

# **Tutorial Letter 101/3/2020**

## **Corporate Governance in accountancy AUE2602**

### **Semesters 1 and 2**

### **Department of Auditing**

This tutorial letter contains important information  
about your module.

BARCODE

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Dear Student

As part of this tutorial letter, we wish to inform you that Unisa has implemented a transformation charter based on five pillars and eight dimensions. In response to this charter, we have also placed curriculum transformation high on the agenda. For your information, curriculum transformation includes the following pillars: student-centred scholarship, the pedagogical renewal of teaching and assessment practices, the scholarship of teaching and learning, and the infusion of African epistemologies and philosophies. These pillars and their principles will be integrated at both the programme and module levels, as a phased-in approach. You will notice the implementation thereof in your modules, and we encourage you to fully embrace these changes during your studies at Unisa.

## 1 INTRODUCTION TO THE MODULE

It gives us great pleasure to welcome you as an AUE2602 student in the Department of Auditing. We, as lecturers, are at your disposal and will gladly assist you in your studies. Be assured of our willingness to support you with advice during your studies.

Because this is a blended module, you will need to use myUnisa to study and complete the learning activities for this module. Visit the website for AUE2602 on myUnisa frequently. The website for your module is AUE2602-20-S1/S2.

### 1.1 Getting started ...

Owing to the nature of this module, you can read about the module and find your study material online. Go to the website at <https://my.unisa.ac.za> and log in using your student number and password. You will see AUE2602-20-S1/S2 in the row of modules displayed in the orange blocks at the top of the webpage. Select the **More** tab if you cannot find the module you require in the blocks displayed. Then click on the module you want to open.

You will receive this tutorial letter and a printed copy of some of the online study material for your module. While the printed material may appear different from the online study material, they contain the same information.

### Study material

You will be supplied with the following tutorial material for this module by the Despatch Department:

- Study guide (also available online through the learning units on *myUnisa*) and
- Tutorial Letters (Note that based on a Unisa decision, for this module some tutorial letters of less than 20 pages, are only available online on *myUnisa* under additional resources)

**PLEASE NOTE:** The study guide and tutorial letters of this module are **VERY IMPORTANT** and you **cannot expect to pass this module if you did not work through each of them.**

To contact the Department of Despatch regarding tutorial material that you have not received, but should have, use the contact detail indicated in the booklet entitled **Study @ Unisa** (which you received with your tutorial material).

You may access the tutorial letters for the modules for which you are registered on the University's online campus, *myUnisa*, at <http://my.unisa.ac.za>. You can also use *myUnisa* to confirm that you have received all the tutorial letters. Students must be registered for a *myLife* email address and must be able to access *myUnisa* to be able to access their study material, important announcements, submit assignments, gain access to the Library functions and various learning resources, download study material, "chat" to their lecturers and fellow students about their studies and the challenges they encounter, and participate in online discussion forums.

### ***myUnisa* and *myLife* email address**

In addition to registering on *myUnisa*, it is crucial that you activate your *myLife* email address, as all your official correspondence regarding this module will be sent to your *myLife* address and not your private email address. Please consult with the **Study @ Unisa** publication for more information on the activation of your *myLife* email address as well as obtaining access to the *myUnisa* module site.

**PLEASE NOTE:** Refer to the **Study @ Unisa** brochure for details on how to **forward your *myLife* e-mail** to another e-mail address or your choice.

Go to the website <https://my.unisa.ac.za> and login with your student number and password. Then you will see **AUE2602** in your row of modules, in the orange bar across the top of the webpage.

We wish you much success in your studies!

## **2 PURPOSE AND OUTCOMES**

### **2.1 Purpose**

The purpose of the module is for students to gain knowledge, skills and competence in preliminary audit engagement activities, planning an audit and formulating appropriate tests of controls. This module equips students with the knowledge to: (i) evaluate a client before accepting the audit engagement, (ii) evaluate an audit client to appropriately plan an audit, and (iii) formulate basic tests of controls to collect sufficient appropriate audit evidence for each of the four business cycles.

You are responsible to pace yourself when studying this module. The volume of work is enormous and therefore bear this in mind when planning your studies. Spread your studies evenly throughout the semester.

Also use the study @ Unisa brochure for general time management and planning.

## 2.2 Outcomes

The outcomes of this module can be found in the beginning of each of the different study units in your study guide.

During the semester you should:

- work through your study material, make summaries and complete the activities.
- read the announcements on *myUnisa*.
- answer the questions contained in Tutorial Letter 102 and compare your answers with the suggested solutions contained in Tutorial Letter 102.
- complete and submit assignment 01 (compulsory assignment for examination admission) and assignment 02 **before the due dates**. All the compulsory assignments are included in this tutorial letter.
- prepare yourself for the examination (for examination preparation and technique refer to the **Study @ Unisa** brochure).

All students will receive access to the solutions of the assignments, even if they do not submit their assignments.

## 3 LECTURER(S) AND CONTACT DETAILS

### 3.1 Lecturer(s)

The lecturers responsible for this module, and to whom you should direct your enquiries, is:

Ms G Richard

E-mail: [AUE2602@unisa.ac.za](mailto:AUE2602@unisa.ac.za)

Tel: 012 429 6480/+27 12 429 6480

#### Course co-ordinator:

Prof HJ Theron

E-mail: [therohj@unisa.ac.za](mailto:therohj@unisa.ac.za)

Tel: 012 429 4364/+27 12 429 4364

**PLEASE NOTE:** Personal appointments should be arranged beforehand. Come prepared and ensure that you have worked through your study guide when visiting us.

**Always have your student number and module code ready when you contact the university!!!**

### 3.2 Department

#### Department of Auditing:

If you wish to write to us, letters should be addressed to:

The Module leader: AUE2602

Department of Auditing

PO Box 392

UNISA

0003

#### Secretary:

Tel: 012 429 4707/ +27 12 429 4707

### Departmental Webpage:

<http://www.unisa.ac.za/sites/corporate/default/Colleges/Accounting-Sciences/Schools,-departments-&-centre/School-of-Accountancy/Department-of-Auditing>

### 3.3 College

College related undergraduate enquiries should be directed to: +2712 429 2233/2982 or [CASenquiries-undergraduate@unisa.ac.za](mailto:CASenquiries-undergraduate@unisa.ac.za)

### 3.4 University

If you need to contact the University about matters not related to the content of this module, please consult the brochure **Study @ Unisa**, which you should have received with your study material. In this document you will find the contact details of various administrative departments. If you did not receive this document and have access to the Internet, you can find it on *myUnisa* under the 'Resources' option. Remember to always have your student number ready when making an enquiry.

**Please ensure that you contact the correct section or department for each enquiry** as this will result in a speedy resolution of the enquiry.

The contact details are:

#### E-mail addresses:



- [info@unisa.ac.za](mailto:info@unisa.ac.za) for general enquiries
- [study-info@unisa.ac.za](mailto:study-info@unisa.ac.za) for application and registration related enquiries (prospective and registered students)
- [international@unisa.ac.za](mailto:international@unisa.ac.za) for international students (registration-related enquiries)
- [assign@unisa.ac.za](mailto:assign@unisa.ac.za) for assignment enquiries
- [exams@unisa.ac.za](mailto:exams@unisa.ac.za) for examination enquiries
- [despatch@unisa.ac.za](mailto:despatch@unisa.ac.za) for study material enquiries
- [finan@unisa.ac.za](mailto:finan@unisa.ac.za) for student account enquiries
- [gaudeamus@unisa.ac.za](mailto:gaudeamus@unisa.ac.za) for graduation enquiries
- [myUnisaHelp@unisa.ac.za](mailto:myUnisaHelp@unisa.ac.za) for assistance with myUnisa
- [myLifeHelp@unisa.ac.za](mailto:myLifeHelp@unisa.ac.za) for assistance with myLife email accounts
- [aegrotats@unisa.ac.za](mailto:aegrotats@unisa.ac.za) for aegrotat exams
- [remark@unisa.ac.za](mailto:remark@unisa.ac.za) for remarking of papers
- [recheck@unisa.ac.za](mailto:recheck@unisa.ac.za) for rechecking of papers
- [condiscipuli@unisa.ac.za](mailto:condiscipuli@unisa.ac.za) for fellow student names
- [counselling@unisa.ac.za](mailto:counselling@unisa.ac.za) for student counselling and career development
- [vospresc@unisa.ac.za](mailto:vospresc@unisa.ac.za) for enquiries about prescribed books
- [purhasescript@unisa.ac.za](mailto:purhasescript@unisa.ac.za) for purchasing of papers

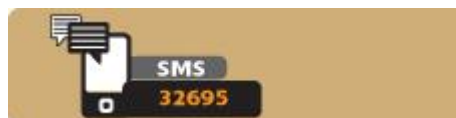
### Library

The **Study @ Unisa** booklet, which is part of your registration package, lists all the services offered by the Unisa library.

