Mock Exam One
AAT Level 4
Advanced Business Awareness

Contents

This practice assessment is one of a set of five AAT mock practice assessments which have been published for this subject. They are produced by our expert team of AAT tutors, giving real AAT exam style and standard tasks, that ensure the very best for exam success. All practice assessments are relevant for the current syllabus.

Our AAT tutors work extensively to produce study material that is first class and absolutely focused on passing your exam. We hope very much that you enjoy this product and wish you the very best for exam success! For feedback please contact our team aatlivelearning@gmail.com or safina@acornlive.com

Mock Exam One

AAT Level 4

Advanced Business Awareness

Assessment information:

- You have **2 hours 30 minutes** to complete this **Advanced Business Awareness practice assessment**. This assessment contains **8 tasks** and you should attempt to complete **every** task. Each task is independent. You will not need to refer to your answers to previous tasks. The total number of marks for this assessment is **80**.
- Read every task carefully to make sure you understand what is required.
- Where the date is relevant, it is given in the task data. Both minus signs and brackets can be used to indicate negative numbers **unless** task instructions state otherwise.
- You must use a full stop to indicate a decimal point. For example, write 100.57 **not** 100,57 or 100 57. You may use a comma to indicate a number in the thousands, but you don't have to. For example, 10000 and 10,000 are both acceptable. You will need to double click to enter values into a gapfill or cell within a table.
- All tasks in each practice assessment are based on an organisation called **The Big Green Packaging Company (BGPC) Ltd**. Information about the company can be downloaded from the AAT website and will also be available to view during your live AAT assessment. Before attempting each practice assessment, ensure you have a copy of the BGPC information available for reference.

Task 1 (8 marks)

This task is about organisational strategy and objectives.

This task contains parts (a) to (e).

BGPC is currently considering the following proposals.

(a) identify for each proposal, which parts of BGPC's mission statement it aligns with. (2 marks)

Management decision	Part of mission statement
Developing innovative compostable packaging for food manufacturers.	
Introducing a hybrid working policy for office staff.	

Picklist: Profitability, Sustainability, Innovation. Profitability, Innovation, Community. Sustainability, Innovation, Community. Profitability, Sustainability, Community.

Edward Moran has requested that you calculate the following non-financial performance indicators.

(b) Calculate the following non-financial performance indicators. Enter your answers to two decimal places. (2 marks)

Non-financial performance indicator	
Percentage increase in revenue from new customers from 20X5 to 20X6.	
The number of product returns per member of staff in 20X6.	

BGPC is considering specialising in sustainable packaging for organic food manufacturers rather than serving the entire packaging market.

(c) Identify the strategic approach that BGPC is adopting. (1 mark)

Cost leadership. ☐

Differentiation. ☐

Focus. ☐

Hugh Ward is currently assessing BGPC's costs of quality.

(d) Identify for each of the following examples, the relevant type of quality cost. (2 marks)

Example	Type of cost
Refunds or credit notes issued for faulty products.	
Scrapped packaging that does not meet quality standards and cannot be sold.	

Picklist: Prevention, Appraisal, Internal failure, External failure.

Edward Moran is concerned about the impact of rising interest rates on BGPC's strategy and overall business performance.

(e) Identify which one of the following would not explain the impact on BGPC's strategy and performance. (1 mark)

It may limit business expansion. ☐

It may reduce profitability. ☐

It may reduce market share. ☐

It may create greater focus on cost control. ☐

End of Task

Task 2 (8 marks)

This task is about organisational effectiveness.

This task contains parts (a) to (c).

Wong Kuan is currently prioritising his workload for the day.

(a) Identify which TWO of the following tasks should be placed in the "Urgent and Important (Do First)" quadrant of the Eisenhower Matrix. (2 marks)

Read an industry magazine about future packaging innovations.	☐
Investigate a machine breakdown that has stopped production.	☐
Plan ideas for next year's sustainability awareness event.	☐
Respond to a major customer complaint about a delayed order caused by production issues.	☐
Update the noticeboard with information about local community initiatives.	☐

(b) Recommend whether each manager should collaborate, escalate, or delegate. (2 marks)

Situation	Strategy
Wong Kuan receives a complaint from a major customer after discovering that thousands of food packaging cartons have a manufacturing defect. The customer is demanding compensation and threatening to terminate their contract.	
Lila Turner is preparing for an important meeting with a potential client while also managing several routine administrative tasks.	

Picklist: collaborate, escalate, delegate.

The Big Green Packaging Company is committed to supporting its employees, encouraging innovation, and achieving long-term success.

(c)(i) Identify TWO of the following that are benefits of having an inclusive and diverse workforce. (2 marks)

Employees with different backgrounds and experiences generate a wider range of ideas, supporting innovation.	☐
A diverse workforce guarantees that all employees will agree with each other, reducing workplace conflict.	☐
Recruiting people from diverse backgrounds can improve the company's understanding of customer needs and local communities.	☐
Employing a diverse workforce means managers no longer need to address discrimination or equality issues.	☐
A diverse workforce eliminates the need for employee training and development.	☐

Eamon Deacy is reviewing workplace practices and wants to identify actions that will help promote equity, diversity, and inclusion (EDI) among employees.

(c)(ii) Identify whether the following actions would, or would not promote EDI.
(2 marks)

Action	Would promote EDI	Would not promote EDI
Give promotion opportunities only to employees who have worked at the company the longest, regardless of skills or performance.	☐	☐
Collect and review data on recruitment, promotions, pay, and employee feedback to identify areas for improvement.	☐	☐

End of Task

Task 3 (8 marks)

This task is about PESTLE and SWOT analysis.

This task contains parts (a) to (b).

BGPC is committed to supporting and enriching the local community by creating employment opportunities, offering flexible working arrangements, and contributing to local initiatives. However, BGPC has recently lost two major customers who have transferred their business to a larger national supplier. Both customers identified several reasons for this decision, including more competitive pricing offered by the supplier.

(a)(i) Identify the relevant PESTLE category for each management concern.
(2 marks)

Management concern	PESTLE category
BGPC may struggle to compete with larger suppliers that can offer lower prices to customers.	
BGPC's commitment to creating local employment opportunities and supporting community initiatives has both positive and challenging social impacts.	

Picklist: political, economic, social, technological, legal, environmental.

(a)(ii) Identify the most effective management decision to address each management concern. (2 marks)

BGPC may struggle to compete with larger suppliers that can offer lower prices to customers.

Reduce investment in sustainable materials and practices to lower costs immediately.	☐
Review operational costs and improve efficiency while maintaining the quality and sustainability of products.	☐
Stop supporting local initiatives to reduce all community-related spending.	☐
Increase product prices to improve profit margins without considering customer feedback.	☐

BGPC's commitment to creating local employment opportunities and supporting community initiatives has both positive and challenging social impacts.

Stop supporting local initiatives and reduce employment opportunities to minimise costs.	☐
Focus only on increasing profits and ignore the impact of decisions on the local community.	☐
Reduce employee benefits and remove flexible working arrangements to match larger competitors.	☐
Continue investing in the local community while regularly reviewing costs and measuring the benefits to BGPC and stakeholders.	☐

Remi Alidu is currently developing a SWOT analysis to assess BGPC's sustainability performance and identify areas for improvement.

(b) Identify the relevant SWOT category for each strategic issue. (4 marks)

Strategic issue	SWOT category
Purchasing cheaper raw materials from overseas has increased water consumption, transport emissions, and fuel usage.	
Continued increases in travel emissions, water consumption, and transport emissions could prevent BGPC from achieving its 20Y0 carbon neutrality goal.	
Video conferencing software is available to reduce unnecessary travel and emissions.	
BGPC has strong senior management support for sustainability initiatives, which improves employee confidence in sustainability decisions.	

Picklist: strength, weakness, opportunity, threat.

End of Task

Task 4 (10 marks)

This task is about recording, using and presenting data.

This task contains parts (a) to (c).

(a)(i) Identify the most likely type of data error in each of the following Finance Department situations. (3 marks)

Situation	Type of data error
Sue Mills has detected that the payroll system calculates overtime at 1.25 times the hourly rate instead of the agreed 1.5 times for all employees.	
Julia Collinson ignores a system warning that a customer record already exists and creates a duplicate customer account.	
Chris West types a supplier invoice as £4,520 instead of £4,250.	

Picklist: random, negligent, systematic.

Chris West records within the purchasing system the cost of raw materials from a new overseas supplier as £8.50 per unit, but the agreed contract price is £6.80 per unit.

(a)(ii) Identify the most likely reason for this error. (1 mark)

Chris entered the quantity of raw materials incorrectly.	☐
The supplier master file contains the old price, resulting in overstated material costs.	☐
The customer master file has not been updated with the latest selling prices.	☐
The exchange rate used to convert the supplier's invoice is incorrect.	☐

Storage limitation is one of the key principles of GDPR.

(b)(i) Identify TWO internal controls that BGPC could implement to help comply with this principle. (2 marks)

Automatically deleting data kept after a certain time limit.	☐
Periodic review of data kept to ensure it is not held longer than is necessary.	☐
Policies to ensure data controllers handle personal data kept in a fair manner.	☐
Policies to provide reasons why personal data is being kept about an individual.	☐

(b)(ii) Identify TWO potential consequences of BGPC not protecting its data. (2 marks)

BGPC may experience lower operating costs because fewer resources will be required for data storage, security, and system maintenance.	☐
Unauthorised individuals could access confidential customer or business information, leading to reputational damage and loss of customer trust.	☐
Customers would be less likely to review BGPC's services because data protection has no impact on customer relationships.	☐
BGPC may need to update its financial forecasts because inaccurate data protection controls could result in changes to future sales demand.	☐
BGPC could face regulatory fines or legal action for failing to comply with data protection requirements such as GDPR.	☐

(c) Identify whether each of the following issues is most likely caused by the use of spreadsheets, social media, or video conferencing. (2 marks)

Personal information, photos, and opinions can be collected or misused.	
Multiple people editing different copies can create confusion.	

Picklist: spreadsheets, social media, video conferencing.

End of Task

Task 5 (12 marks)

This task is about business decision making, organisational effectiveness and understanding data.

This task contains parts (a) to (e).

Lila Turner plans to upgrade the company's website as a strategic initiative to increase sales and address significant weaknesses in the existing sales order system. The upgraded website will fully automate the sales order process, reducing paperwork and improving staff efficiency when processing customer orders. The website upgrade will be managed by an external IT consultancy. Edward Moran has prepared a financial forecast of the expected costs and benefits for the first year following implementation.

