PROFESSIONAL AWARDS

Fundamental Case Study (FCS): Advance Information

Exam title: Fundamental Case Study (FCS)

Exam code: FCS C/2026

Teakmore Ltd

Contents

This document reflects information available as of Tuesday 13 January 2026.

1 Introduction: Teakmore Ltd

Teakmore Ltd (Teakmore) is a UK manufacturer of street furniture, such as waste bins and pedestrian shelters at bus stops. Teakmore makes sales on credit to public sector and private sector customers across the UK. Teakmore has in recent years generated revenues of approximately £40 million a year, with operating profit margins averaging 12%.

Industry information

The manufacture of street furniture is a mature industry. The industry is cyclical and benefits when there is central and local government investment in public transport projects, and when private businesses engage in housebuilding. It is negatively affected by general economic uncertainty which reduces public and private sector spending.

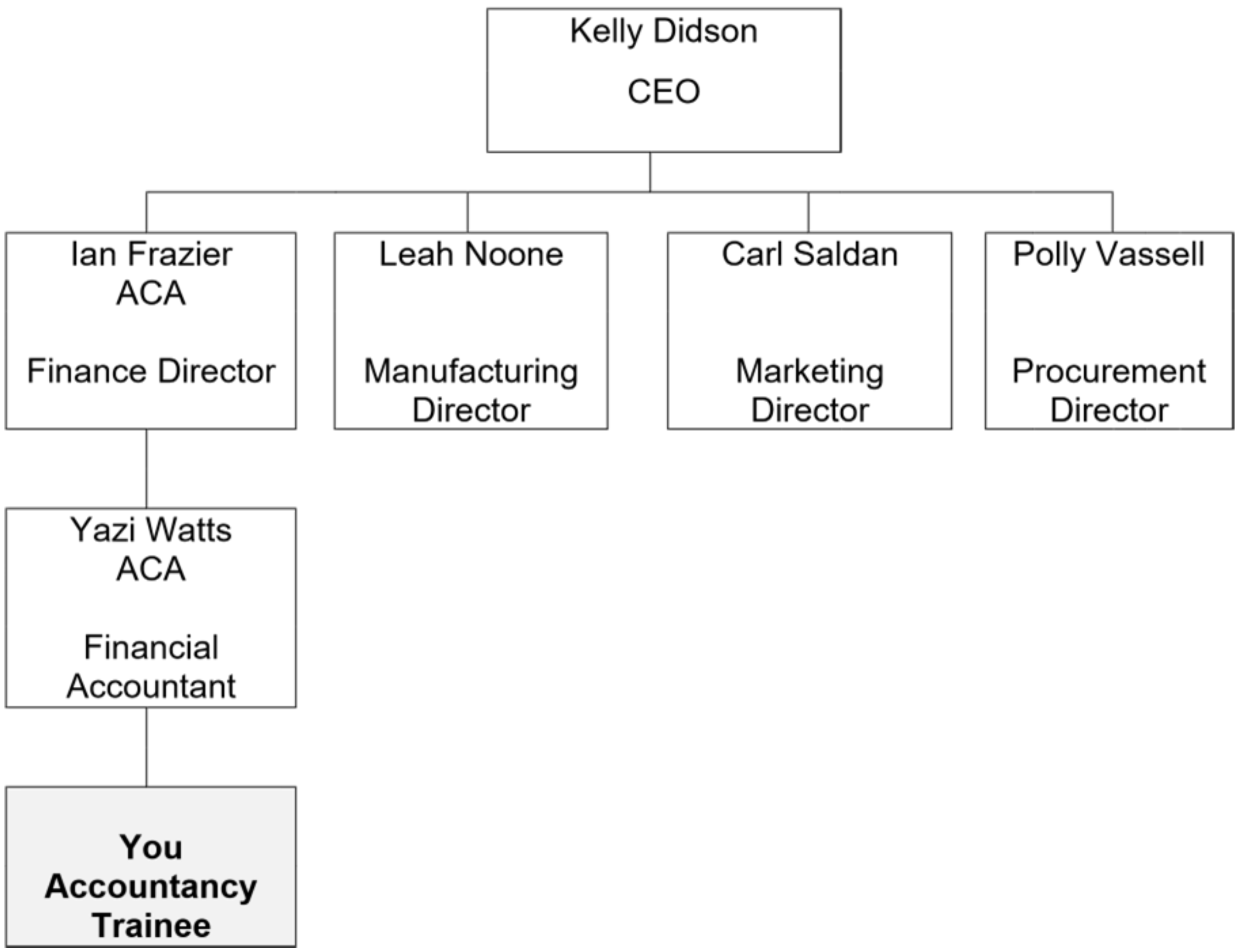
Company history

Teakmore was established in 1970 by the grandparents of Kelly Didson, who is now the Chief Executive Officer (CEO). Teakmore initially manufactured only large waste bins to be installed on streets near retail outlets. Over time Teakmore expanded the range of waste bin styles, and added further products such as bicycle and pedestrian shelters, barriers for restricting traffic flow on public streets, and benches in parks and other leisure areas.