General library catalogue enquiries  
 Library Web co-coordinator  
 Inter-library loans enquiries  
 Enquiries about subject databases  
 Library information desk  
 Enquiries about training presented  
 by the library  
 Send a question to the library staff

[bib-oasis@unisa.ac.za](mailto:bib-oasis@unisa.ac.za)  
[bib-web@unisa.ac.za](mailto:bib-web@unisa.ac.za)  
[libr-ill@unisa.ac.za](mailto:libr-ill@unisa.ac.za)  
[bib-dbase@unisa.ac.za](mailto:bib-dbase@unisa.ac.za)  
[bib-help@unisa.ac.za](mailto:bib-help@unisa.ac.za)  
  
[bib-oplei@unisa.ac.za](mailto:bib-oplei@unisa.ac.za)  
[bibrefq@unisa.ac.za](mailto:bibrefq@unisa.ac.za)

### SMS numbers:



Send an SMS to 32695 for more information on how to contact Unisa via SMS (only for students within the borders of South Africa). Students will receive an auto response SMS with the various SMS options. Standard SMS rates apply.

### Students can also SMS enquiries directly to:

43578 for Applications and registrations\*  
 43584 for Assignments\*  
 43584 for Examinations\*  
 43579 for Study material\*  
 31954 for Student accounts\*  
 43582 for *myUnisa* and *myLife*\*

\* The SMS number is only for students residing in South Africa. International students are urged to make use of the e-mail address [info@unisa.ac.za](mailto:info@unisa.ac.za).

### Fax number:



Fax enquiries to +27 (0)12 429 4150  
 Online address <http://my.unisa.ac.za>  
 Unisa website <http://www.unisa.ac.za>

### Other means of contacting the university are:

Physical address                      University of South Africa  
    Preller Street  
    Muckleneuk  
    Pretoria  
    City of Tshwane

Postal address                        University of South Africa  
    PO Box 392  
    UNISA  
    0003

**NB: Lecturers cannot assist you with registration, payments, module codes, examinations, etc. These are administrative issues which should be discussed with the relevant sections.**

## **4 RESOURCES**

The resources at your disposal are classified into the following categories:

### **4.1 Joining myUnisa**

If you have access to the internet, you can quickly access resources and information at the University. The myUnisa learning management system is the University's online campus which will help you to communicate with your lecturers, with other students and with the administrative departments at Unisa.

You can start at the main Unisa website at <http://www.unisa.ac.za> and then click on the myUnisa orange block. This will take you to the myUnisa website. To go to the myUnisa website directly, go to <https://my.unisa.ac.za>. Click on the Claim UNISA Login on the top of the screen on the myUnisa website. You will then be prompted to give your student number in order to claim your initial myUnisa details, as well as your myLife email login details.

For more information on myUnisa, consult the brochure *Study @ Unisa*, which you received with your study material.

### **4.2 Prescribed book(s)**

The following is a list of the prescribed books for this module:

- Jackson, RDC & Stent, WJ. 2016. *Auditing notes for South African students*. 10<sup>th</sup> edition or latest. Durban: LexisNexis.
- LexisNexis. *Auditing: Legislation and Standards*. 2016. 2<sup>nd</sup> edition. LexisNexis.
- Gowar, H & Jackson, RDC. 2018. *Graded Questions on Auditing 2019*. Durban: LexisNexis.
- Insight Education (Pty) Ltd. Website: <http://insighteducation.co.za/>

OER links:

- Information contained in LexisNexis. *Auditing: Legislation and Standards*. 2016. 2<sup>nd</sup> edition (companies act). LexisNexis is available on the following link:  
<https://www.saica.co.za/Portals/0/Technical/LegalAndGovernance/Act%2071%202008%20Companies%20Act.pdf>
- Information contained in LexisNexis. *Auditing: Legislation and Standards*. 2016. 2<sup>nd</sup> edition (King IV Report). LexisNexis is available on the following link:  
[https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA\\_King\\_IV\\_Report\\_-\\_WebVersion.pdf](https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf)

Please consult the list of official booksellers and their addresses listed in the ***Study @ Unisa*** brochure.

Prescribed books are available at the university's official booksellers. If you have any difficulties in obtaining books from these bookshops, please contact the Prescribed Book Section **as soon as possible** at telephone number +27 12 429 4152 or e-mail address: [vospresc@unisa.ac.za](mailto:vospresc@unisa.ac.za).

**INFORMATION ON THE USE OF AND THE SOURCES OF INFORMATION AVAILABLE IN THE UNISA LIBRARY ARE DETAILED IN THE STUDY @ UNISA BROCHURE.**



### 4.3 Recommended book(s)

There are no recommended books prescribed for this module.

### 4.4 Electronic reserves (e-reserves)

Information contained in Volume 2 of the SAICA handbook can be downloaded from IRBA's website. Refer to the latest edition.

### 4.5 Library services and resources information

The Unisa Library offers a range of information services and resources:

- for brief information go to: <https://www.unisa.ac.za/library/libatglance>
- for more detailed Library information, go to <http://www.unisa.ac.za/sites/corporate/default/Library>
- for research support and services (e.g. Personal Librarians and literature search services), go to <http://www.unisa.ac.za/sites/corporate/default/Library/Library-services/Research-support>

The Library has created numerous Library guides: <http://libguides.unisa.ac.za>

Recommended guides:

- request and find library material/download recommended material: <http://libguides.unisa.ac.za/request/request>
- postgraduate information services: <http://libguides.unisa.ac.za/request/postgrad>
- [finding and using library resources and tools:](http://libguides.unisa.ac.za/Research_skills) [http://libguides.unisa.ac.za/Research\\_skills](http://libguides.unisa.ac.za/Research_skills)
- Frequently asked questions about the Library: <http://libguides.unisa.ac.za/ask>
- Services to students living with disabilities: <http://libguides.unisa.ac.za/disability>

Important contact information:

- <https://libguides.unisa.ac.za/ask> - Ask a Librarian
- [Lib-help@unisa.ac.za](mailto:Lib-help@unisa.ac.za) - technical problems accessing library online services
- [Library-enquiries@unisa.ac.za](mailto:Library-enquiries@unisa.ac.za) - general library related queries
- [Library-fines@unisa.ac.za](mailto:Library-fines@unisa.ac.za) - for queries related to library fines and payments

## UNISA LIBRARY LOGIN

You will be required to provide your login details, i.e. your student number and your *myUnisa* password, in order to access the library's online resources and services.

This will enable you to:

- View or print your electronic course material

- Request library material
- View and renew your library material
- Use the library's e-resources

### Requesting library books

Students are expected to purchase their own copies of the **prescribed books** listed in Tutorial Letter 101. A limited number of copies are housed in the Unisa Libraries, subject to each branch library's lending regulations. Problems experienced in obtaining copies from booksellers should be directed to the Prescribed Book Section at e-mail [vospresc@unisa.ac.za](mailto:vospresc@unisa.ac.za) or telephone +27 12 429 4152.

### Electronic requests

The preferred way of requesting **recommended or additional** books is **online** via the library's catalogue.

Go to <http://oasis.unisa.ac.za>, or

via *myUnisa*, go to <http://my.unisa.ac.za> > Login > Library > Library catalogue, or

for mobile access, go to <http://oasis.unisa.ac.za/airpac> (AirPAC).

### Telephonic book requests

This can be done on +27 (0)12 429 3133. Please supply the reservation order number (RON).

## 5 STUDENT SUPPORT SERVICES

The *Study@Unisa* brochure is available on myUnisa: [www.unisa.ac.za/brochures/studies](http://www.unisa.ac.za/brochures/studies)

This brochure has all the tips and information you need to succeed at distance learning and, specifically, at Unisa.