Expected costs

- Website redesign and development: £68,000.
- Website maintenance and hosting: £2,500 per month.
- Staff training for the new sales order system: £3,000.
- Staff redundancy costs: £8,000.
- Amortisation of previously purchased software licences: £3,400.
- Cost of earlier market research for the website design: £5,000.
- To support the anticipated increase in sales orders, inventory and trade receivables are expected to rise, resulting in an additional working capital requirement of £30,000.

Expected benefits

- Additional annual sales revenue of £200,000. The company earns an average gross profit margin of 45%.
- Annual savings of £40,000 from reduced staff costs and other operating expenses as a result of improved efficiency in processing sales orders.

(a)(i) Calculate the total first-year expected cost of the proposed website upgrade. Enter all answers to the nearest whole pound (£). Enter all answers as positive figures. If your answer is zero, then enter 0. (3 marks)

Project costs for website upgrade	£
Website redesign and development	
Ongoing maintenance and hosting of the website	
Staff training and redundancy costs	
Working capital	
Amortisation of previously purchased software licences	
Cost of earlier market research undertaken for website design	
Total first-year cost of the proposed website upgrade	

(a)(ii) Calculate the total first-year expected benefit of the proposed website upgrade. Enter your answer to the nearest whole pound (£). Enter your answer as a positive figure. If your answer is zero, then enter 0. (1 mark)

£ ☐

(a)(iii) Calculate the net benefit/(cost) for the first-year of the proposed website upgrade. Enter your answer to the nearest whole pound (£). Enter a net benefit as a positive figure. Enter a net cost as a negative figure. If your answer is zero, then enter 0. (1 mark)

£ ☐

(a)(iv) Identify the correct statement. (1 mark)

If tangible benefits exceed tangible costs, the proposed website upgrade should be automatically accepted.	☐
If tangible and intangible benefits outweigh tangible and intangible costs, the proposed website upgrade should be accepted.	☐
If tangible costs exceed tangible benefits, the proposed website upgrade should be automatically rejected.	☐
Intangible costs and benefits cannot be considered when evaluating the proposed website upgrade.	☐

Sasha Grain has also identified several issues associated with the proposed website upgrade:

- Employees may experience a temporary reduction in productivity as they adapt to the new system and adjust to changes in their existing workflows. The transition period may cause disruptions while staff become familiar with the updated processes.
- The website redesign may create uncertainty and anxiety among employees, which could negatively affect staff morale, motivation, and overall productivity during the implementation period.

(b)(i) Identify the least appropriate method of data collection for gathering staff opinions and concerns. (1 mark)

Sasha should distribute anonymous staff questionnaires or surveys to gather honest feedback from employees.	☐
Sasha should organise departmental focus groups, with each session facilitated by a Human Resources representative to ensure a fair and supportive environment.	☐
Sasha should arrange one-to-one interviews for staff members who may feel uncomfortable discussing their concerns in a group setting.	☐
Sasha should send a company-wide email inviting staff to share their thoughts and feelings in a detailed, open-ended response and return it directly.	☐

(b)(ii) Complete the following sentence. (1 mark)

Staff questionnaires or surveys are an example of [ ] data.

Picklist: primary and internal, secondary and external, primary and external, secondary and internal.

(c) Identify whether the following statements are true or false. (2 marks)

	True	False
The data collected from staff surveys may be influenced by unconscious bias among employees.	☐	☐
An inclusive and diverse workforce would not improve the quality of data collected from staff surveys.	☐	☐

(d) Identify ONE way to reduce data bias from staff surveys. (1 mark)

Only survey senior managers to collect more reliable opinions.	☐
Make the survey anonymous so employees feel comfortable providing honest feedback.	☐
Ask employees to complete the survey only if they have positive opinions about the changes.	☐
Use only short answer questions that limit employee responses.	☐

(e) Complete the following sentence. (1 mark)

There is more likely a [ ] between staff motivation and productivity.

Picklist: correlation, causation.

End of Task

Task 6 (10 marks)

This task is about understanding ethics, professional scepticism and law.

This task contains parts (a) to (e).

Safina is an AAT member employed by H&C, a firm of accountants. She has been assigned to an audit and assurance engagement for BGPC, with the responsibility of reviewing the company's financial statements for the current year.

During the course of the audit, Safina identified a significant and material accounting error in BGPC's financial statements from the previous year. These financial statements had been audited the previous year by Safina and her audit manager at H&C.

Safina reported the issue to her audit manager. However, the audit manager responded that the previous year's financial statements had already been filed with Companies House and warned that if Edward Moran became aware of the error, H&C could lose the engagement and Safina could potentially lose her job. The audit manager advised Safina not to disclose the matter and to take no further action.

(a) Identify whether the following statements are true or false. (2 marks)

Statement	TRUE	FALSE
The manager creates a self-review threat for Safina by suggesting that she could lose her job if she discloses the error.	☐	☐
If Safina takes no further action, she could be in breach of the fundamental ethical principles of integrity, objectivity, professional competence and due care, and professional behaviour.	☐	☐

(b) Identify TWO consequences of Safina's unethical behaviour. (2 marks)

BGPC may lose confidence in H&C's services.	☐
Safina may face disciplinary action from AAT for failing to uphold ethical standards.	☐
Safina will avoid any professional consequences because she followed her manager's advice.	☐
Safina will no longer have any responsibility for the previous year's audit because the accounts have already been filed.	☐
H&C may improve its relationship with BGPC because the error remains undisclosed.	☐

(c) Identify the recognised stage of the money laundering process that is relevant to each of Edward Moran's concerns. (3 marks)

Concern	
BGPC has made several large payments to overseas companies for wine imports, but no shipping documentation or other supporting evidence exists to show the transactions are legitimate.	
Edward is aware that Eamon Deacy frequently deposits funds into offshore bank accounts and transfers substantial amounts of money between multiple accounts.	
Eamon Deacy appears to have significant personal wealth, as evidenced by the valuable artwork displayed in his office, his expensive jewellery, and the luxury vehicle he drives.	

Picklist: layering, integration, placement.

(d) Recommend TWO actions that Edward Moran should take in response to the concerns identified. (2 marks)

Document his concerns and report them through the appropriate internal reporting channels, such as a Money Laundering Reporting Officer.	☐
Inform Eamon Deacy that he intends to report the suspicious activity so that Eamon has an opportunity to explain.	☐
Ignore the concerns because there is no conclusive proof that money laundering has occurred.	☐
Discuss the suspicious transactions with colleagues who are not involved in the engagement.	☐
Request supporting documentation for the overseas wine import payments and seek reasonable explanations for the transactions.	☐

(e) Identify ONE reason why it is important for Edward Moran to exercise professional scepticism in this situation. (1 mark)

To reduce the amount of documentation required when reviewing complex transactions.	☐
To ensure all transactions are approved by management before any further review is performed.	☐
To critically assess the information provided and remain alert to possible indicators of fraud or money laundering.	☐
To protect the reputation of his employer by avoiding concerns being raised about unusual transactions.	☐

End of Task

Task 7 (10 marks)

This task is about sustainability.

This task contains parts (a) to (f).

(a) Identify which of the three pillars of sustainability each of the following examples represents. (3 marks)

Example	Pillar of sustainability
BGPC supports and strengthens its local community by creating employment opportunities, offering flexible working arrangements, and contributing to local community initiatives.	
BGPC has chosen to invest in biodegradable inks instead of traditional petroleum-based inks.	
Arvind Pushon has successfully negotiated a contract with an overseas supplier to purchase raw materials at significantly lower prices.	

Picklist: profit, people, planet.

(b) Identify whether each of the following statements relating to IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, are true or false. (2 marks)

	TRUE	FALSE
IFRS S1 requires organisations to disclose information about governance, strategy, risk management, and metrics and targets.	☐	☐
IFRS S1 focuses exclusively on environmental issues and does not cover social or governance matters.	☐	☐

(c) Compete the following sentence. (1 mark)

The movement towards prescriptive sustainability guidance refers to the shift to ________ , standardised reporting requirements.

Picklist: loose, voluntary, mandatory, ethical.

(d) The following actions by Remi Alidu are intended to support the Planet pillar of sustainability. For each action, identify whether the People or Profit pillar may be positively or negatively impacted. (2 marks)

Action	Pillar of sustainability
Sourcing raw materials for recycled paper and cardboard from local suppliers.	
Installing energy-efficient machinery in the factory.	

Picklist: profit, people.

(e) Compete the following sentence. (1 mark)

BGPC advertises one of its range of cardboard products as "eco-friendly" because it uses a small amount of recycled material, while most of the packaging is still made from non-recyclable plastic.

This is an example of ____________ .

Picklist: greenmarketing, greenhushing, greenwashing.

(f) Identify which ONE of the following is not a challenge when implementing a sustainability policy. (1 mark)

- [ ] Balancing sustainability with profitability.
- [ ] Difficulty measuring sustainability performance.
- [ ] Changes in customer preferences.
- [ ] Lack of knowledge and skills.

End of Task

Task 8 (14 marks)

This task is about ethics, law, sustainability and using data.

This task contains parts (a) to (b).

Chris West receives payment for a large order of packaging materials from a long-standing customer who has a personal relationship with Chris's father. Instead of receiving the usual single payment from the customer's registered business account, the invoice is paid through five separate bank transfers made over a two-day period. Each payment comes from a different company with no apparent connection to the customer. Shortly afterwards, the customer requests that an overpayment is refunded to a bank account held by another company, stating that the payment was made due to an "administration error."

(a)(i) Complete the following sentences. (3 marks)

The money laundering offence that may be committed by the customer would be

[▼] .

Picklist: placement, layering, integration.

If Chris West takes no further action he is most likely to breach the fundamental ethical principle of [▼] .

Picklist: integrity, objectivity, confidentiality, professional competence and due care.

A key threat to Chris's fundamental ethical principles would be

[▼] .

Picklist: self-interest, self-review, familiarity, intimidation, advocacy.

(a)(ii) Recommend the appropriate action Chris West should take in response to the suspicious activity identified. (1 mark)

Report the suspicious activity immediately to BGPC's Money Laundering Reporting Officer.	☐
Personally submit a Suspicious Activity Report (SAR) to the National Crime Agency.	☐
Arrange the refund requested and await any further instructions from the customer.	☐
Gather and document the relevant information and take no further action.	☐

All BGPC staff receive the following email from Edward Moran.

Introduction of New Anti-Money Laundering System

Dear Team,

As part of our ongoing commitment to financial integrity, we are introducing a new Anti-Money Laundering (AML) monitoring system across the company. This system is designed to strengthen our controls, improve transaction monitoring, and ensure compliance with regulatory requirements.