Kelly Didson, the CEO, is proud of Teakmore's sustainability record. For many years Teakmore has championed the use of recycled materials in developing and manufacturing products which support environmental and social sustainability, such as recycling bins and public benches. Together with sustainability, Teakmore's board places great emphasis on ethical operational behaviour, and strives to have an ethical culture, for example by promoting its business code of ethics.

Teakmore is 100% equity-funded, as the Didson family has always sought to avoid debt. Dividends of £250,000 in total are usually paid each year to Teakmore's shareholders, who are all members of the Didson family. Apart from Kelly, no members of the Didson family are employed by Teakmore.

Organisation chart (extract)



Your role

You are an accountancy trainee at Teakmore and a student member of ICAEW. You report to Yazi Watts, the financial accountant, who reports to Ian Frazier, the finance director. Both Yazi and Ian are ICAEW Chartered Accountants.

As part of your role, you help in the preparation of accounting information, and you provide technical support to Teakmore's directors when required.

2 Business activities

Teakmore operates its manufacturing and administrative functions from an industrial estate.

Manufacturing

Teakmore's finished products are manufactured using a combination of strong moulded plastic and rigid metal frames.

The large factory has three production lines:

- moulding of plastic parts;
- metal frame-building; and
- assembly of finished products.

The factory building also incorporates a goods inwards section, a warehouse area and a despatch section.

Procurement

Inventory management, in terms of ensuring sufficient material quantities are available, is essential to maintaining efficient production and meeting demand. Employees in Teakmore's procurement function aim to secure the best prices and to ensure that the upstream supply chain is both ethical and sustainable, for example by sourcing recycled plastic for the moulding production line.

Sales

Public sector customers comprise: local government bodies, roads authorities and operators of public transport hubs such as train and bus stations. Private sector customers are mostly in the construction and housebuilding industries. Due to the increasing requirement for organisations to engage in sustainability reporting, most customers need sustainability information relating to their purchases.

3 Financial statements extracts

Teakmore Ltd:

Statement of profit or loss for the year ended 28 February 2025

	£'000
Revenue	38,865
Cost of sales	(17,816)
Gross profit	21,049
Administrative expenses	(7,507)
Distribution costs	(8,833)
Operating profit	4,709
Income tax expense	(942)
Profit for the year	3,767

Teakmore Ltd:

Statement of financial position as at 28 February 2025

	£'000	£'000
ASSETS		
Non-current assets		
Property, plant and equipment		20,312
Current assets		
Inventories	7,687	
Trade and other receivables	5,983	
Cash and cash equivalents	1,266	
		14,936
Total assets		**35,248**
EQUITY AND LIABILITIES		
Equity		
Ordinary share capital (£1 shares)		2,500
Retained earnings		28,388
		30,888
Current liabilities		
Trade and other payables	3,889	
Taxation	471	
		4,360
Total equity and liabilities		**35,248**

4 Accounting information

General information

Teakmore's financial statements are prepared in accordance with IFRS® Accounting Standards. Assets, liabilities, equity, income and expenses are recognised and measured in accordance with the definitions and principles in the appropriate standards and the IFRS *Conceptual Framework for Financial Reporting*.

Property, plant and equipment

Property, plant and equipment (PPE) consists of: land, buildings, machinery (the production lines) and motor vehicles. PPE is measured at historical cost less accumulated depreciation.

For each category of PPE there is a different method for calculating depreciation and for classifying the depreciation expense:

PPE category	**Depreciation method**	**Classification of depreciation expense**		
		Cost of sales %	**Administrative expenses %**	**Distribution costs %**
Land	Not depreciated	n/a	n/a	n/a
Buildings	2% straight line on historical cost	65	20	15
Machinery	10% straight line on historical cost	100	0	0
Motor vehicles	25% reducing balance	60	10	30

Inventories

Inventories comprise materials, work-in progress (WIP) and finished goods. Inventories are measured at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables as at 28 February 2025 consisted of:

	£'000
Trade receivables	5,829
Prepayments	154
Trade and other receiveables	5,983

Any trade receivable which Teakmore does not expect to collect is written off to administrative expenses as an irrecoverable debt.

Prepayments mainly relate to insurance, utilities and software subscriptions. These expenses are included in administrative expenses in the period to which they relate.