## 6 ASSESSMENT

### 6.1 Assessment criteria

The assessment criteria are indicated at the beginning of each study unit in the study guide. Make sure you can achieve them before moving on to the next study unit.

### 6.2 Assessment plan

#### Assignments

Assignments are seen as part of the learning material for this module. As you do the assignments, study the reading texts, consult other resources, discuss the work with fellow students or tutors or do research, you are actively engaged in learning.

You are required to **submit the compulsory assignment 01 or 02 before the due date** to obtain **admission to the examination**. Admission will be obtained by submitting compulsory assignment 01 or 02 and not by the marks you obtain for it.

The marks you obtain for assignment 01 and assignment 02 will contribute towards your year mark.

It is in your own interest to **retain a copy of proof that the compulsory assignments were submitted** so that you can produce this in the event that there should afterwards be any dispute concerning whether or not the assignment was received.

## Plagiarism

Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities. The *Disciplinary Code for Students* (latest version) is given to all students at registration. Students are advised to study the Code. Kindly read the University's *Policy on Copyright Infringement and Plagiarism* as well.

All your assignments must be your own work. You will receive 0% for your whole assignment if it's deemed that plagiarism was committed in any part of the assignment and you may also be subject to disciplinary proceedings by the University.

Everyone must obtain the required skills to ensure that you will be able to make a valuable contribution in the workplace.

*When answering questions in the assignments or examinations at undergraduate level it is accepted that you studied from the prescribed study material and prescribed text book(s) and it is not necessary and impractical that you provide references to study material or prescribed text books. Reference to authors where information comes from mostly apply to post graduate studies where answers are in the form of dissertations and thesis.*

*Using the work of others as being your own work is also a form of plagiarism. What is prohibited in terms of the Unisa Academic Integrity Policy on undergraduate level is:*

## Cheating

Cheating, as a violation of academic integrity, refers to obtaining or attempting to obtain, or aiding another to obtain, credit for work, or an improvement in any assessment, by dishonest or deceptive means. Some examples of cheating include:

Collaboration on any form of formative or summative assessment, without the permission of the lecturer;

Completing an assessment or taking an examination on behalf of another student;

Possession, distribution, and/or use of unauthorised materials or technology before or during any examination or when preparing formative assessments;

Contracting (ghost or contract cheating) another person or a professional agency to produce academic work, sometimes original work, on his/her behalf and then submitting it as his/her own academic output. It *inter alia* includes the practice of submitting a purchased research paper or assessment as one's own work and purchasing an examination question paper which has illegally been made available prior to the examination date;

Copying from another student for the purpose of completing any assessment

It is therefore expected that the answers provided by students in assignments and examinations are their **own work** and can include information from prescribed textbooks without referencing.

## PLAGIARISM DECLARATION:

|  |
|--|
| By submitting any AUE2602 assignment, I declare that |
|--|

- I have read the Unisa Students' Disciplinary Code
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used
- I have not allowed any other student to copy my work
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved

**Please note:** You do not have to submit the declaration. By submitting any AUE2602 assignment, you automatically declare that you adhere to all the above with regard to the specific assignment.

## Commentaries and feedback on assignments

The solution to assignment 01 will be provided to you in Tutorial Letter 201 which will only be available on *myUnisa* after the due date of assignment 01. The solution to assignment 02 will be provided to you in Tutorial Letter 202 which will only be available after the due date of assignment 02.

As soon as you have received the commentaries, please check your answers. The assignments and the commentaries on these assignments constitute an important part of your learning and should help you to be better prepared for the next assignment and the examination.

## Year mark

The marks that you obtained for assignment 01 and assignment 02 will contribute towards your year mark for the module.

Your year mark contributes 20% towards your final examination mark. A student requires a final mark of 50% to pass a module. The final mark is calculated as follows:

5% x mark obtained for compulsory assignment 01 plus

15% x mark obtained for compulsory assignment 02 plus

80% x mark obtained in the examination (sub-minimum of 40%)

The sub-minimum of 40% implies that if you obtain a mark of less than 40% in the examination, your year mark will not be taken into account.

Please ensure that your assignment 01 and assignment 02 reach the University **before the due date – late submission of these assignments will result in you not receiving marks that count towards your year mark.**

## THUS:

**TO GET ADMISSION TO THE EXAMINATION, YOU MUST SUBMIT ASSIGNMENT 01 OR 02 BEFORE OR ON THE DUE DATE**

**YOUR MARKS FOR BOTH ASSIGNMENTS 01 AND 02 WILL BE USED TO DETERMINE**

|                       |
|-----------------------|
| <b>YOUR YEAR MARK</b> |
|-----------------------|

### 6.3 Assignment numbers

#### 6.3.1 General assignment numbers

Assignments are numbered consecutively per module, starting from 01. Only Arabic numerals are used, for example: Assignments 01, 02, 03, and so on.

#### 6.3.2 Unique assignment numbers

In addition to the general assignment number (eg 01), each assignment has its own unique assignment number (eg 102717). This number must be written on the mark reading sheet or assignment cover page in the designated area.

### 6.4 Assignment due dates

| Assignment | FIRST SEMESTER<br><br>Due date if you are registered<br>for the first semester | SECOND SEMESTER<br><br>Due date if you are<br>registered for the second<br>semester |
|------------|--|---|
| 01         | 10 March 2020<br><br>Unique number: 776299                                     | 24 August 2020<br><br>Unique number: 712856   |
| 02         | 15 April 2020<br><br>Unique number: 830390                                     | 14 September 2020<br><br>Unique number: 703323                                      |

### 6.5 Submission of assignments

You may submit written assignments and assignments done on mark reading sheets either by post or electronically via *myUnisa*. Assignments may **not** be submitted by fax or e-mail. For detailed information and requirements as far as assignments are concerned, see the brochure, **Study @ Unisa**, that you received with your study material.

**Note:** Assignment 02 can only be submitted in PDF format on *myUnisa*. The PDF file should NOT be submit as “Read only”.

To submit an assignment via *myUnisa*:

- Go to *myUnisa*.
- Log in with your student number and password.
- Select the module from the orange bar.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.

- Follow the instructions on the screen.

Please ensure that your assignment 01 or 02 reaches the University **before the due date – late submission of assignment 01 or 02 will result in you not being admitted to the examination.**

**PLEASE NOTE:** You must submit assignment 01 or 02 in order to be admitted to the examination while both assignments 01 and 02 must be submitted for purposes of determining your year mark. No extension of the due dates can be given by the lecturers for these assignments.

### General remarks

For enquiries about assignments (eg whether or not the University has received your assignment or the date on which an assignment was returned to you) please refer to the contact information in 3.4 of this tutorial letter. You may also find this information on *myUnisa*. To go to the *myUnisa* website, start at the main Unisa website, <http://www.unisa.ac.za>, and then click on the “login to *myUnisa*” link under the *myUnisa* heading on the screen. This should take you to the *myUnisa* website. You can also go there directly by typing in <http://my.unisa.ac.za>.

If you are unable to submit your assignment online, assignments should be addressed to:

The Registrar

PO Box 392

UNISA

0003

### Completion of assignment cover

**PLEASE NOTE:** Make sure that you read the instructions on the assignment cover carefully before completing it. Make sure that you complete the cover **correctly**. Please make sure that the following information appears on the COVER of your assignment.

Name.

Address (and postal code).

Student number.

Subject code (e.g. AUE2602).

**Correct** assignment number.

Correct unique assignment number (applicable only to assignments 01 and 02).

Label with bar code.

## 6.6 The assignments

### 6.6.1 Semester 1: Compulsory assignment 01

#### Instructions:

This assignment can be submitted online, using myUnisa or by completing a mark-reading sheet and posting it to the university. Submitting via myUnisa is fast and reliable. It's also the easiest method. Simply follow the instructions onscreen. We recommend that you submit assignments via myUnisa, if at all possible, and not via the post.

Also consult: **Study @ Unisa** when you answer multiple-choice assignments.