Our recent internal review identified two areas where our existing procedures need improvement:

- Customer due diligence has not always been updated for long-standing customers.
- Large or unusual payments rely only on manual review.

Further guidance and training will be provided over the coming weeks.

Thank you for your cooperation in supporting these important improvements.

Kind regards,

Edward Moran
Finance Director
BGPC

(a)(iii) Identify TWO risks associated with BGPC's current anti-money laundering (AML) procedures. (2 marks)

The new AML system may not prevent fraudulent transactions from occurring.	☐
BGPC could face regulatory fines or penalties for non-compliance.	☐
Customer information may no longer be accurate.	☐
Suspicious transactions may not be reported to the relevant authorities.	☐
Suspicious transactions could be overlooked during busy periods.	☐
Employees could unknowingly facilitate money laundering due to insufficient training.	☐

(a)(iv) Identify ONE way in which Artificial Intelligence (AI) could improve anti-money laundering (AML) compliance. (1 mark)

It can remove the legal requirement for BGPC to carry out customer due diligence.	☐
It can automatically identify unusual transaction patterns that may indicate suspicious activity.	☐
It can guarantee that all money laundering offences will be detected and prevented.	☐
It can allow BGPC to submit Suspicious Activity Reports (SARs) without any human review.	☐

Remi Alidu wants to implement the following actions within BGPC to promote environmental sustainability.

(b)(i) Identify whether the following actions promote environmental sustainability. (4 marks)

Actions	Environmental sustainability
Operate honestly, prevent corruption, and maintain responsible relationships with customers and suppliers.	
Produce thinner, lower-cost packaging materials that are biodegradable and cannot be reused.	
Develop products that are easier for customers to recycle or that can be reused multiple times.	
Provide clear recycling instructions on packaging to encourage correct disposal.	

Picklist: Yes, No.

(b)(ii) Identify whether the following statements are true or false. (3 marks)

Statement	TRUE	FALSE
Using recycled cardboard and reducing plastic usage is an example of intellectual capital.	☐	☐
Artificial Intelligence (AI) can be used to optimise packaging designs by reducing material usage while maintaining product quality and protection.	☐	☐
A phishing attack could result in confidential information about new packaging designs being disclosed publicly, and is a breach of General Data Protection Regulation.	☐	☐

End of Task

Mock Exam One Solutions

AAT Level 4

Advanced Business Awareness

Task 1 - Solutions (8 marks)

BGPC is currently considering the following proposals.

(a) identify for each proposal, which parts of BGPC's mission statement it aligns with. (2 marks)

Management decision	Part of mission statement
Developing innovative compostable packaging for food manufacturers.	**Profitability, Sustainability, Innovation.**
Introducing a hybrid working policy for office staff.	**Profitability, Sustainability, Community.**

Developing innovative compostable packaging for food manufacturers. This decision aligns with **Sustainability** by reducing the environmental impact of packaging through the use of compostable materials. It also supports **Innovation** by developing new products to meet changing customer needs and **Profitability** by helping the company attract environmentally conscious customers and achieve long-term growth.

Introducing a hybrid working policy for office staff. This decision aligns with **Community** by providing flexible working conditions that support employee wellbeing and work-life balance. It also supports **Sustainability** by reducing commuting, which can lower carbon emissions. In addition, it contributes to **Profitability** by improving employee satisfaction and retention, reducing recruitment costs, and helping to maintain a productive workforce.

Edward Moran has requested that you calculate the following non-financial performance indicators.

(b) Calculate the following non-financial performance indicators. Enter your answers to two decimal places. (2 marks)

Non-financial performance indicator	
Percentage increase in revenue from new customers from 20X5 to 20X6.	**61.32**
The number of product returns per member of staff in 20X6.	**6832.49**

Percentage increase in revenue from new customers (20X5 to 20X6):

- According to the BGPC AAT pre-seen information, revenue from new customers increased from £1,180,797 in 20X5 to £1,904,897 in 20X6.
- Increase in revenue = £1,904,897 − £1,180,797 = £724,100.
- Percentage increase = (£724,100 ÷ £1,180,797) × 100 = 61.32%.

Number of product returns per member of staff (20X6):

- According to the BGPC AAT pre-seen information, there were 560,264 product returns in 20X6, with an average workforce of 82 employees.
- Product returns per member of staff = 560,264 ÷ 82 = 6,832.49.

BGPC is considering specialising in sustainable packaging for organic food manufacturers rather than serving the entire packaging market.

(c) Identify the strategic approach that BGPC is adopting. (1 mark)

Cost leadership.	☐
Differentiation.	☐
Focus.	☑

BGPC is using a focus strategy, not cost leadership or differentiation, because it is defined by who they are targeting, not just how they compete.

A cost leadership strategy is about becoming the lowest-cost producer in the whole industry and competing mainly on price. BGPC's decision does not mention lowering costs or competing on price across the entire market. Instead, it is narrowing its customer base to organic food manufacturers, so it is not aiming for the broad, industry-wide low-cost position.

A differentiation strategy is about offering a unique product across the whole market so customers are willing to pay a premium. Although BGPC may still be offering sustainable packaging (which is a form of differentiation), the key point is that it is not targeting the whole market. It is limiting itself to a specific segment, which moves it into a focus strategy instead.

A focus strategy is when a business concentrates on a niche market segment. BGPC is specialising in organic food manufacturers only, tailoring its offering to that group rather than competing across the entire packaging industry.

Hugh Ward is currently assessing BGPC's costs of quality.

(d) Identify for each of the following examples, the relevant type of quality cost.
(2 marks)

Example	Type of cost
Refunds or credit notes issued for faulty products.	**External failure**
Scrapped packaging that does not meet quality standards and cannot be sold.	**Internal failure**

The four costs of quality

- Prevention costs – Costs incurred to prevent defects from occurring in the first place. Examples include staff training, quality planning, and preventive maintenance.
- Appraisal costs – Costs of checking and testing products to ensure they meet the required quality standards. Examples include inspections, testing, and quality audits.
- Internal failure costs – Costs resulting from defects found before products are delivered to customers. Examples include scrap, rework, wasted materials, and production delays.
- External failure costs – Costs resulting from defects discovered after products have been delivered to customers. Examples include product returns, refunds, warranty claims, replacements, and handling customer complaints.

Edward Moran is concerned about the impact of rising interest rates on BGPC's strategy and overall business performance.

(e) Identify which one of the following would not explain the impact on BGPC's strategy and performance. (1 mark)

It may limit business expansion.	☐
It may reduce profitability.	☐
It may reduce market share.	☑
It may create greater focus on cost control.	☐

The correct answer is it may reduce market share. Reducing market share is not a direct effect of higher interest rates. Market share is more likely to be influenced by factors such as competition, product quality, pricing, and customer demand. Although higher interest rates may indirectly affect sales, they do not necessarily cause a business to lose market share.

Higher interest rates increase the cost of borrowing, making it more expensive for businesses to finance expansion or invest in new equipment. It can also reduce profitability by increasing finance costs and may encourage businesses to focus more closely on controlling costs and improving efficiency.

Task 2 - Solutions (8 marks)

Wong Kuan is currently prioritising his workload for the day.

(a) Identify which TWO of the following tasks should be placed in the "Urgent and Important (Do First)" quadrant of the Eisenhower Matrix. (2 marks)

Read an industry magazine about future packaging innovations.	☐
Investigate a machine breakdown that has stopped production.	☑
Plan ideas for next year's sustainability awareness event.	☐
Respond to a major customer complaint about a delayed order caused by production issues.	☑
Update the noticeboard with information about local community initiatives.	☐

The Eisenhower matrix

	Urgent	**Not Urgent**
Important	**Do First (Do)** These high impact tasks are critical and must be completed immediately. They require your immediate attention.	**Schedule (Decide)** These high value tasks help achieve long-term objectives and should be planned before they become urgent.
Not Important	**Delegate** Time sensitive tasks that need doing, but do not necessarily require your personal involvement or expertise.	**Eliminate (Delete)** These low value tasks consume time without contributing to your goals. These distractions need to be minimised or removed.

Read an industry magazine about future packaging innovations. This task belongs in the "Not Urgent but Important (Schedule)" quadrant of the Eisenhower Matrix. Keeping up to date with industry developments can help Wong Kuan identify new technologies and sustainable packaging solutions that support the company's commitment to innovation and long-term growth. However, reading the magazine does not require immediate action and can be scheduled for a quieter time without negatively affecting daily operations.

Investigate a machine breakdown that has stopped production. This task belongs in the "Urgent and Important (Do First)" quadrant because production has already stopped, creating an immediate operational problem. The breakdown will delay customer orders, reduce productivity, and could affect the company's profitability if it is not resolved quickly. As it requires immediate attention and has a significant impact on business performance, it should be prioritised first.

Plan ideas for next year's sustainability awareness event. This task belongs in the "Not Urgent but Important (Schedule)" quadrant. Planning a sustainability event supports the company's mission of promoting environmental responsibility and engaging employees and the local community. However, because the event is for next year, there is no immediate deadline. Wong Kuan should schedule time to complete this task rather than interrupt more pressing work.

Respond to a major customer complaint about a delayed order caused by production issues. This task belongs in the "Urgent and Important (Do First)" quadrant because a dissatisfied customer expects a prompt response. Delaying action could damage customer relationships, harm the company's reputation, and potentially lead to lost business. Since the complaint is directly linked to production issues affecting customer service, it is both urgent and important and should be dealt with immediately.

Update the noticeboard with information about local community initiatives. This task belongs in the "Not Urgent and Not Important (Eliminate or Do Later)" quadrant. Although updating the noticeboard helps communicate community activities and supports the company's commitment to the local community, it does not have an immediate impact on production, customer satisfaction, or business performance. Compared with operational issues and customer concerns, it is a low-priority task that can be completed later or delegated to another member of staff.

(b) Recommend whether each manager should collaborate, escalate, or delegate.
(2 marks)

Situation	Strategy
Wong Kuan receives a complaint from a major customer after discovering that thousands of food packaging cartons have a manufacturing defect. The customer is demanding compensation and threatening to terminate their contract.	**escalate**
Lila Turner is preparing for an important meeting with a potential client while also managing several routine administrative tasks.	**delegate**

Strategy	What it means	When to use it
Collaborate	Work with others to share knowledge, skills, and ideas to achieve a common goal.	Use when a task or problem benefits from input from different people or departments, such as solving complex problems, making decisions, or improving processes.
Escalate	Refer an issue to someone with greater authority or expertise.	Use when the issue is beyond your authority, poses a significant financial, legal, operational, or reputational risk, or requires senior management approval or resources.
Delegate	Assign responsibility for completing a task to another competent person while remaining accountable for the outcome.	Use for routine, administrative, or specialist tasks that another team member can complete, allowing you to focus on higher-priority or strategic responsibilities.

