculated, assuming all else remains equal.

Note: You should use the pre-formatted efficiency ratios section of the spreadsheet response option.

(8 marks)

Requirement 1(b)(i) asked candidates to explain which of Porter's Five Forces is most relevant when considering the relationship with the supermarket and to explain the impact of the force of the supermarket. This required candidates to have carefully read the pre-seen information and the information in Exhibit 5 to understand the importance of the supermarket contract in terms of its relative size and therefore the bargaining power that the supermarket has over Peach Ltd.

Requirement 1(b)(ii) was a short narrative question asking candidates to explain normal and abnormal losses and how they are accounted for. Most candidates were able to explain what the terms mean but found it more difficult to explain the accounting. It was not expected for candidates to have a detailed knowledge of the accounting, rather they were simply required to say that normal losses form part of the cost of the fruit juice and abnormal losses are written off to profit or loss. Candidates should use the number of marks available as a gauge for the extent of detail needed in a narrative question.

Requirement 1(b)(iii) required candidates to calculate inventory holding period and receivables collection period ratios and analyse the impact that the supermarket contract might have on both. Candidates were provided with a pre-formatted spreadsheet response area which should have been used when calculating the ratios. Candidates could either write out their workings or could use the formula available in the spreadsheet response option. In the extract below, the inventory

holding period shows the working using formula and the receivables collection period writes out the working. Either approach would score credit.

The screenshot shows an Excel spreadsheet with the following table:

| Ratio | Working | 20X5 |
|-------------------------------|------------------------------|------|
| Inventory holding period | 32.25105189 | |
| Receivables collection period | TR/Revenue = 428/1318*365 | |

The formula bar at the top shows the formula $=63/713*365$. A red box highlights this formula and the value 32.25105189 in the table.

Question Two

Requirement 2a & b (30 marks)

Referring to the pre-seen information, the financial statements and extracts prepared in Requirement 1(a) and the information provided in Exhibit 6:

Prepare an email to the directors of Peach Ltd in which you:

(a)(i) Explain the difference between an entrepreneurial and functional organisational structure.

(4 marks)

(a)(ii) Calculate the:

- gross profit margin; and
- return on capital employed for Peach Ltd

and compare the ratios calculated with the equivalent ratios provided for Plantmilk Ltd.

Note: You should use the pre-formatted profitability ratios section of the spreadsheet response option.
(9 marks)

(a)(iii) Identify and explain TWO methods of cost reduction that could be implemented if Peach Ltd acquired Plantmilk Ltd.

(4 marks)

(a)(iv) Explain what is meant by the term 'limiting factor' and identify whether sales demand or the supply of almonds is the limiting factor for Plantmilk Ltd, both before and after any takeover by Peach Ltd.

Note: You should provide calculations to support your answers.

(5 marks)

Professional marks will be awarded for the format and style used in the email.

(2 marks)

(b) Identify and explain the ethical implications of Sofia's request in terms of the principles of:

- Confidentiality
- Professional competence and due care

and state the appropriate actions you should take.

(6 marks)

Question 2 required candidates to prepare an email. There were two professional marks available in this question for the style, format and language used in the email. Candidates were expected to head up the email in the style shown below:

Email

To: Peach Ltd

From: Apprentice Accountant

Re: Potential acquisition of Plantmilk Ltd

Please find detailed below the requested information relating to the potential acquisition of Plantmilk Ltd.

Candidates should also ensure they address each of the requirements and use appropriate business language in the email in order to attain the professional marks available.

Requirement 2(a)(i) asked candidates to explain the difference between an entrepreneurial and functional business structure. Although not required to do so, the best answers were able to explain this in the context of Peach Ltd.

Requirement 2(a)(ii) required candidates to calculate the gross profit margin and return on capital employed for Peach Ltd and to compare them to the ratios provided for Plantmilk Ltd.

Candidates should read the requirements carefully, looking for the sub-requirements that sit within the main requirement. The wording of requirement (ii) was:

(ii) Calculate the:

- **gross profit margin; and**
- **return on capital employed for Peach Ltd**

and compare the ratios calculated with the equivalent ratios provided for Plantmilk Ltd;

Candidates should always look out for connecting words such as 'and' in requirements and ensure they address all requirements - in this case calculating the ratios and explaining why they are different to the ratios provided.

The analysis of ratios is often poorly performed by candidates which is disappointing as it is a feature of every exam. It is not enough to simply say, for example, "Peach Ltd's gross profit margin is higher than that of Plantmilk Ltd". To attain the marks available, candidates need to use the information provided in the pre-seen and the