### Special information regarding the answering of this assignment

- (1) This assignment consists of 20 multiple-choice questions.
- (2) This assignment covers topics 1-2 of the study guide

## ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS

UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:

**776299**

DATE OF SUBMISSION FOR THE FIRST SEMESTER:

**10 March 2020**

### QUESTION 1

**30 marks**

#### REQUIRED

For each question, select only **ONE** alternative that you consider to be the most correct and then mark on myUnisa or on the mark-reading sheet the digit that corresponds with the digit of the alternative that you have selected as your answer. Answer the subsections of this question in numerical sequence, for example:

- 1. 1
- 2. 3

(1½ marks per question)

- 1. The underlying basis of which the King IV Report has been constructed is described as:
  - 1 comply or else
  - 2 apply or explain
  - 3 comply and disclose
  - 4 apply and explain

**The following scenario pertains to Questions 2 to 5:**

HealthIQ Limited is a large company that provides medical aid and insurance services. The board of directors meets as and when required, but at least once a year.

The members of the board of directors are:

|                  |   |  |
|------------------|---|--|
| Dr Vitamin       | - | chairperson and independent non-executive director and a medical doctor                        |
| Dr Omega         | - | chief Executive Officer (CEO), and medical doctor  |
| Mr Iron          | - | financial director   |
| Mrs Magnesium    | - | company secretary  |
| Prof Antibiotics | - | registered auditor and the wife of one of the major suppliers of inventory to HealthIQ Limited |

2. Which ONE of the following statements is **false**?

- 1 The chairperson of the board, Dr Vitamin, may not be a member of the audit committee.
- 2 Dr Omega may not be a member of the remuneration committee.
- 3 Mr Iron may be a member of the risk committee.
- 4 Dr Omega may be a member of the audit committee.

3. HealthIQ Limited's board of directors does comply with Principle 7 of the King IV Report because ...

- a Dr Omega, the CEO, is not the chairperson of the governing body.
- b the chairperson of the board, Dr Vitamin, is an independent non-executive director.
- c the CEO, Dr Omega, is a medical doctor.
- d a company secretary is appointed to the board.
- e a financial director is appointed to the board.
- f there are 5 members appointed to the board.

Select the **correct alternative**

- 1 a, b, c, d, e and f
- 2 b, d, e and f
- 3 a, b and e
- 4 a, b, e and f

4. Select the **correct alternative** to complete the following sentence:

HealthIQ Limited does not comply with Principle 7.8 of the King IV Report relating to the composition of the board. The board of directors should comprise a balance of power with



a majority of ...

- 1 non-executive directors.
- 2 independent directors, of whom the majority must be non-executive.
- 3 executive directors, of whom the majority must be independent.
- 4 non-executive directors, of whom the majority must be independent.

5. Which ONE of the following may be a member of the audit committee?

- 1 Mr Iron
- 2 Mrs Magnesium
- 3 Prof Antibiotics
- 4 none of the above

6. Which ONE of the following statements is **false**?

According to section 94 of the Companies Act

- 1 The audit committee should comprise of at least three members.
- 2 Each member of the audit committee should be a director of the company.
- 3 Any vacancy on the audit committee must be filled by the board within 40 days.
- 4 One of the duties of the audit committee is to appoint the external auditors.

7. Select the **best** alternative to complete the following sentence:

In a governance context, stakeholders are considered to be ... .

- 1 the shareholders of the company
- 2 any group that can affect or be affected by the company's operations
- 3 any group that can affect the company's financial performance, or can be affected by the company's financial performance
- 4 the community in which the company operates

8. An independent, non-executive director is a director who... .

- a) does not receive remuneration contingent on the performance of the company
- b) is not a professional advisor to the company
- c) has not been employed by the company in any executive capacity for the preceding two financial years
- d) holds 6% of the shareholding of the company or its subsidiary

- e) is not a representative of a shareholder who has the ability to control or significantly influence the management.

Choose the **correct alternative**.

- 1 c, d and e
- 2 a, b and c
- 3 a, b and e
- 4 a, b and d

9. Which ONE of the following is an application control?

- 1 the approval of programme changes by the head of the user department.
- 2 the approval of an amendment to the inventory master file.
- 3 the approval of the appointment of the Chief Information Officer (CIO) by the board.
- 4 the approval of a new back-up strategy for the inventory master file.

10. Which ONE of the following is **not** an example of physical information technology (IT) controls?

- 1 Control over visitors from outside the company to the IT building.
- 2 Computers are placed at least one meter away from windows in locked rooms.
- 3 Only the finance department's top personnel have valid usernames and passwords to access the bank account application.
- 4 Only relevant personnel will have access to the IT building with their activated personnel cards.

11. Which ONE of the following is **not** a limitation of internal controls?

- 1 management's usual requirement that the cost of the internal control should be less than the expected benefit to be derived.
- 2 the possibility of bypassing internal controls through the collaboration of a member of management or an employee with parties outside or inside the company.
- 3 potential for carelessness, distractions, mistakes of judgement and misunderstanding of instructions that could lead to errors.
- 4 tendency of directing internal controls at non-routine transactions rather than routine transactions.

12. Which ONE of the following alternatives will **not** result in the financial director being held liable in terms of the Companies Act 71 of 2008?

- 1 failing to disclose to the board a personal financial interest to the board.
- 2 failing to act in good faith and for a proper purpose.
- 3 failing to act in the best interest of the company.
- 4 failing to inform the board of all environmental law changes

**The following scenario pertains to Questions 13 to 15:**

HealthIQ's risk committee requested the management to design appropriate internal controls. They explained that there are five components of internal control. The company implemented the following internal controls.

- a) The management promotes sound human resources policies.
- b) Any employee found guilty of theft is dismissed immediately.
- c) Physical entry to the data centre is controlled through closed circuit televisions at the entrances.
- d) Regular inventory counts are conducted and any differences between the items on the inventory list and the actual physical items are followed up on and resolved.
- e) The company has a receiving supervisor, a despatch supervisor, and a stores controller who is responsible for the custody of inventory.
- f) The company appointed a risk committee.

The possible characteristics of the control environment or types of control activities are:

- (i) human resources policies and practices
- (ii) access/custody and security controls
- (iii) integrity and ethical values
- (iv) segregation of duties
- (v) comparison and reconciliation
- (vi) approval and authorisation
- (vii) performance review

13. With reference to the internal control information above:

Which ONE of the following alternatives of the internal controls listed as a to f in the scenario relates to the internal control component of control environment?

- 1 a, b, c, d and e
- 2 a, b, c, d and f
- 3 a, b, and f
- 4 b, d and e

14. Which ONE of the following alternatives of the internal controls listed as a to f in the scenario relates to the component of control activities?

- 1 a, b, c, d and e
- 2 a, b, c, d and f

3 a, b, and f

4 c, d and e

15. Which ONE of the following alternatives of the internal controls described in a to e matched with the characteristics in (i) to (vii) in the scenario is correct?

| No | Component of internal control | Relation to characteristic |
|----|-------------------------------|----------------------------|
| 1. | a                             | (i)                        |
|    | b                             | (ii)                       |
|    | c                             | (iii)                      |
|    | d                             | (iv)                       |
|    | e                             | (v)                        |
| 2. | a                             | (i)                        |
|    | b                             | (iii)                      |
|    | c                             | (ii)                       |
|    | d                             | (v)                        |
|    | e                             | (iv)                       |
| 3. | a                             | (ii)                       |
|    | b                             | (i)                        |
|    | c                             | (iii)                      |
|    | d                             | (v)                        |
|    | e                             | (iv)                       |
| 4. | a                             | (iv)                       |
|    | b                             | (iii)                      |
|    | c                             | (i)                        |
|    | d                             | (ii)                       |
|    | e                             | (iv)                       |

16. Which ONE of the following alternatives is **not** an input application control to ensure accuracy in a computerised environment?

1 alpha-numeric format checks

2 access control

3 sign checks

4 reasonableness and limit tests

17. Select the **correct** alternative to complete the following statement:

The “**occurrence**” management assertion means that ... .

- 1 all assets, liabilities, transactions or events which should have been recorded have been recorded
- 2 amounts and other data relating to recorded transactions and events have been recorded appropriately
- 3 a transaction or event which has been recorded took place and pertains to the entity
- 4 transactions and events have been recorded in the proper accounts

**18.** As part of systems development, which ONE of the following alternatives is **not** an advantage of packaged software purchased?