Wong Kuan should escalate the issue because it involves a major customer, a manufacturing defect affecting thousands of products, and the possibility of compensation and losing an important contract. These consequences could have a significant financial and reputational impact on the packaging company. The issue is beyond the authority of a Production Manager and requires senior management to make decisions about compensation, legal implications, and corrective actions. Escalating the matter ensures it is handled by someone with the appropriate authority and resources.

Although Wong Kuan will need to work with other departments to investigate the defect, collaboration alone is not sufficient. The seriousness of the complaint means the issue must first be referred to senior management, who have the authority to make decisions on compensation and customer retention. Delegating would be inappropriate because this is a high-risk issue involving a key customer and significant business consequences. Responsibility for managing the complaint cannot be passed to another employee, as it requires management oversight and strategic decision-making.

Lila Turner should delegate the routine administrative tasks to another competent member of the team so that she can focus on preparing for the important client meeting. Delegating routine work makes better use of available resources, improves time management, and allows her to concentrate on activities that add greater value to the business, such as securing new sales opportunities.

Collaboration is not necessary because the administrative tasks do not require ideas, expertise, or joint decision-making from multiple people. These tasks can be completed independently by another team member without Lila's direct involvement. Escalation is unnecessary because there is no significant risk or issue that requires senior management's authority. The situation is simply a matter of workload management, which can be resolved effectively by delegating routine tasks rather than involving higher management.

The Big Green Packaging Company is committed to supporting its employees, encouraging innovation, and achieving long-term success.

(c)(i) Identify TWO of the following that are benefits of having an inclusive and diverse workforce. (2 marks)

Employees with different backgrounds and experiences generate a wider range of ideas, supporting innovation.	☑
A diverse workforce guarantees that all employees will agree with each other, reducing workplace conflict.	☐
Recruiting people from diverse backgrounds can improve the company's understanding of customer needs and local communities.	☑
Employing a diverse workforce means managers no longer need to address discrimination or equality issues.	☐
A diverse workforce eliminates the need for employee training and development.	☐

- **Employees with different backgrounds and experiences generate a wider range of ideas, supporting innovation.** An inclusive and diverse workforce brings together people with different experiences, skills, and perspectives. This encourages creativity, improves problem-solving, and supports innovation, helping the company develop new products and improve its processes.
- **A diverse workforce guarantees that all employees will agree with each other, reducing workplace conflict.** Diversity does not guarantee agreement. Employees may have different opinions and perspectives, which can lead to healthy debate and better decision-making when managed effectively.

- **Recruiting people from diverse backgrounds can improve the company's understanding of customer needs and local communities.** A diverse workforce is more likely to understand the needs, preferences, and expectations of a broad customer base. This enables the company to design products and services that better meet customer requirements and strengthen relationships with the communities it serves.
- **Employing a diverse workforce means managers no longer need to address discrimination or equality issues.** Managers remain responsible for promoting equality, preventing discrimination, and creating an inclusive workplace. Diversity does not remove these legal and managerial responsibilities.
- **A diverse workforce eliminates the need for employee training and development.** All employees require appropriate induction, training, and development to perform effectively. Diversity complements training but does not replace it.

Eamon Deacy is reviewing workplace practices and wants to identify actions that will help promote equity, diversity, and inclusion (EDI) among employees.

(c)(ii) Identify whether the following actions would, or would not promote EDI.

(2 marks)

Action	Would promote EDI	Would not promote EDI
Give promotion opportunities only to employees who have worked at the company the longest, regardless of skills or performance.	☐	☑
Collect and review data on recruitment, promotions, pay, and employee feedback to identify areas for improvement.	☑	☐

The first action would not promote EDI because it does not ensure that promotion decisions are based on fair and objective criteria. Employees should be promoted based on their skills, performance, qualifications, and ability to meet the requirements of the role rather than simply their length of service. Prioritising employees only because they have worked at the company longer could disadvantage other employees, including those from diverse backgrounds, who may have the skills and potential to progress. This could create inequality and reduce inclusion within the workplace.

The second action would promote EDI because collecting and analysing workplace data allows the organisation to identify whether all employees are receiving fair opportunities. Reviewing information on recruitment, promotions, pay, and employee feedback can highlight potential issues such as unequal treatment or barriers affecting certain groups. By using this information, managers can introduce improvements to create a fairer, more inclusive workplace where employees feel valued and supported.

Task 3 - Solutions (8 marks)

BGPC is committed to supporting and enriching the local community by creating employment opportunities, offering flexible working arrangements, and contributing to local initiatives. However, BGPC has recently lost two major customers who have transferred their business to a larger national supplier. Both customers identified several reasons for this decision, including more competitive pricing offered by the supplier.

(a)(i) Identify the relevant PESTLE category for each management concern.
(2 marks)

Management concern	PESTLE category
BGPC may struggle to compete with larger suppliers that can offer lower prices to customers.	**economic**
BGPC's commitment to creating local employment opportunities and supporting community initiatives has both positive and challenging social impacts.	**social**

- **BGPC may struggle to compete with larger suppliers that can offer lower prices to customers.** This concern relates to the Economic category of PESTLE because it involves pricing, competition, and the financial pressures faced by BGPC. Larger suppliers may benefit from economies of scale, allowing them to reduce costs and offer lower prices, making it more difficult for BGPC to retain customers while maintaining profitability.
- **BGPC's commitment to creating local employment opportunities and supporting community initiatives has both positive and challenging social impacts.** This concern relates to the Social category of PESTLE because it focuses on BGPC's relationship with the local community, employees, and society. Supporting local employment and community initiatives can improve BGPC's reputation and strengthen stakeholder relationships, but it may also create additional costs and responsibilities compared with larger competitors.

(a)(ii) Identify the most effective management decision to address each management concern. (2 marks)

BGPC may struggle to compete with larger suppliers that can offer lower prices to customers.

Reduce investment in sustainable materials and practices to lower costs immediately.	☐
Review operational costs and improve efficiency while maintaining the quality and sustainability of products.	☑
Stop supporting local initiatives to reduce all community-related spending.	☐
Increase product prices to improve profit margins without considering customer feedback.	☐

Review operational costs and improve efficiency while maintaining the quality and sustainability of products. This is the most effective decision because BGPC can improve its competitiveness by identifying ways to reduce unnecessary costs, increase efficiency, and maintain its commitment to sustainable products. This approach helps BGPC remain attractive to customers without damaging its reputation or long-term sustainability goals.

Reducing investment in sustainable materials may lower costs in the short term but could damage BGPC's sustainability reputation and reduce customer trust. Stopping support for local initiatives may reduce some costs but could negatively affect BGPC's relationship with the local community and employees. Increasing prices without considering customer needs may make BGPC less competitive and could result in losing more customers to lower-cost suppliers.

BGPC's commitment to creating local employment opportunities and supporting community initiatives has both positive and challenging social impacts.

Stop supporting local initiatives and reduce employment opportunities to minimise costs.	☐
Focus only on increasing profits and ignore the impact of decisions on the local community.	☐
Reduce employee benefits and remove flexible working arrangements to match larger competitors.	☐
Continue investing in the local community while regularly reviewing costs and measuring the benefits to BGPC and stakeholders.	☑

Continue investing in the local community while regularly reviewing costs and measuring the benefits to BGPC and stakeholders is the most effective decision because it allows BGPC to maintain its positive social impact while ensuring that community activities remain financially sustainable. By reviewing costs and measuring benefits, BGPC can continue supporting local employment, flexible working, and community initiatives while balancing business objectives.

Stopping community support may reduce short-term costs but could damage BGPC's reputation, employee morale, and relationships with local stakeholders. Ignoring the community impact could harm BGPC's reputation and conflict with its commitment to sustainability and social responsibility. Removing employee benefits and flexible working arrangements may reduce costs but could make it harder to attract and retain employees and may negatively affect staff motivation.

Remi Alidu is currently developing a SWOT analysis to assess BGPC's sustainability performance and identify areas for improvement.

(b) Identify the relevant SWOT category for each strategic issue. (4 marks)

Strategic issue	SWOT category
Purchasing cheaper raw materials from overseas has increased water consumption, transport emissions, and fuel usage.	**weakness**
Continued increases in travel emissions, water consumption, and transport emissions could prevent BGPC from achieving its 20Y0 carbon neutrality goal.	**threat**
Video conferencing software is available to reduce unnecessary travel and emissions.	**opportunity**
BGPC has strong senior management support for sustainability initiatives, which improves employee confidence in sustainability decisions.	**strength**

- **Purchasing cheaper raw materials from overseas has increased water consumption, transport emissions, and fuel usage.** This is a Weakness because it highlights an internal issue within BGPC's current operations. The decision to use overseas raw materials has created negative environmental impacts, including increased resource consumption and higher greenhouse gas emissions, which may make it harder for BGPC to achieve its sustainability objectives.
- **Continued increases in travel emissions, water consumption, and transport emissions could prevent BGPC from achieving its 20Y0 carbon neutrality goal.** This is a Threat because it represents a potential future risk that could prevent BGPC from achieving an important strategic target. If emissions continue

to increase, BGPC may face reputational damage, increased costs, or difficulties meeting environmental commitments.

- **Video conferencing software is available to reduce unnecessary travel and emissions.** This is an Opportunity because BGPC can use existing technology to improve sustainability performance. Increasing the use of video conferencing could reduce business travel, lower carbon emissions, and support progress towards carbon neutrality.
- **BGPC has strong senior management support for sustainability initiatives, which improves employee confidence in sustainability decisions.** This is a Strength because it represents an existing internal advantage within BGPC. Strong senior management support for sustainability initiatives shows that sustainability is embedded in the organisation's leadership and decision-making. This can increase employee confidence, encourage staff to adopt sustainable practices, and help BGPC make progress towards achieving its carbon neutrality target by 20Y0. A committed leadership team can also improve BGPC's reputation and strengthen its sustainability culture.