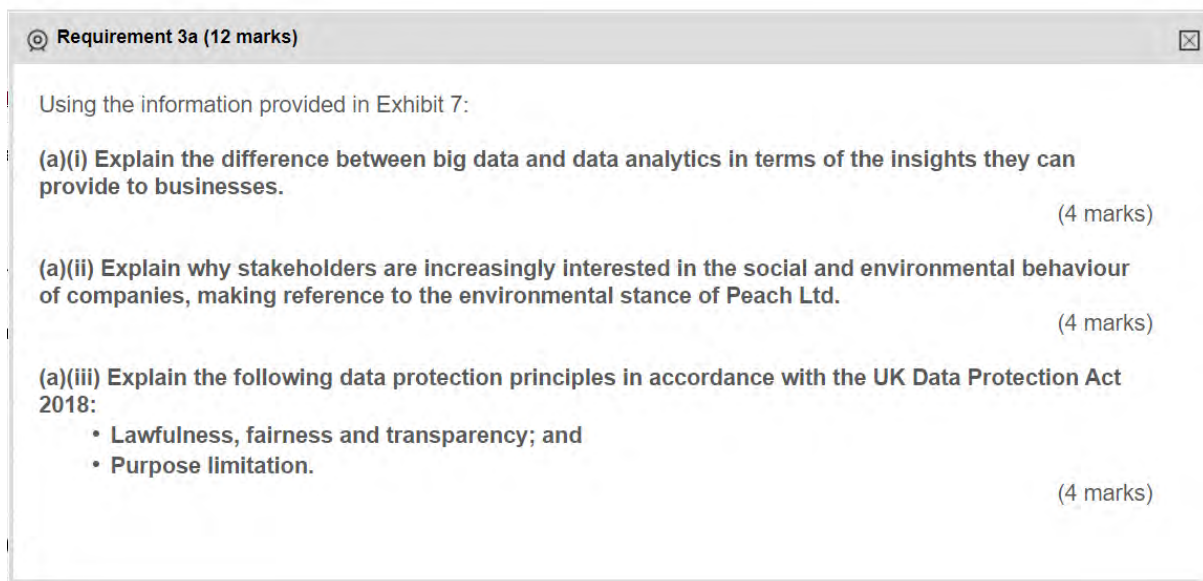
relevant Exhibit (Exhibit 6 in this case) to explain **why** there are differences in the ratios. There will always be enough points provided in the information to explain the differences.

Requirement 2(a)(iii) also required candidates to use Exhibit 6 to identify ways in which Plantmilk Ltd's costs could be reduced. Candidates were also awarded marks for more general knowledge on the costs savings associated with business acquisitions, such as improved economies of scale and rationalisation of staff.

Requirement 2(a)(iv) asked candidates to explain what is meant by the term limiting factor and to identify the limiting factor before and after the proposed takeover of Plantmilk Ltd. Most candidates were able to correctly explain the term and identify the correct limiting factors.

In requirement 2(b), 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 and demonstrate clearly that they understand the ethical principles and can reach the correct decisions. In order to score full marks in the ethics requirements, candidates need to briefly explain what the principle is and then link it to the scenario.

Question Three



Requirement 3a (12 marks)

Using the information provided in Exhibit 7:

(a)(i) Explain the difference between big data and data analytics in terms of the insights they can provide to businesses. (4 marks)

(a)(ii) Explain why stakeholders are increasingly interested in the social and environmental behaviour of companies, making reference to the environmental stance of Peach Ltd. (4 marks)

(a)(iii) Explain the following data protection principles in accordance with the UK Data Protection Act 2018:

- Lawfulness, fairness and transparency; and
- Purpose limitation.

(4 marks)

Requirement 3(a)(i) asked candidates to explain the difference between big data and data analytics in terms of the insights they can provide to business. A surprising number of candidates found it difficult to make the distinction. Candidates were expected to explain that big data itself is not useful to business until it has been analysed.

In requirement 3(a)(ii), candidates were expected to explain why stakeholders are interested in the social and environmental behaviour of businesses. This is an area in which candidates are expected to apply not only their technical knowledge but a

wider understanding of business and society. Most candidates were able to demonstrate good understanding and awareness of this area.

Requirement 3(a)(iii) tested candidates understanding of law and regulations, specifically relating to Data Protection. Candidates did not need to use legal terminology but were expected to understand and explain the principles of lawfulness, fairness and transparency and purpose limitation.

Part (b) of the question was focused on investment appraisal which is an important feature of all exams. Requirement 3(b)(i) required candidate 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 was important to ensure that adjustments were correctly entered as positive or negative amounts:

| Year | Projected cashflow per question | | | | Net | DF@ 7% | NPV £000 | DF @8% | NPV £000 |
|------|---------------------------------|--------|--------|--------|------|--------|----------|--------|----------|
| | | Adj. 1 | Adj. 2 | Adj. 3 | | | | | |
| Y0 | -420 | 20 | | | -400 | 1 | -400.00 | 1.0000 | -400.00 |
| Y1 | 126 | | | 0 | 126 | 0.935 | 117.81 | 0.9260 | 116.68 |
| Y2 | 113 | | -5 | 0 | 108 | 0.873 | 94.28 | 0.8570 | 92.56 |
| Y3 | 98 | | | 0 | 98 | 0.816 | 79.97 | 0.7940 | 77.81 |
| Y4 | 86 | | -5 | 0 | 81 | 0.763 | 61.80 | 0.7350 | 59.54 |
| Y5 | 75 | | | 0 | 75 | 0.713 | 53.48 | 1 | 51.08 |
| | | | | | | | 7.34 | | -2.35 |

Candidate performance in 3(b)(i) was generally very good with most candidates able to calculate the cashflows, the discounted cash flows and the IRR. Candidates made good use of the proforma provided and laid their calculations out well. Candidates must remember to state whether the investment is likely to be acceptable.

Requirement (b)(ii) was reasonably well attempted with many candidates correctly using the scenario to identify that the key issues were around the initial outlay required, the FSA approval and the warranty (which should be discussed in terms of reliability). Candidates should attempt to discuss the issues identified in reasonable depth. Simply identifying the issue will not gain credit.

Requirement (b)(iii) asked candidates to explain the impact of a request to manipulate information to conclude that neither investment is acceptable in terms of their objectivity and integrity. Most candidates who attempted this requirement provided an appropriate response and scored well.