- 1 Lower costs.
- 2 Technical support is available.
- 3 Packages are upgraded on an ongoing basis.
- 4 Changes cannot be made by the purchaser of the software.

**19.** Select the alternative that **best** completes the following sentence:

The financial manager ensures that **all** sales for the financial year are recorded in order to satisfy himself/herself that ... .

- 1 the completeness assertion has been fulfilled and to ensure that revenue is not materially misstated in the financial records of the company
- 2 debtors paid their accounts in good time during the financial year
- 3 the going concern concept is adhered to
- 4 the profit is increased to an acceptable level

**20.** Which ONE of the following statements about internal control is **incorrect**?

- 1 Monitoring the internal control process is all about determining whether the control activities are actually taking place at a given time.
- 2 Control activities are actions that are carried out to achieve the entity's objectives.
- 3 The control environment is about the control consciousness of the entity.
- 4 Internal control procedures are designed to address and limit potential risks.

## 6.6.2 Semester 1: Compulsory assignment 02

### Instructions:

- (1) Consult **Study @ Unisa** for instructions on how to submit written or typed assignments.

### Special instruction regarding the answering of this assignment

- (1) This assignment covers topics 3 to 8 of the study guide.
- (2) All the questions should be completed.
- (3) Only selected questions will be marked.

### Plagiarism:

- Please refer to Unisa's policy on plagiarism. You are reminded that your assignment must be your own work.
- By submitting your assignment, you confirm that you accept and will adhere to the terms of the **plagiarism declaration**. Please note:
  - If you are found to be in violation of the declaration, you will receive 0% for Assignment 02.
  - If you copied **all or a portion** of your assignment from someone else (including tutors, online study group, etc), both you and the person(s) you copied from will receive 0%. If any similar-looking/worded assignments are found it will be considered to be a violation of the declaration.

*When answering questions in the assignments or examinations at undergraduate level it is accepted that you studied from the prescribed study material and prescribed text book(s) and it is not necessary and impractical that you provide references to study material or prescribed text books. Reference to authors where information comes from mostly apply to post graduate studies where answers are in the form of dissertations and thesis.*

*Using the work of others as being your own work is also a form of plagiarism. What is prohibited in terms of the Unisa Academic Integrity Policy on undergraduate level is:*

### Cheating

Cheating, as a violation of academic integrity, refers to obtaining or attempting to obtain, or aiding another to obtain, credit for work, or an improvement in any assessment, by dishonest or deceptive means. Some examples of cheating include:

Collaboration on any form of formative or summative assessment, without the permission of the lecturer;

Completing an assessment or taking an examination on behalf of another student;

Possession, distribution, and/or use of unauthorised materials or technology before or during any examination or when preparing formative assessments;

Contracting (ghost or contract cheating) another person or a professional agency to produce academic work, sometimes original work, on his/her behalf and then submitting it as his/her own academic output. It *inter alia* includes the practice of submitting a purchased research paper or assessment as one's own work and purchasing an examination question paper which has illegally been made available prior to the examination date;

Copying from another student for the purpose of completing any assessment

It is therefore expected that the answers provided by students in assignments and examinations are their own work and can include information from prescribed textbooks.

This declaration holds you accountable for completing your assignment **on your own**.

#### **PLAGIARISM DECLARATION:**

By submitting AUE2602 Assignment 02, I declare that

- I have read the Unisa Students' Disciplinary Code
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used
- I have not allowed any other student to copy my work
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved

**Please note:** You do not have to submit the declaration. By submitting any AUE2602 assignment, you automatically declare that you adhere to all the above with regard to the specific assignment.

### **ASSIGNMENT 02: ESSAY TYPE QUESTIONS**

**UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:**

**830390**

**DATE OF SUBMISSION FOR THE FIRST SEMESTER**

**15 April 2020**

#### **QUESTION 1**

**57 Marks**

Goals Galore Limited (hereafter referred to as "Goals Galore") is a manufacturer of football equipment and clothing, which are sold in various retail stores across South Africa. Goals Galore was incorporated in 2005 and started out as a small owner managed business but has since grown into a large competitor in the sport equipment industry.

Due to the rapid expansion and excellent performance of the company, the board of directors is considering listing the equity of the company on the Johannesburg Securities Exchange (JSE). The directors are aware that the company will have to comply with sound corporate governance as recommended in the King IV Report, because they only plan to list after February 2020.

## **Board of directors**

The board of directors consists of:

|                        |   |  |
|------------------------|---|--|
| Mr. Sebastian Schwein  | - | chief executive officer (CEO)                    |
| Mr. Leon Messi         | - | non-executive chairperson *1                     |
| Mr. Efese Ambrose      | - | non-executive director *2                        |
| Mr. Arno Robben CA(SA) | - | financial director (an executive director)       |
| Ms. Xabina Alonso      | - | risk director (an executive director)            |
| Mr. Christiaan Ronaldo | - | human resources director (an executive director) |
| Ms. Louise Suarez      | - | independent non-executive director               |
| Ms. Jamie Rodriguez    | - | non-executive director *3                        |

### **\* Note 1:**

Mr. Leon Messi currently holds 12% of the shareholding in Goals Galore.

### **\* Note 2:**

Mr. Efese Ambrose is free from any business or other relationship which could be seen to interfere materially with his capacity to act independently. He is a qualified lawyer.

### **\* Note 3:**

Ms. Jamie Rodriguez used to be a professional advisor to Goals Galore due to her experience in the designing of footballs. She still receives remuneration in the form of a royalty fee contingent on the sales of the Dijarah brand football by Goals Galore.

Mr. Christiaan Ronaldo currently performs secretarial duties where applicable and no company secretary has been appointed.

Ms. Stacy Gerrard is Mr. Arno Robben's right hand. She is the financial manager of Goals Galore and has been with the company since 2008. She knows the business very well and is currently assisting Ms. Xabina Alonso with a review of Goals Galore's internal controls.

## **Board committees**

The board of directors wants to establish an audit committee and a risk committee. Mr. Sebastian Schwein suggested the following candidates for the respective committees and he does not see the need for any other board committees at this stage.

### **Audit committee**

Mr. Leon Messi (chairperson)  
Ms. Jamie Rodriguez  
Mr. Efese Ambrose  
Mr. Arno Robben CA(SA)  
Ms. Stacy Gerrard

### **Risk committee**

Ms. Louise Suarez (chairperson)  
Ms. Xabina Alonso

## **Internal controls of the revenue and receipts cycle**

Goals Galore has implemented good internal controls in the revenue and receipts cycle as they see it as a very important part of the business. The following internal controls have been implemented:

- a) All sales orders are recorded on sequentially numbered internal sales orders (ISO's).
- b) No sales order is accepted if the customer is not on the approved customer list.



- c) The warehouse clerk checks the goods picked against the picking slip and prepares a delivery note in duplicate from the picking slip.
- d) On delivery of the goods to the customer, the customer signs both copies of the delivery note after they checked the goods. They retain one copy and return the other copy to the driver.
- e) As signed delivery notes are received, they are matched to their internal sales order and filed sequentially according to the delivery note number.
- f) The invoice clerk compares the details of the delivery note to the internal sales order, prepares a numerically sequenced invoice and cross-references it to the delivery note.
- g) Invoices are entered in the sales journal in numerical sequence.

**REQUIRED****Marks**

- 1.1. Comment** on the information provided in relation to the **requirements of sound corporate governance** in terms of the King IV Report.

**(30)**

Present your answer under the following headings:

- a) Board of directors: Composition and appointments (seven comments)
- b) Audit committee: Composition and appointments (six comments)
- c) Risk committee: Composition and appointments (three comments)
- d) General remarks (four comments)
  - Both **compliance** and **non-compliance** should be discussed in your answer.
  - One presentation mark will be awarded if the answer is presented in a tabular format, and for communication, logical reasoning and structure.

**(1)**

- 1.2.** Explain the main function of a remuneration committee according to the King IV Report AND indicate which of the directors on the current board of directors would be the most suitable candidate for appointment as the chairperson of this committee in order to comply with the requirements of the King IV Report.