Task 4 - Solutions (10 marks)

(a)(i) Identify the most likely type of data error in each of the following Finance Department situations. (3 marks)

Situation	Type of data error
Sue Mills has detected that the payroll system calculates overtime at 1.25 times the hourly rate instead of the agreed 1.5 times for all employees.	**systematic**
Julia Collinson ignores a system warning that a customer record already exists and creates a duplicate customer account.	**negligent**
Chris West types a supplier invoice as £4,520 instead of £4,250.	**random**

- **Systematic error (Sue Mills).** Sue Mills' situation is an example of a systematic error because the payroll system is using the wrong overtime calculation rule. A systematic error occurs when there is a consistent mistake in a system, program, or process that produces the same incorrect result each time. Since all employees' overtime is being calculated at 1.25 times instead of the correct 1.5 times, the error affects every calculation in the same way until the system is corrected.
- **Negligent error (Julia Collinson).** Julia Collinson's situation is an example of a negligent error because she ignored a system warning and created a duplicate customer account. A negligent error occurs when a user makes a mistake by failing to follow procedures, ignoring instructions, or not taking appropriate care when using a system. The duplicate account was created because the warning was not acted upon, rather than because of a problem with the system itself.
- **Random error (Chris West).** Chris West's situation is an example of a random error because he accidentally entered the wrong invoice amount. A random error occurs when incorrect data is entered by chance, often due to human typing mistakes or misunderstandings. The error is not repeated in a predictable pattern and only affects the individual piece of data that was entered incorrectly.

Chris West records within the purchasing system the cost of raw materials from a new overseas supplier as £8.50 per unit, but the agreed contract price is £6.80 per unit.

(a)(ii) Identify the most likely reason for this error. (1 mark)

Chris entered the quantity of raw materials incorrectly.	☐
The supplier master file contains the old price, resulting in overstated material costs.	✓
The customer master file has not been updated with the latest selling prices.	☐
The exchange rate used to convert the supplier's invoice is incorrect.	☐

- Chris entered the quantity of raw materials incorrectly. This option is incorrect because the scenario relates to the price per unit, not the quantity purchased. Entering an incorrect quantity would affect the number of units recorded in inventory, but it would not explain why the purchasing system is using £8.50 per unit instead of the agreed price of £6.80 per unit.
- The supplier master file contains the old price, resulting in overstated material costs. The purchasing system is likely retrieving the unit price from the supplier master file, which has not been updated following the new contract with the overseas supplier. As a result, the old price of £8.50 per unit is being used instead of the agreed price of £6.80 per unit, causing material costs to be overstated and reducing profit margins.
- The customer master file has not been updated with the latest selling prices. This option is incorrect because the issue concerns the purchase price of raw materials, not the prices charged to customers. Although outdated customer prices could affect sales revenue, they would not cause the purchasing system to record an incorrect supplier price.
- The exchange rate used to convert the supplier’s invoice is incorrect. This option is incorrect because the scenario states that the purchasing system records the unit cost as £8.50, suggesting the wrong contract price is being used rather than an exchange rate error. An incorrect exchange rate would normally result in a different converted value rather than exactly matching the old unit price.

Storage limitation is one of the key principles of GDPR.

(b)(i) Identify TWO internal controls that BGPC could implement to help comply with this principle. (2 marks)

Automatically deleting data kept after a certain time limit.	✅
Periodic review of data kept to ensure it is not held longer than is necessary.	✅
Policies to ensure data controllers handle personal data kept in a fair manner.	☐
Policies to provide reasons why personal data is being kept about an individual.	☐

- Storage limitation is one of the key principles of GDPR. It requires data controllers to retain personal data only for as long as is necessary to fulfil the specific purpose for which it was originally collected and processed. To comply with this principle, organisations should establish appropriate retention periods and regularly review the personal data they hold, securely deleting or anonymising information that is no longer required. GDPR does not prescribe specific retention periods, so organisations must determine appropriate time limits based on their legal and business requirements.
- Policies that ensure personal data is handled fairly are more closely aligned with the GDPR principle of lawfulness, fairness and transparency. This principle requires organisations to process personal data lawfully, treat individuals fairly, and be transparent about how their personal data is collected, used, and shared.
- Policies that explain why an organisation is collecting and retaining an individual's personal data are more closely associated with the GDPR principle of purpose limitation. This principle requires personal data to be collected for specified, explicit, and legitimate purposes and not processed in a manner that is incompatible with those original purposes.

(b)(ii) Identify TWO potential consequences of BGPC not protecting its data.

(2 marks)

BGPC may experience lower operating costs because fewer resources will be required for data storage, security, and system maintenance.	☐
Unauthorised individuals could access confidential customer or business information, leading to reputational damage and loss of customer trust.	☑
Customers would be less likely to review BGPC's services because data protection has no impact on customer relationships.	☐
BGPC may need to update its financial forecasts because inaccurate data protection controls could result in changes to future sales demand.	☐
BGPC could face regulatory fines or legal action for failing to comply with data protection requirements such as GDPR.	☑

- **Lower operating costs because fewer resources will be required for data storage, security, and system maintenance.** This is not a correct answer because failing to protect data would not normally reduce operating costs. Instead, poor data protection could increase costs because BGPC may need to spend money recovering from data breaches, improving security systems, dealing with legal issues, and repairing damage to its reputation.
- **Unauthorised individuals could access confidential customer or business information, leading to reputational damage and loss of customer trust.** This is a correct answer because if BGPC does not have effective data protection measures, unauthorised people may access sensitive information such as customer records or company data. A data breach could harm BGPC's reputation, cause customers to lose confidence, and result in customers taking their business elsewhere.
- **Customers would be less likely to review BGPC's services because data protection has no impact on customer relationships.** This is not a correct answer because data protection does affect customer relationships. Customers are more likely to trust and engage with organisations that protect their personal information. A lack of data security could reduce customer confidence and increase negative feedback or complaints.

- **BGPC may need to update its financial forecasts because inaccurate data protection controls could result in changes to future sales demand.** This is not a correct answer because updating financial forecasts is not a direct consequence of failing to protect data. Although a data breach may indirectly affect sales, the main consequences are more likely to involve security risks, legal penalties, financial losses, and damage to reputation.
- **BGPC could face regulatory fines or legal action for failing to comply with data protection requirements such as GDPR.** This is a correct answer because organisations must follow data protection laws, such as GDPR, to ensure personal information is handled securely. If BGPC fails to protect data, it could face fines, legal action, and additional costs to fix security problems and prevent future breaches.

(c) Identify whether each of the following issues is most likely caused by the use of spreadsheets, social media, or video conferencing. (2 marks)

Personal information, photos, and opinions can be collected or misused.	**social media**
Multiple people editing different copies can create confusion.	**spreadsheets**

- **Personal information, photos, and opinions can be collected or misused due to the way social media platforms store and share user data.** Users often upload personal content, which may be accessed by other people, companies, or advertisers. If privacy settings are not managed correctly, information can be shared more widely than intended or used without the user's permission.
- **Multiple people editing different copies can create confusion when using spreadsheets because separate versions of the same file may contain different updates.** This can lead to errors, duplicated work, or users making decisions based on outdated information. Using shared online spreadsheets with version control can help reduce this problem.

Task 5 - Solutions (12 marks)

(a)(i) Calculate the total first-year expected cost of the proposed website upgrade. Enter all answers to the nearest whole pound (£). Enter all answers as positive figures. If your answer is zero, then enter 0. (3 marks)

Project costs for website upgrade	£
Website redesign and development	68000
Ongoing maintenance and hosting of the website (£2,500 × 12)	30000
Staff training and redundancy costs (£3,000 + £8,000)	11000
Working capital (increase in working capital)	30000
Amortisation of previously purchased software licences	0
Cost of earlier market research undertaken for website design	0
Total first-year cost of the proposed website upgrade	139000

Cost-benefit analysis includes only relevant (incremental) cash costs and benefits. Sunk costs e.g. previous market research and non-cash costs e.g. amortisation are ignored because they do not affect the decision to proceed with the project.

- Award ½ mark for each correct entry. Do not award marks for the total cost, as the total is expected to be calculated automatically in the exam.
- Website redesign and development (£68,000): This is a relevant one-off cost because it is required to develop and implement the new website.
- Website maintenance and hosting (£30,000): This is a relevant operating cost of the new website. It is calculated as £2,500 × 12 months = £30,000.
- Staff training (£3,000): This is a relevant cost because employees must be trained to use the new sales order system.
- Staff redundancy costs (£8,000): This is a relevant cost as it arises directly from the website upgrade and the resulting reduction in staffing requirements.
- Increase in working capital (£30,000): This is a relevant cost because additional inventory and trade receivables are needed to support the expected increase in sales.
- Amortisation of previously purchased software licences (£3,400): This cost is excluded because it is a non-cash accounting charge and does not represent an additional cash outflow.
- Earlier market research (£5,000): This cost is excluded because it is a sunk cost that has already been incurred and cannot be recovered.
- Total first-year cost: The total relevant first-year cost of the website upgrade is £139,000.

(a)(ii) Calculate the total first-year expected benefit of the proposed website upgrade. Enter your answer to the nearest whole pound (£). Enter your answer as a positive figure. If your answer is zero, then enter 0. (1 mark)

£**130000**.

- Additional gross profit from increased sales £200,000 × 45% gross profit margin = £90,000.
- Savings from improved efficiency = £40,000.
- Total benefits £90,000 + £40,000 = £130,000.

(a)(iii) Calculate the net benefit/(cost) for the first-year of the proposed website upgrade. Enter your answer to the nearest whole pound (£). Enter a net benefit as a positive figure. Enter a net cost as a negative figure. If your answer is zero, then enter 0. (1 mark)

£**−9000**.

To calculate the first-year net benefit/(cost), include the relevant costs and benefits of the website upgrade. Net benefit/(cost) = Total benefits − Total costs = £130,000 − £139,000 = −£9,000.

(a)(iv) Identify the correct statement. (1 mark)

If tangible benefits exceed tangible costs, the proposed website upgrade should be automatically accepted.	
If tangible and intangible benefits outweigh tangible and intangible costs, the proposed website upgrade should be accepted.	✓
If tangible costs exceed tangible benefits, the proposed website upgrade should be automatically rejected.	
Intangible costs and benefits cannot be considered when evaluating the proposed website upgrade.	

- **If tangible benefits exceed tangible costs, the proposed website upgrade should be automatically accepted.** This statement is incorrect because it only considers tangible costs and benefits, such as development costs and increased sales. A website upgrade may also involve important intangible factors, such as improved customer satisfaction, enhanced company reputation, or staff training requirements. These intangible costs and benefits should also be evaluated before making a decision, so the project should not be accepted automatically.
- **If tangible and intangible benefits outweigh tangible and intangible costs, the proposed website upgrade should be accepted.** This statement is correct

because it considers the complete cost–benefit analysis. Both tangible factors (such as implementation costs and increased revenue) and intangible factors (such as customer satisfaction, brand image, and employee morale) are included. If the overall benefits are greater than the overall costs, the website upgrade is considered worthwhile and should be accepted.