Trade and other payables

Trade and other payables as at 28 February 2025 consisted of:

	£'000
Trade payables	3,141
Accruals	748
Trade and other payables	3,889

Accruals mainly relate to marketing campaigns. These expenses are included in distribution costs in the period in which they are run.

5 Statutory audit

Teakmore's board of directors has decided to appoint Hulme and Bailey LLP (HB) as the statutory auditor for the year ended 28 February 2026.

HB has fully completed all of the acceptance procedures needed to accept its appointment as Teakmore's statutory auditor.

On the basis that the appointment will be accepted, Maia Jameel, HB's audit partner, recently contacted Ian Frazier, the finance director, to discuss audit engagement planning. Maia confirmed to Ian that HB will attend the inventory count on 28 February 2026 and will focus on Teakmore's payroll systems during the initial audit visit in March.

Maia has also spoken to Ian about the need to perform directional testing on the payroll system in order to detect both under and overstatement of amounts in the financial statements.

6 Current issues and new developments

Government macroeconomic policy

Teakmore Ltd has recently seen a decline in demand from public sector customers, such as local government bodies and roads authorities, due to reduced government spending. In response to these "austerity" measures, the UK government is considering shifting its economic approach to stimulate growth in infrastructure and public transport. Teakmore is interested in how different types of government economic policy would have an impact on demand both across the economy and for its products.

New product: the ‘Tabicha’

Teakmore’s board is considering how to enter the consumer market to increase its revenue. Carl Saldan, the marketing director, believes there is a market for a new product, the ‘Tabicha’, which is a weather-resistant table and chair set made from recycled materials. Sales of Tabichas will be made direct to consumers via an online selling platform. Leah Noone, the manufacturing director, identified suitable designs for the Tabicha but believes existing production lines will lack capacity. Polly Vassell, the procurement director, believes that Teakmore can source appropriate recycled materials from a new supplier.

Kelly Didson, the CEO, is considering whether to set up a consumer division. Initially this will be for the Tabicha but in time other consumer products will follow. She plans to treat it as an investment centre with full manufacturing and sales autonomy from the existing business. She is aware that some products such as the Tabicha may appeal to both consumers and the public sector. Were this to be the case, such products would be manufactured by the consumer division and be sold by the existing division which will focus on public sector customers. The result is that a transfer price will need to be established. Kelly is also interested in what the behavioural and financial issues would be in terms of sharing profit across the two divisions given that they are both likely to be set up as profit centres.

Cash flow and liquidity

Gentral plc (Gentral), a large customer in the construction industry, unexpectedly ceased trading in November 2025 owing Teakmore a significant amount of money. Teakmore wrote this debt off as irrecoverable in the nominal ledger.

The directors are concerned that non-recovery of this large amount may cause cash flow problems for Teakmore. They are also worried about the effect on liquidity if another large debt becomes irrecoverable in the near future, so they are investigating actions to address short term liquidity problems if they arise.

Until recently Teakmore had not been concerned about cash budgeting as its cash operating cycle was always very healthy. However the unexpected need to fully write off such a large debt highlighted the importance for Teakmore of more rigorous cash management. Ian is working with a new supplier to implement new accounting software that will incorporate a treasury management module with a cashflow forecasting tool. In the meantime, an internal IT specialist has set up a detailed spreadsheet for cash budgeting.

Following the unexpected collapse of Gentral in November 2025, several of Gentral's creditors expressed anger toward Gentral's statutory auditors. One creditor stated, "The auditors signed off the accounts earlier that year, so they should have guaranteed that the company was solvent and that no fraud had occurred. Since the company failed, the auditors clearly didn't do their job."

At Teakmore, Kelly is concerned that the Didson family shareholders might have similar misconceptions about the upcoming audit by Hulme and Bailey LLP (HB).

Sustainability

Sustainability is important to Teakmore's customers.

A customer suggested to Kelly that Teakmore should complete a life cycle assessment (LCA) for its products to evaluate its environmental sustainability performance. Kelly is aware that this information may be useful when preparing Teakmore's strategic report that will accompany the financial statements for the year ended 28 February 2026.

Kelly has also become aware of environmental costing, specifically the environmental cost quality model and would also like to measure the sustainability impact of the Tabicha product using key performance indicators.

Codes of ethics

As part of its commitment to ethical behaviour, Teakmore has a business code of ethics. This emphasises that all employees should be straightforward and honest in their dealings with all stakeholders. It also states that an employee who faces an ethical dilemma at work should initially discuss it with their line manager.

Employees with professional qualifications are expected, in addition, to comply with their profession's code of ethics.