**(3)**

- 1.3.** The King IV Report states that one of the functions of the audit committee is to ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities,

Explain the main objective of a “combined assurance model”

**(4)**

- 1.4.** Based on the internal controls implemented in the revenue and receipts cycle, do the following:

- 1.4.1.** Identify the function in the revenue and receipts cycle where the internal controls listed as (b) to (g) are most likely to occur;
- 1.4.2.** List a potential risk that could arise if Goals Galore does not implement these internal controls, listed as (b) to (g).

**(9)****(9)**

Present your answer in the following format:

| Internal control | 1.4.1 Function<br>(1.5 × 6 = 9 marks)  | 1.4.2 Risk<br>(1.5 × 6 = 9 marks)  |
|------------------|--|--|
| a                | Receiving customer orders<br><br><i>(No marks will be awarded for identifying this function)</i> | Orders may not be acted upon timeously or at all, resulting in a loss of sales and customer goodwill.<br><br><i>(No marks will be awarded for identifying this risk)</i> |
| b                |  |  |
| c                |  |  |
| d                |  |  |
| e                |  |  |
| f                |  |  |
| g                |  |  |

- One presentation mark will be awarded if the answer is presented in a tabular format, and for communication, logical reasoning and structure.

(1)

## QUESTION 2

50 Marks

Worldwide Toys (Pty) Ltd (hereafter referred to as “Worldwide Toys”) is a small toy manufacturer that opened a year ago. It specialises in educational toys for children between the ages of one and seven. Mr. Fun, the owner of the business wants to expand the business and appoint additional employees in the manufacturing division.

### Payroll and personnel

Mr. Fun is considering installing a manual clock system to facilitate accurate and complete timekeeping. He read that there are many advantages to the computerisation of the payroll system but for now, he is satisfied with installing a manual clocking system.

Mr. Fun has identified the following risks relating to the timekeeping function of the payroll and personnel cycle:

Risk 1: Employees may clock in and then leave the premises.

Risk 2: An employee may clock a card for a fictitious employee.

Risk 3: Employees may clock in for absent fellow employees.

Risk 4: Hours on the clockcard may be incorrectly calculated for normal and/or overtime work.

Risk 5: Normal hours may be counted as overtime hours (which have a higher pay rate).

Through his research, he has identified the following internal controls relevant to the payroll and personnel cycle. He wants to implement some or all of these controls in order to address the risks he has identified.

- Entry and exit points to the work area should be limited (preferably one);
- Before the batch of clockcards is transferred for payroll preparation, the section head should check and sign the batch control sheet.
- At the end of a wage period, the section administration clerk should collect all the clockcards for the period and correlate the number of cards with the list of employees in the section.
- Details of the batch should be entered in a batch register, which should accompany the clockcards to payroll preparation.
- Clockcards should be prepared by the personnel department, strictly in accordance with the authorised employee list, and placed on racks at the entry points.
- Entry and exit points to the work area should be protected by a “turnstile” type mechanism;
- At the end of the wage period, the section administration clerk should collect all the clockcards for the period and calculate the ordinary time worked and the overtime worked.
- Entry and exit points to the work area should be supervised during clocking periods.
- Before the batch of clockcards is transferred for payroll preparation, the section head should check the calculations.

### **Inventory**

Worldwide Toys’ inventory is kept in a single, tidy warehouse in Sandton, Johannesburg. An inventory count is conducted annually and the following procedures are followed:

1. The count takes place over two days in order for Worldwide Toys to receive and despatch goods during the second day of the count.
2. Eight warehouse employees are part of the count team and they each employee counts a section of the warehouse on his/her own.
3. The warehouse administrator hands out the numerically sequenced inventory sheets with the description and quantity per item to the counters, who count their section of the warehouse and tick off the quantities on the inventory sheets once they have counted the items.
4. If the counter counts a different quantity for an item than what is listed on the inventory sheet, he/she should highlight the item on the inventory sheet.
5. The warehouse administrator amends the quantities of all the highlighted items on the inventory sheets on the perpetual inventory records to reflect the actual quantities on hand at the conclusion of the count.

### **Payment of suppliers**

Worldwide Toys pays its suppliers using electronic funds transfers (EFTs). Mr. Fun is concerned about the internal controls implemented in this function, specifically access to the bank account.

### **REQUIRED**

### **Marks**

- 2.1 Describe to Mr. Fun the advantages of installing packaged computerised software to assist him with the timekeeping function.

**(6)**

- 2.2** Provide Mr. Fun with an example of how “biometric data” can be used in a computerised clocking system to identify employees. **(1½)**
- 2.3** Refer to the information provided under the “Payroll and personnel” heading.

Assist Mr. Fun in identifying which internal control(s) will mitigate which risk. The number of internal controls that you need to provide for each risk is indicated in the table below.

Provide your answer in the following format:

| Risk   | Internal control(s)  |
|--|--|
| <i>Risk 1:</i><br><i>Example:</i><br><i>Employees can clock in and then leave the premises</i> | <i>(Provide three internal controls)</i><br><i>Example:</i> <ul style="list-style-type: none"> <li>• <i>Entry and exit points to the work area should be limited (preferably one);</i></li> <li>• <i>Entry and exit points to the work area should be protected by a “turnstile” type mechanism;</i></li> <li>• <i>Entry and exit points to the work area should be supervised during clocking periods.</i></li> </ul> |
| Risk 2:  | <i>(Provide four internal controls)</i>  |
| Risk 3:  | <i>(Provide two internal controls)</i>   |
| Risk 4:  | <i>(Provide three internal controls)</i>   |
| Risk 5:  | <i>(Provide three internal controls)</i>   |

**(18)**

**Note:**

- You need not use all the internal controls provided by Mr Fun, and internal controls may be used more than once.
- Risk 1 was provided as an example, and no marks will be awarded for this.
- Two presentation marks will be awarded if the answer is presented in a tabular format, and for communication, logical reasoning and structure.

**(2)**

- 2.4 Discuss** the **weaknesses** in the year-end inventory count based on the information in the scenario under the “Inventory” heading. **(15)**
- 2.5 Describe** the **access controls** that should be implemented to ensure good control over the bank account from which the EFT payments are made. **(7½)**

### 6.6.3 Semester 2: Assignment 01

#### Instructions:

This assignment can be submitted online, using myUnisa or by completing a mark-reading sheet and posting it to the university. Submitting via myUnisa is fast and reliable. It’s also the easiest method. Simply follow the instructions onscreen. We recommend that you submit assignments via myUnisa, if at all possible, and not via the post.

Also consult: **study @ Unisa** when you answer multiple-choice assignments.

**Special instruction regarding the answering of this assignment**

- (1) This assignment consists of 20 multiple-choice questions.
- (2) This assignment covers topics 1 and 2 of the study guide.

**ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS**

**UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:**

**712856**

**DATE OF SUBMISSION FOR THE SECOND SEMESTER:**

**Second semester: 24 August 2020**

**QUESTION 1**

**30 marks**

**REQUIRED**

For each question, select only **ONE** alternative that you consider to be the most correct and then mark on myUnisa or on the mark-reading sheet the digit that corresponds with the digit of the alternative you have selected as your answer. Answer the subsections of this question in numerical sequence, for example:

1. 1
2. 3

(1½ marks per question)

**QUESTION 1**

**30 marks**

**REQUIRED**

For each question, select only **ONE** alternative you consider to be the most correct and then mark on myUnisa, or on the mark-reading sheet, the digit that corresponds with the digit of the alternative you have selected as your answer. Answer the subsections of this question in numerical sequence, for example:

1. 1
2. 3

(1½ marks per question)

1. The chairperson of the board of directors must be ... .

- 1 the CEO of the company
  - 2 a previously disadvantaged person
  - 3 the CEO of the company, or an independent non-executive director who reports to the CEO
  - 4 an independent non-executive director
2. Which of the following committees are recommended in the King IV Report for the governing body to provide independent judgement, balance of power and effective discharge of its duties?
- |                                     |                                |
|-------------------------------------|--------------------------------|
| i. audit committee                  | v. risk committee              |
| ii. remuneration committee          | vi. internal audit committee   |
| iii. social and ethics committee    | vii. nominations committee     |
| iv. corporate citizenship committee | viii. sustainability committee |
- Choose the correct alternative.
- 1 i, iv, v, vi and viii
  - 2 i, ii, iii, v, and vii
  - 3 ii, iii, vi, vii and viii
  - 4 iii, iv, v vi and vii
3. Which ONE of the following alternatives will **not** lead to the financial director being held liable in terms of the Companies Act 71 of 2008?
- 1 failing to act in the best interest of the company
  - 2 failing to inform the board of all the environmental law changes
  - 3 failing to act in good faith and for a proper purpose
  - 4 failing to disclose to the board a personal financial interest
4. In order for a non-executive director to be classified as **independent** he/she must satisfy a number of requirements. Which ONE of the following is an applicable requirement?
- 1 He/she was the senior external audit manager during the audit performed for the last financial year.
  - 2 He/she is a significant professional advisor to the company.
  - 3 He/she must not receive remuneration that is based on the company's profits for the financial year.
  - 4 At no stage should he/she have been the CEO of the company.