- **If tangible costs exceed tangible benefits, the proposed website upgrade should be automatically rejected.** This statement is incorrect because it ignores intangible benefits that may justify the investment. For example, a website upgrade might improve customer trust, strengthen the company's reputation, or provide long-term strategic advantages that are difficult to measure financially. Therefore, the project should not be rejected solely because tangible costs are greater than tangible benefits.
- **Intangible costs and benefits cannot be considered when evaluating a website upgrade.** This statement is incorrect because intangible costs and benefits are an important part of evaluating a project. Although they are difficult to measure in monetary terms, factors such as customer satisfaction, employee morale, brand reputation, and user experience can have a significant impact on the success of the website. Ignoring these factors could lead to a poor decision.

(b)(i) Identify the least appropriate method of data collection for gathering staff opinions and concerns. (1 mark)

Sasha should distribute anonymous staff questionnaires or surveys to gather honest feedback from employees.	☐
Sasha should organise departmental focus groups, with each session facilitated by a Human Resources representative to ensure a fair and supportive environment.	☐
Sasha should arrange one-to-one interviews for staff members who may feel uncomfortable discussing their concerns in a group setting.	☐
Sasha should send a company-wide email inviting staff to share their thoughts and feelings in a detailed, open-ended response and return it directly.	☑

Anonymous staff questionnaires or surveys would be an appropriate method because employees may feel more comfortable sharing honest feedback when their responses cannot be linked to them. This can help identify concerns about productivity, morale, and the impact of the changes without fear of judgement.

Departmental focus groups led by a Human Resources representative would also be suitable because they allow employees to discuss their views openly, ask questions, and explore common concerns in a supportive environment. The HR representative can ensure the discussion remains fair and that useful feedback is collected.

One-to-one interviews would be another effective method, particularly for employees who may not feel confident speaking in a group setting. This approach allows staff to share personal concerns privately and provides more detailed insights into how the website upgrade may affect them.

Sending a company-wide email asking employees to write a detailed, unstructured paragraph about their feelings would be the least appropriate method. Employees may be less willing to provide honest feedback if their responses are identifiable, and the lack of structure may make the information difficult to compare and analyse. Therefore, surveys, focus groups, and interviews would provide more reliable and useful data for understanding staff concerns.

(b)(ii) Complete the following sentence. (1 mark)

Staff questionnaires or surveys are an example of **primary and internal** data.

The data is primary because it is collected directly from employees for the specific purpose of understanding their opinions and concerns. It is internal because the information comes from within the organisation (the staff).

(c) Identify whether the following statements are true or false. (2 marks)

	True	False
The data collected from staff surveys may be influenced by unconscious bias among employees.	☑	☐
An inclusive and diverse workforce would not improve the quality of data collected from staff surveys.	☐	☑

- Staff questionnaires or surveys may be affected by unconscious bias if employees' responses are influenced by their personal experiences, beliefs, or feelings rather than providing completely objective feedback. For example, an employee who is worried about the website upgrade affecting their job role may respond more negatively because of their concerns about change, even if the new system may provide long-term benefits. Unconscious bias can affect the accuracy of the data collected, as responses may reflect personal perceptions rather than the actual impact of the upgrade.
- An inclusive and diverse workforce can improve the quality of staff surveys because employees from different backgrounds, experiences, and perspectives can provide a wider range of opinions and insights. This helps the organisation identify a broader variety of concerns, ideas, and potential issues that may affect different groups of employees. A diverse workforce also encourages more balanced feedback, leading to better decision-making and ensuring that changes, such as a website upgrade, consider the needs of all staff members.

(d) Identify ONE way to reduce data bias from staff surveys. (1 mark)

Only survey senior managers to collect more reliable opinions.	☐
Make the survey anonymous so employees feel comfortable providing honest feedback.	☑
Ask employees to complete the survey only if they have positive opinions about the changes.	☐
Use only short answer questions that limit employee responses.	☐

Data bias is when the data collected is unfair, inaccurate, or does not represent the true views or situation because it has been influenced by factors such as personal opinions, assumptions, the way questions are asked, or who provides the information. For example, in a staff survey about a new website upgrade, data bias may occur if only employees who are happy with the changes complete the survey. The results would not represent the opinions of all staff because negative concerns and problems may be missing. To reduce data bias, organisations can use methods such as anonymous surveys, collecting feedback from a wide range of employees, and asking clear, neutral questions.

- Only surveying senior managers would increase bias because it would exclude the views and experiences of other employees who may be affected by the changes.
- Making the survey anonymous is the most appropriate method because employees are more likely to provide honest and accurate feedback when they do not have to reveal their identity. This reduces the risk that staff will change their answers due to fear of judgement or negative consequences.
- Asking employees to complete the survey only if they have positive opinions would create biased results because it would ignore negative feedback and concerns from staff. Therefore, anonymous surveys provide a more balanced and reliable way to collect staff opinions.
- Using only short questions may limit the amount of information collected and prevent employees from explaining their opinions fully, which could reduce the usefulness of the data.

(e) Complete the following sentence. (1 mark)

There is more likely a **correlation** between staff motivation and productivity.

A relationship may exist because when staff motivation decreases, productivity also decreases. However, this does not prove that lower motivation directly caused lower productivity, as other factors may also influence performance, such as training, resources, workload, or working conditions. Therefore, it is more accurate to identify a correlation rather than causation.

Task 6 - Solutions (10 marks)

(a) Identify whether the following statements are true or false. (2 marks)

Statement	TRUE	FALSE
The manager creates a self-review threat for Safina by suggesting that she could lose her job if she discloses the error.	☐	☑
If Safina takes no further action, she could be in breach of the fundamental ethical principles of integrity, objectivity, professional competence and due care, and professional behaviour.	☑	☐

A self-review threat occurs when an accountant or auditor is required to evaluate or make a judgement on work that they (or their firm) previously performed. This creates a risk that they may not be sufficiently objective because they are reviewing their own work or decisions.

In Safina's situation, there is a self-review threat because she was involved in auditing BGPC's previous year's financial statements, and she has now discovered a material error in those same accounts while carrying out the current year's audit. She may be required to assess whether the previous audit work performed by herself and H&C was appropriate and whether the error should have been identified earlier.

However, the pressure from her manager for Safina to remain silent is more specifically an intimidation threat, rather than a self-review threat. The manager is attempting to influence Safina's judgement by suggesting she could lose her job if she reports the error.

Fundamental ethical principle	How Safina breaches the principle
Integrity	Safina would fail to act honestly and transparently by knowingly allowing a significant and material accounting error to remain unreported and uncorrected.
Objectivity	Safina's professional judgement may be compromised by the intimidation threat from her manager and her fear of losing her job. She would be allowing personal consequences to influence her decision rather than acting independently and ethically.
Professional competence and due care	Safina would fail to carry out her professional responsibilities with appropriate care and diligence by not investigating the error further, reporting it appropriately, or ensuring that the financial statements are corrected.
Professional behaviour	Safina's failure to take action could damage public confidence in the accounting profession and may result in non-compliance with professional standards by allowing materially misstated financial statements to remain available to users.

(b) Identify TWO consequences of Safina's unethical behaviour. (2 marks)

BGPC may lose confidence in H&C's services.	☑
Safina may face disciplinary action from AAT for failing to uphold ethical standards.	☑
Safina will avoid any professional consequences because she followed her manager's advice.	☐
Safina will no longer have any responsibility for the previous year's audit because the accounts have already been filed.	☐
H&C may improve its relationship with BGPC because the error remains undisclosed.	☐

- **BGPC may lose confidence in H&C's services.** Safina's decision not to disclose the material error could damage the trust and confidence that BGPC has in H&C. If BGPC discovers that H&C was aware of the error but failed to take appropriate action, they may question the firm's integrity, professionalism, and ability to provide reliable audit services.
- **Safina may face disciplinary action from AAT for failing to uphold ethical standards.** By agreeing not to report the error and taking no further action, Safina may be found to have breached the AAT fundamental ethical principles, including integrity, objectivity, professional competence and due care, and professional behaviour. As a result, she could face disciplinary action from AAT for failing to meet her professional responsibilities.
- **Safina will avoid any professional consequences because she followed her manager's advice.** This statement is incorrect because Safina remains personally responsible for her own professional conduct. Following instructions from a manager does not remove her ethical obligations, and she could still be held accountable for failing to take appropriate action.
- **Safina will no longer have any responsibility for the previous year's audit because the accounts have already been filed.** This statement is incorrect because the filing of the financial statements does not remove Safina's responsibility to act appropriately when she becomes aware of a material error. Professional accountants must take suitable action when they identify issues that could affect the reliability of financial information.
- **H&C may improve its relationship with BGPC because the error remains undisclosed.** This statement is incorrect because hiding a material error is unethical and could damage H&C's reputation if the issue is later discovered. Maintaining a client relationship should not take priority over professional responsibilities and acting in the public interest.

(c) Identify the recognised stage of the money laundering process that is relevant to each of Edward Moran's concerns. (3 marks)

Concern	
BGPC has made several large payments to overseas companies for wine imports, but no shipping documentation or other supporting evidence exists to show the transactions are legitimate.	**placement**
Edward is aware that Eamon Deacy frequently deposits funds into offshore bank accounts and transfers substantial amounts of money between multiple accounts.	**layering**
Eamon Deacy appears to have significant personal wealth, as evidenced by the valuable artwork displayed in his office, his expensive jewellery, and the luxury vehicle he drives.	**integration**

- BGPC's large payments to overseas companies for wine imports may represent the placement stage of money laundering. Placement involves introducing funds obtained from criminal activity into the legitimate financial system. The lack of shipping documentation or other evidence to support the transactions raises concerns that the payments may be a way of introducing illicit funds into business accounts while making them appear to relate to legitimate commercial activity.
- Eamon Deacy's frequent deposits into offshore bank accounts and transfers of substantial funds between multiple accounts may represent the layering stage of money laundering. Layering involves moving funds through a series of transactions, accounts, or jurisdictions to make it more difficult to trace the original source of the money. The use of multiple accounts and offshore locations may indicate an attempt to obscure the ownership and origin of the funds.
- Eamon Deacy's ownership of valuable artwork, expensive jewellery, and a luxury vehicle may represent the integration stage of money laundering. Integration occurs when criminal proceeds are converted into apparently legitimate assets or wealth that can be enjoyed openly. The purchase and possession of high-value assets may indicate that funds have been successfully introduced back into the economy and appear to come from a legitimate source.

(d) Recommend TWO actions that Edward Moran should take in response to the concerns identified. (2 marks)

Document his concerns and report them through the appropriate internal reporting channels, such as a Money Laundering Reporting Officer.	✓
Inform Eamon Deacy that he intends to report the suspicious activity so that Eamon has an opportunity to explain.	☐
Ignore the concerns because there is no conclusive proof that money laundering has occurred.	☐
Discuss the suspicious transactions with colleagues who are not involved in the engagement.	☐
Request supporting documentation for the overseas wine import payments and seek reasonable explanations for the transactions.	✓

- **Document his concerns and report them through the appropriate internal reporting channels, such as the Money Laundering Reporting Officer (MLRO).** This is an appropriate course of action because Edward has a professional and legal obligation to document any suspicious activity and report it through the organisation's established anti-money laundering (AML) procedures. Maintaining accurate records supports any subsequent investigation and demonstrates compliance with professional and regulatory requirements.
- **Inform Eamon Deacy that he intends to report the suspicious activity so that Eamon has an opportunity to explain.** Informing Eamon that a report is being considered or has been made may constitute "tipping off," which is prohibited under AML legislation in many jurisdictions. Edward should follow internal reporting procedures without alerting the client that suspicious activity has been identified.
- **Ignore the concerns because there is no conclusive proof that money laundering has occurred.** Edward is not required to establish that money laundering has definitely occurred before taking action. A reasonable suspicion is sufficient to require further enquiries and, where appropriate, reporting through the relevant internal channels. Ignoring the warning signs would breach his professional and ethical responsibilities.
- **Discuss the suspicious transactions with colleagues who are not involved in the engagement.** Discussing the matter with individuals who are not authorised or directly involved in the engagement breaches the principle of confidentiality. Edward should only share information with those who have a legitimate need to know, such as the MLRO or authorised senior personnel responsible for handling AML matters.
- **Request supporting documentation for the overseas wine import payments and seek reasonable explanations for the transactions.** Edward should seek

additional information to determine whether there is a legitimate explanation for the transactions. Requesting supporting documentation and reasonable explanations is consistent with exercising professional scepticism and due care before determining whether the activity should be reported as suspicious.

(e) Identify ONE reason why it is important for Edward Moran to exercise professional scepticism in this situation. (1 mark)

To reduce the amount of documentation required when reviewing complex transactions.	☐
To ensure all transactions are approved by management before any further review is performed.	☐
To critically assess the information provided and remain alert to possible indicators of fraud or money laundering.	☑
To protect the reputation of his employer by avoiding concerns being raised about unusual transactions.	☐

Professional scepticism requires Edward to maintain a questioning mindset and critically evaluate evidence rather than accepting information at face value. Given the unusual transactions, lack of supporting documentation, offshore transfers, and indicators of unexplained wealth, scepticism helps Edward identify potential risks of fraud or money laundering and determine whether further action is required.

Task 7 - Solutions (10 marks)

(a) Identify which of the three pillars of sustainability each of the following examples represents. (3 marks)

Example	Pillar of sustainability
BGPC supports and strengthens its local community by creating employment opportunities, offering flexible working arrangements, and contributing to local community initiatives.	**people**
BGPC has chosen to invest in biodegradable inks instead of traditional petroleum-based inks.	**planet**
Arvind Pushon has successfully negotiated a contract with an overseas supplier to purchase raw materials at significantly lower prices.	**profit**

- **BGPC supports and strengthens its local community by creating employment opportunities, offering flexible working arrangements, and contributing to local community initiatives.** This represents the People pillar of sustainability because it focuses on improving the well-being of employees and the wider community. By creating jobs, supporting work-life balance, and investing in local initiatives, BGPC demonstrates social responsibility and helps build a stronger, more sustainable community.
- **BGPC has chosen to invest in biodegradable inks instead of traditional petroleum-based inks.** This represents the Planet pillar of sustainability because biodegradable inks have a lower environmental impact than petroleum-based alternatives. Using more sustainable materials helps reduce pollution, minimise waste, and conserve natural resources, contributing to the protection of the environment.
- **Arvind Pushon has successfully negotiated a contract with an overseas supplier to purchase raw materials at significantly lower prices.** This represents the Profit pillar of sustainability because reducing the cost of raw materials improves the company's financial performance. Lower operating costs can increase profitability, allowing the business to remain competitive, invest in future growth, and achieve long-term economic sustainability.

(b) Identify whether each of the following statements relating to IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, are true or false. (2 marks)

	TRUE	FALSE
IFRS S1 requires organisations to disclose information about governance, strategy, risk management, and metrics and targets.	☑	☐
IFRS S1 focuses exclusively on environmental issues and does not cover social or governance matters.	☐	☑

IFRS S1 is an international reporting standard issued by the International Sustainability Standards Board (ISSB). It sets out the general requirements for how organisations should disclose sustainability-related information that could affect their financial performance and long-term value. Its purpose is to ensure that organisations provide consistent, transparent, and comparable sustainability-related financial information to investors and other stakeholders. This helps users understand how sustainability-related risks and opportunities may affect an organisation's financial position, performance, cash flows, and future prospects.

- **IFRS S1 requires organisations to disclose information about governance, strategy, risk management, and metrics and targets.** This statement is true. IFRS S1 requires organisations to disclose information in these four core areas to help investors and other stakeholders understand how sustainability-related risks and opportunities may affect the organisation's financial performance and long-term value.
- **IFRS S1 focuses exclusively on environmental issues and does not cover social or governance matters.** This statement is false. IFRS S1 covers all sustainability-related risks and opportunities that could reasonably affect an organisation's financial performance. This includes environmental, social, and governance (ESG) matters, not just environmental issues.

(c) Compete the following sentence. (1 mark)

The movement towards prescriptive sustainability guidance refers to the shift to **mandatory**, standardised reporting requirements.

The movement towards prescriptive sustainability guidance refers to the shift from voluntary, principles-based sustainability reporting to mandatory, standardised reporting requirements. In the past, organisations could choose whether and how to report their sustainability activities, often using different frameworks. This made it difficult for investors and other stakeholders to compare information between organisations. To address this, regulators and standard-setting bodies have developed more prescriptive guidance, which sets clear rules on what sustainability information must be disclosed and how it should be reported.

(d) The following actions by Remi Alidu are intended to support the Planet pillar of sustainability. For each action, identify whether the People or Profit pillar may be positively or negatively impacted. (2 marks)

Action	Pillar of sustainability
Sourcing raw materials for recycled paper and cardboard from local suppliers.	**people**
Installing energy-efficient machinery in the factory.	**profit**

- **Sourcing raw materials for recycled paper and cardboard from local suppliers.** This action supports the People pillar because sourcing materials from local suppliers can strengthen the local community and support local businesses. By working with nearby suppliers, Remi Alidu can help create and maintain employment opportunities, encourage economic development within the community, and build stronger relationships with local stakeholders.
- **Installing energy-efficient machinery in the factory.** This action supports the Profit pillar because energy-efficient machinery can reduce the company's operating costs over time. Although the initial investment may be expensive, lower energy consumption can reduce production expenses, improve efficiency, and increase the company's long-term profitability and competitiveness.

(e) Compete the following sentence. (1 mark)

BGPC advertises one of its range of cardboard products as "eco-friendly" because it uses a small amount of recycled material, while most of the packaging is still made from non-recyclable plastic.

This is an example of **greenwashing**. .

This is an example of greenwashing because BGPC is promoting a product as "eco-friendly" based on a limited environmental benefit, even though most of the packaging is still made from non-recyclable plastic. The claim may mislead customers into believing the product has a much lower environmental impact than it actually does. Greenwashing occurs when a company exaggerates or overstates its sustainability achievements to appear more environmentally responsible.

This is not green marketing because genuine green marketing involves promoting environmental benefits that are accurate, transparent, and supported by evidence. If BGPC wanted to use green marketing, it would need to provide clear information about the recycled content, recyclability, and overall environmental impact of the product.

This is not greenhushing because BGPC is not hiding its sustainability activities. Instead, it is actively promoting an environmental claim. Greenhushing occurs when a company reduces or avoids communicating its genuine sustainability efforts. A key difference is that greenwashing overstates or falsely promotes environmental achievements, whereas greenhushing under reports or hides genuine environmental achievements.

(f) Identify which ONE of the following is not a challenge when implementing a sustainability policy. (1 mark)

Balancing sustainability with profitability.	☐
Difficulty measuring sustainability performance.	☐
Changes in customer preferences.	☑
Lack of knowledge and skills.	☐

- **Balancing sustainability with profitability.** This is a challenge when implementing a sustainability policy because businesses must find a balance between investing in sustainable practices and maintaining financial performance. Sustainable options, such as renewable energy, environmentally friendly materials, or new technologies, may involve higher initial costs, which can reduce short-term profits. However, they may provide financial benefits in the long term through cost savings and improved reputation.
- **Difficulty measuring sustainability performance.** This is a challenge because organisations may find it difficult to measure the success and impact of their sustainability activities. Environmental and social outcomes, such as reducing carbon emissions or improving community impact, can be complex to quantify. Without accurate measurements, it can be difficult for businesses to track progress and demonstrate their sustainability achievements.
- **Changes in customer preferences.** This is not specifically a challenge of implementing a sustainability policy because changes in customer preferences are a general business issue rather than a barrier to introducing sustainability practices. Although customer preferences may influence business decisions, they do not directly prevent an organisation from developing or implementing a sustainability policy.
- **Lack of knowledge and skills.** This is a challenge because employees and managers may not have the expertise required to implement sustainability initiatives effectively. Organisations may need to provide training and develop new skills to ensure employees understand sustainable practices, reporting requirements, and how to achieve sustainability targets.

Task 8 - Solutions (14 marks)

Chris West receives payment for a large order of packaging materials from a long-standing customer who has a personal relationship with Chris's father. Instead of receiving the usual single payment from the customer's registered business account, the invoice is paid through five separate bank transfers made over a two-day period. Each payment comes from a different company with no apparent connection to the customer. Shortly afterwards, the customer requests that an overpayment is refunded to a bank account held by another company, stating that the payment was made due to an "administration error."

(a)(i) Complete the following sentences. (3 marks)

The money laundering offence that may be committed by the customer would be **layering**. If Chris West takes no further action he is most likely to breach the fundamental ethical principle of **integrity**. A key threat to Chris's fundamental ethical principles would be **familiarity**.