5. According to the King IV Report, the governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture (Principle 2).

Which ONE of the following is **not** one of the disclosure requirements in relation to organisational ethics?

- 1 planned areas of future focus
- 2 key areas of focus during the reporting period
- 3 an overview of the arrangements for governing and managing ethics
- 4 the key ethical risks of the organisation

6. Select the **correct** alternative to complete the following sentence:

The chairperson of the governing body should ... .

- 1 be a member of the audit committee
- 2 also be the chairperson of the remuneration committee
- 3 be a member of the nomination committee
- 4 also be the CEO of the company

7. According to the King IV Report, the governing body should govern technology and information in a way that supports the organisational setting and achieving its strategic objectives (Principle 12). When the governing body oversees the management of information and in particular its results, which ONE of the following is **not** one of the factors that they should consider?

- 1 protection of privacy of personal information
- 2 leveraging information to sustain and enhance the organisation's intellectual capital
- 3 continual monitoring of security of information
- 4 the number of incidents that resulted in loss of information and subsequent loss of revenue

8. Select the **correct** alternative relating to the disclosures of the audit committee in terms of the King IV Report. In addition to the required statutory disclosure recommended for all the committees of the governing body, the following should be disclosed in relation to the audit committee:

- a) a statement as to whether the audit committee is satisfied that the external auditor is independent of the organisation
- b) the audit committee's views on resolving disputes relating to the company's operations
- c) the audit committee's views on the quality of the external audit

- d) the audit committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit
- e) the audit committee's views on the process for determining the accounting principles to be applied in the annual financial statements
- f) the arrangements in place for combined assurance and the audit committee's views on its effectiveness

1 a, c, d, e and f

2 a, d and f

3 b, c, d, e and f

4 a, c, d and f

9. Who is ultimately responsible for ensuring that the company **complies** with the applicable laws and regulations?

1 all the personnel of the company

2 the governing body

3 the audit committee

4 the risk committee

10. Which ONE of the following control activities is an example of isolation of responsibility?

1 An independent employee should regularly reconcile the debtors ledger with the debtors control account in the general ledger.

2 Access to the inventory warehouse should be controlled by means of a turnstile gate and a security guard checking goods leaving the warehouse.

3 The order clerk in the sales department of a company should issue the internal sales order (ISO), the warehouse clerk should perform the picking of the goods on the order in the warehouse and the dispatch clerk should dispatch the goods for delivery to the customer.

4 The company's production foreman should sign the schedule of overtime before he or she hands it to the wages clerk for it to be calculated and paid.

11. Select the option that **best** answers the following question:

Which of the following parties are responsible for the internal control process of an entity?

1 the management and the board of directors

2 the employees of the entity and the management

3 the board of directors

4 the management, the board of directors and the employees



**12.** Select from the following alternatives the **incorrect** alternative regarding the characteristics of internal control.

- 1 Internal control is not a case of a single control addressing a single risk.
- 2 Internal control is not foolproof.
- 3 Internal control is a process. It is a combination of systems, policies and procedures designed, implemented and maintained to address the risks of running a business.
- 4 Management's usual requirement is that the cost of internal control should not exceed the benefit to be derived from the internal control (cost/benefit).

**13.** Select the **correct** alternative that complete the following sentence the best:

Internal controls can be defined as the process that is designed, implemented and maintained to provide reasonable assurance about the achievement of an entity's objectives with regard to ... .

- 1 maximising profits
- 2 the reliability of the entity's financial reporting
- 3 compliance with the applicable laws and regulations
- 4 the effectiveness and efficiency of the entity's operations; its compliance with the applicable laws and regulations; and the reliability of its financial reporting

**The following scenario pertains to Questions 14 and 15:**

A company requires assistance with the program checks that will ensure compliance with the requirements below regarding the accuracy and completeness of the online input of sales invoice data

The following is a list of requirements for the company's tax invoices:

- a. The VAT numbers of all the company's clients should be shown on the invoices
- b. Sales invoices should be issued only to clients with a valid account number
- c. The minimum number of a specific item that may be purchased is one and the maximum number is 20
- d. The percentage of VAT on the invoice should be 15%
- e. Invoices should be issued in number sequences

**14.** Which ONE of the following alternatives is the programme check that will ensure compliance with the requirement listed as above?

- 1 mandatory fields
- 2 check digit
- 3 limit check

4 sequence check

15. Which ONE of the following alternatives is correct in matching the invoice requirements described in b) to e) with the correct programme check?

|    | 1                | 2              | 3               | 4               |
|----|------------------|----------------|-----------------|-----------------|
| b. | Mandatory fields | Check digit    | Range check     | Sequence check  |
| c  | Check digit      | Range check    | Limit check     | Check digit     |
| d  | Sequence check   | Limit check    | Mandatory field | Limit check     |
| e  | Range check      | Sequence check | Sequence check  | Mandatory field |

16. Which ONE of the following alternatives is a **general IT control** and not an application control?

- 1 user identification to access the system
- 2 override reports
- 3 batching
- 4 minimum keying in of information

17. Which ONE of the following events is **most likely** to result in the segregation of duties becoming ineffective?

- 1 collusion
- 2 the tendency to direct internal controls - at routine transactions rather than non-routine transactions
- 3 cost constraints
- 4 carelessness on the part of an employee

18. Select the alternative that **best** completes the following sentence:

All masterfile amendments in a computerised environment should be automatically logged by the computer on sequenced logs and should later be sequence-checked against the log to satisfy the ... assertion.

- 1 completeness
- 2 authorisation

3 occurrence

4 accuracy

**19.** Select the alternative that **best** completes the following statement:

Control activities can be categorised...

1 according to type of control activity, for example isolation of responsibilities

2 as general IT or application control activities

3 as preventive, detective or corrective control activities

4 as all of the above

**20.** As part of systems development, which ONE of the following alternatives is not an advantage of packaged software purchased?

1 Packages are upgraded on an ongoing basis.

2 Changes cannot be made by the purchaser of the software.

3 Lower costs.

4 Technical support is available.

#### **6.6.4 Semester 2: Assignment 02**

##### **Instructions:**

(1) Consult **Study@Unisa** for instructions on how to submit written or typed assignments.

##### **Special instructions regarding the answering of this assignment**

(1) This assignment covers topics 3 - 8 of the study guide.

(2) All the questions should be completed.

(3) Only selected questions will be marked.

##### **Plagiarism:**

- Please refer to Unisa's policy on plagiarism. You are reminded that your assignment must be your own work.
- By submitting your assignment, you confirm that you accept and will adhere to the terms of the **plagiarism declaration**. Please note:
  - If you are found to be in violation of the declaration, you will receive 0% for Assignment 02.