The money laundering offence that may be committed by the customer would be **layering**. The customer is using multiple payments from unrelated companies and requesting a refund to another company's account. These actions may be intended to disguise the origin and movement of funds. **Placement** is the first stage of money laundering, where illegal funds are introduced into the financial system. The scenario does not describe the customer initially putting criminal money into a bank account; instead, it describes movement of funds through multiple companies and accounts to disguise their source. **Integration** is when laundered money is reintroduced into the legitimate economy so it appears to come from a lawful source e.g. buying property or investing in a legitimate business.

If Chris West takes no further action he is most likely to breach the fundamental ethical principle of **integrity**. By ignoring suspicious activity and failing to report concerns, Chris may be allowing himself to be associated with potentially unlawful activity. Integrity requires accountants to be honest and not knowingly ignore inappropriate conduct. **Objectivity** requires accountants to avoid bias, conflicts of interest, and undue influence. Although Chris's relationship with the customer could affect his judgement, the question asks about the principle most likely breached if he takes no action. Ignoring suspected money laundering is primarily a failure to act honestly and appropriately, which relates to integrity. **Confidentiality** concerns protecting information obtained through professional relationships. Chris would not breach confidentiality by reporting suspicious activity through the correct AML procedures. **Professional competence and due care** relates to maintaining knowledge, skills, and applying appropriate care. Chris could breach this if he failed to follow AML procedures properly, but the main ethical concern is that he knowingly ignores warning signs.

A key threat to Chris's fundamental ethical principles would be **familiarity**. Chris may be influenced by the personal relationship between the customer and his father, as well as the long-standing customer relationship. This could cause Chris to become too trusting and reduce his professional scepticism when assessing the unusual transactions. **Self-interest** threat arises when personal financial interests or other benefits influence judgement. The scenario does not mention Chris benefiting financially from the customer or wanting to retain the customer for personal gain. **Self-review** threat occurs when an accountant reviews or assesses their own previous work. Chris is not reviewing his own work or decisions in this situation. **Intimidation** threat occurs when pressure, threats, or influence from others prevent an accountant from acting objectively. There is no indication that Chris has been pressured by the customer, colleagues, or management. **Advocacy** threat occurs when an accountant promotes or supports a client's position to the extent that objectivity is compromised. Chris is not defending or promoting the customer's interests.

(a)(ii) Recommend the appropriate action Chris West should take in response to the suspicious activity identified. (1 mark)

Report the suspicious activity immediately to BGPC's Money Laundering Reporting Officer.	☑
Personally submit a Suspicious Activity Report (SAR) to the National Crime Agency.	☐
Arrange the refund requested and await any further instructions from the customer.	☐
Gather and document the relevant information and take no further action.	☐

- **Report the suspicious activity immediately to BGPC's Money Laundering Reporting Officer.** Chris should follow BGPC's internal AML procedures by escalating his concerns to the MLRO. The MLRO is responsible for assessing suspicious activity and deciding whether a Suspicious Activity Report (SAR) should be submitted to the National Crime Agency.
- **Personally submit a Suspicious Activity Report (SAR) to the National Crime Agency.** Employees such as Chris would normally make an internal report to the MLRO, not directly submit a SAR themselves. The MLRO is responsible for deciding whether a SAR should be filed.
- **Arrange the refund requested and await any further instructions from the customer.** Processing the refund could allow the movement of potentially criminal funds and may assist money laundering. Chris should not complete the transaction without following AML procedures.
- **Gather and document the relevant information and take no further action.** While gathering and documenting information is useful, taking no further action would fail to address the suspected money laundering risk. Chris must escalate the matter appropriately.

(a)(iii) Identify TWO risks associated with BGPC's current anti-money laundering (AML) procedures. (2 marks)

The new AML system may not prevent fraudulent transactions from occurring.	☐
BGPC could face regulatory fines or penalties for non-compliance.	☐
Customer information may no longer be accurate.	✓
Suspicious transactions may not be reported to the relevant authorities.	☐
Suspicious transactions could be overlooked during busy periods.	✓
Employees could unknowingly facilitate money laundering due to insufficient training.	☐

- **The new AML system may not prevent fraudulent transactions from occurring.** This is not a correct answer because the question asks about risks associated with BGPC's current AML procedures. The statement refers to the effectiveness of the new AML system, which has not yet been implemented. The email does not suggest that the new system will fail to prevent fraud.
- **BGPC could face regulatory fines or penalties for non-compliance.** Although this is a possible consequence of poor AML controls in general, the email does not state or imply that BGPC is currently non-compliant or at risk of regulatory action. Candidates should base their answers only on the information provided in the scenario.
- **Customer information may no longer be accurate.** This is a correct answer because the email states that customer due diligence has not always been updated for long-standing customers. If customer information is not reviewed and updated regularly, details such as ownership, address, business activities, or risk profile may become outdated, increasing the risk that the company is making decisions based on inaccurate information.
- **Suspicious transactions may not be reported to the relevant authorities.** The email does not mention any failures in reporting suspicious transactions to regulators or law enforcement. It only identifies weaknesses in updating customer due diligence and manually reviewing transactions. Therefore, this risk cannot be inferred from the information given.
- **Suspicious transactions could be overlooked during busy periods.** This is a correct answer because the email explains that large or unusual payments rely only on manual review. Manual processes are more susceptible to human error,

particularly during busy periods or when staff are under pressure. As a result, suspicious transactions may not be identified or investigated promptly.

- **Employees could unknowingly facilitate money laundering due to insufficient training.** While the email mentions that training will be provided, it does not state that existing staff have insufficient AML training or that this has contributed to weaknesses in the current procedures. The identified weaknesses relate to outdated customer due diligence and manual transaction reviews, not employee competence or training.

(a)(iv) Identify ONE way in which Artificial Intelligence (AI) could improve anti-money laundering (AML) compliance. (1 mark)

It can remove the legal requirement for BGPC to carry out customer due diligence.	☐
It can automatically identify unusual transaction patterns that may indicate suspicious activity.	☑
It can guarantee that all money laundering offences will be detected and prevented.	☐
It can allow BGPC to submit Suspicious Activity Reports (SARs) without any human review.	☐

- **It can remove the legal requirement for BGPC to carry out customer due diligence.** AI can support customer due diligence by analysing data and identifying high-risk customers, but it cannot replace the legal requirement to perform customer due diligence.
- **It can automatically identify unusual transaction patterns that may indicate suspicious activity.** AI can analyse large volumes of transactions in real time, identify unusual patterns, and flag potentially suspicious activity for further investigation, improving the effectiveness and efficiency of AML monitoring.
- **It can guarantee that all money laundering offences will be detected and prevented.** AI improves detection capabilities but cannot guarantee that every instance of money laundering will be identified or prevented. Human judgement and oversight remain essential.
- **It can allow BGPC to submit Suspicious Activity Reports (SARs) without any human review.** AI may assist in preparing or prioritising reports, but decisions to submit SARs should be reviewed and authorised in accordance with the organisation's AML procedures. Human oversight remains necessary.

Remi Alidu wants to implement the following actions within BGPC.

(b)(i) Identify whether the following actions promote environmental sustainability.
(4 marks)

Actions	Environmental sustainability
Operate honestly, prevent corruption, and maintain responsible relationships with customers and suppliers.	**No**
Produce thinner, lower-cost packaging materials that are biodegradable and cannot be reused.	**No**
Develop products that are easier for customers to recycle or that can be reused multiple times.	**Yes**
Provide clear recycling instructions on packaging to encourage correct disposal.	**Yes**

- **Operate honestly, prevent corruption, and maintain responsible relationships with customers and suppliers.** This action does not directly promote environmental sustainability because it relates mainly to ethical behaviour, corporate governance, and social responsibility. Although responsible relationships with suppliers and customers are important for a business, the action does not specifically reduce environmental impacts such as waste, emissions, or resource usage.
- **Produce thinner, lower-cost packaging materials that are biodegradable and cannot be reused.** Although biodegradable packaging may reduce the environmental impact compared with traditional non-biodegradable materials, producing thinner, lower-quality packaging that cannot be reused may increase the amount of packaging waste generated. A more sustainable approach would be to design packaging that is durable, reusable, and recyclable, reducing the need for new materials and lowering waste over its lifecycle.
- **Develop products that are easier for customers to recycle or that can be reused multiple times.** This action promotes environmental sustainability because recyclable and reusable packaging reduces the amount of waste sent to landfill. It also reduces the need for new raw materials, helping to conserve natural resources and lower the environmental impact of the packaging production process.
- **Provide clear recycling instructions on packaging to encourage correct disposal**. This action promotes environmental sustainability because clear recycling instructions help customers dispose of packaging correctly. This can increase recycling rates, reduce litter, and ensure that packaging materials are processed in the most environmentally responsible way.

(b)(ii) Identify whether the following statements are true or false. (3 marks)

Statement	TRUE	FALSE
Using recycled cardboard and reducing plastic usage is an example of intellectual capital.	☐	☑
Artificial Intelligence (AI) can be used to optimise packaging designs by reducing material usage while maintaining product quality and protection.	☑	☐
A phishing attack could result in confidential information about new packaging designs being disclosed publicly, and is a breach of General Data Protection Regulation.	☐	☑

- **Using recycled cardboard and reducing plastic usage is an example of intellectual capital.** This statement is false because using recycled cardboard and reducing plastic usage relates to natural capital, not intellectual capital. Natural capital refers to the environmental resources and ecosystems that businesses rely on, such as raw materials, energy, and natural resources. Intellectual capital relates to the knowledge, skills, innovation, and expertise within a business, such as developing a new sustainable packaging design or recycling technology.
- **Artificial Intelligence (AI) can be used to optimise packaging designs by reducing material usage while maintaining product quality and protection.** This statement is true because AI can analyse large amounts of data and identify ways to improve packaging designs. A packaging company could use AI to create lighter designs that use fewer raw materials while still protecting products effectively. This can reduce waste, lower production costs, and support environmental sustainability objectives.
- **A phishing attack could result in confidential information about new packaging designs being disclosed publicly, and is a breach of General Data Protection Regulation.** This statement is false because the GDPR mainly protects personal data relating to individuals, such as customer, employee, or supplier information. If a phishing attack resulted in new packaging designs being leaked, this would more likely be a breach of confidentiality, intellectual property rights, or cybersecurity controls rather than a GDPR breach. However, if the leaked information included personal data, then GDPR requirements could apply.