- If you copied **all or a portion** of your assignment from someone else (including tutors, online study group, etc), both you and the person(s) you copied from will receive 0%. If any similar-looking/worded assignments are found it will be considered to be a violation of the declaration.
- Using the work of others as being your own work is also a form of plagiarism. What is prohibited in terms of the Unisa Academic Integrity Policy on undergraduate level is:

*When answering questions in the assignments or examinations at undergraduate level it is accepted that you studied from the prescribed study material and prescribed text book(s) and it is not necessary and impractical that you provide references to study material or prescribed text books. Reference to authors where information comes from mostly apply to post graduate studies where answers are in the form of dissertations and thesis.*

*Using the work of others as being your own work is also a form of plagiarism. What is prohibited in terms of the Unisa Academic Integrity Policy on undergraduate level is:*

## **Cheating**

Cheating, as a violation of academic integrity, refers to obtaining or attempting to obtain, or aiding another to obtain, credit for work, or an improvement in any assessment, by dishonest or deceptive means. Some examples of cheating include:

Collaboration on any form of formative or summative assessment, without the permission of the lecturer;

Completing an assessment or taking an examination on behalf of another student;

Possession, distribution, and/or use of unauthorised materials or technology before or during any examination or when preparing formative assessments;

Contracting (ghost or contract cheating) another person or a professional agency to produce academic work, sometimes original work, on his/her behalf and then submitting it as his/her own academic output. It *inter alia* includes the practice of submitting a purchased research paper or assessment as one's own work and purchasing an examination question paper which has illegally been made available prior to the examination date;

Copying from another student for the purpose of completing any assessment.

It is therefore expected that the answers provided by students in assignments and examinations are their own work and can include information from prescribed textbooks.

This declaration holds you accountable for completing your assignment **on your own**.

## **PLAGIARISM DECLARATION:**

By submitting AUE2602 Assignment 02, I declare that

- I have read the Unisa Students' Disciplinary Code
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used
- I have not allowed any other student to copy my work

- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved

**Please note:** You do not have to submit the declaration. By submitting any AUE2602 assignment, you automatically declare that you adhere to all the above with regard to the specific assignment.

## ASSIGNMENT 02: ESSAY TYPE QUESTIONS

UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:

703323

DATE OF SUBMISSION FOR THE SECOND SEMESTER

14 September 2020

### QUESTION 1

31 marks

You are a third year audit trainee at Clean Books Incorporated, a medium sized audit firm based in Johannesburg. You have been assigned as the audit senior on the audit of OutBound Ltd (hereafter referred to as "OutBound") for the year ended 28 February 2020. Outbound Ltd is listed on the Johannesburg Stock Exchange.

During the planning phase of the audit, the following information was gathered on the company's compliance with the King IV Report.

#### 1. Board of directors

| Name of Director    | Position and Qualification  | Member of Audit Committee | Member of Remuneration Committee | Note |
|---------------------|---|---------------------------|----------------------------------|------|
| Mr George Mathlala  | Chairperson and chief executive officer with a formal degree in Logistics             | Yes (Chairperson)         |                                  |      |
| Mr Richard Thompson | Marketing director with a diploma in Marketing  |                           | Yes (Chairperson)                |      |
| Mrs Alida Masuru    | Human resource director with a degree in Industrial Organisation                      |                           |                                  | 1    |
| Mr Thabiso Lebise   | Information technology (IT) director with a certificate in MySQL database development |                           | Yes                              |      |
| Mr Johan Combrink   | Independent non-executive director with a law degree from Unisa                       | Yes                       |                                  |      |

## Note 1

During the year Mr Mathlala finally tied the knot with Mrs Masuru and they had a grand wedding at the Uptown Convention Centre.

## 2. Audit Committee

In December 2019 the audit committee held its only meeting and where a decision was taken to transfer the responsibility for overseeing the internal audit function to the remuneration committee.

### REQUIREMENTS

### Marks

**1.1** Comment on the information provided in terms of non-compliance with the requirements of the King IV report regarding sound corporate governance practices. Present your answer under the following headings:

- a) Board of directors: Composition and appointments (six comments)
- b) Audit committee: (six comments)
- c) Remuneration committee (four comments)

**(24)**

Communication, logic, structure and layout.

**(2)**

**1.2** Name the compulsory board committees as per the King IV Report that Outbound still has to appoint.

**(5)**

### QUESTION 2

**72 Marks**

You have been assigned to the audit of Wireless Limited (hereafter referred to as "Wireless"), a company that sells electrical goods in South Africa. You have gained an understanding of the control environment and business cycles of Wireless.

#### Documentation

Properly designed source documents remain a challenge with the result that information captured on the accounting system may not be valid, accurate or complete. Mr Android has indicated his concerns to you regarding the design of the source documents at Wireless. His main concern is whether or not the sales invoices that Wireless issues comply with the requirements of the Consumer Protection Act 68 of 2008. You selected Sales Invoice 121, which is presented below:

### Sales Tax Invoice

Invoice number: 121

Customer: Black Velvet Design (Pty)

Ltd

Wireless Limited

PO Box D

Midrand

0157

| Description                     | Amount (R)       |
|---------------------------------|------------------|
| XI52 Wireless Bluetooth headset | 2 200.00         |
| Bz17 Samsung S9 cellphone       | 10 000.00        |
| <b>Total</b>                    | <b>12 200.00</b> |
| Wireless Limited                |                  |

### Revenue and receipt cycle

All sales are made on credit, and Wireless Limited is responsible for delivering the goods to its customers. The audit senior has requested that you assist with parts of the cycle, and provided you with the following description of the company's sales invoicing and recording of sales:

#### Invoicing:

Upon receipt of a customer-signed delivery note from the driver, the invoicing clerk files it sequentially in a "pending invoice file". First thing every morning, the invoicing clerk takes the delivery notes from this file and prepares sequentially numbered invoices for each of them. The invoices are cross-referenced and attached to the original internal sales order (ISO) and delivery note.

#### Recording of sale in the accounting records:

Posting the sales transactions to the sales journal takes place once the invoicing clerk has prepared the invoices. After preparing all of them from the delivery notes as described above, he/she records them in the sales journal. He/she also posts the transactions to the debtors ledger and general ledger.

### System implementation based on packaged software

Mrs Android is the financial director and she sent you the following email concerning the new software package to be implemented;

"At the mid-year board meeting, it was decided that the company needs a better, faster and more modern computer system as the old one took just too long to process information and couldn't handle the increase in sales over the last year. Since we have a really good IT department, the board decided that the IT guys identify a new system that is customised to our needs. No one on the board had a problem with this as no one really knew what it meant and what controls need to be in place and with me not being a director, no one wanted to listen to me with regards to the controls that needs to be put in place.

The only controls followed during the implementation of the system are as follows:

- Approval from the board has been obtained
- Only the front office received training
- Deadlines weren't set out for the entire process, just the first three weeks
- A project management team was put together but they didn't perform a feasibility study as they felt it wasn't unnecessary.

### Inventory

Wireless Ltd recently started to develop in-house computers. The computer frame used is custom designed and manufactured according to customer specifications. Mr Android, is unsure

which costs should be included in the valuation of the inventory. He provided you with the following expenses for the previous month.

|    |  |   |           |
|----|--|---|-----------|
| 1. | Raw material used in frames                    | R | 1 000 000 |
| 2. | Import duties                                  | R | 100 000   |
| 3. | Salary of secretary who coordinates deliveries | R | 22 000    |
| 4. | Salary of design architect                     | R | 50 000    |
| 5. | Material lost during fire in warehouse         | R | 500 000   |
| 6. | Commissions paid to sales personnel            | R | 14 000    |

## REQUIRED

## Marks

This question refers to the "documentation" information in the scenario.

- 2.1** Indicate, with reference to Invoice 121 whether or not the design of the source document complies with the **minimum requirements for an invoice** as stipulated in the **Consumer Protection Act 68 of 2008**.

**Example:** The invoice does not state the date on which the transaction occurred.

- You should discuss issues in respect of both **compliance** and **non-compliance** with the Consumer Protection Act in your answer. (9)

- 2.2** **Describe** the requirements that Wireless should comply with to ensure that their source documents are well designed and contain information that is valid, accurate and complete. (6)

This question refers to the "system implementation based on packaged software".

- 2.3** **List** FIVE (5) advantages of packaged software (5)

- 2.4** **Describe** the weaknesses in the controls followed during the implementation of the packaged software and explain why it is a weakness (15)

**Note:** Do not discuss conversion controls.

This question refers to the "revenue and receipt cycle" information in the question.

- 2.5** **2.5.1** Describe the internal control weaknesses in the invoicing and recording of sales sections. (7.5)

- 2.5.2** For each internal control weakness identified in 2.5.1, **describe the associated risk**. (7.5)

- 2.5.3** For each internal control weakness identified in 2.5.1, **identify the control objective** not achieved. (7.5)

Present your answer in the following tabular format:

|   |                                    |   |
|---|------------------------------------|---|
| <b>2.5.1 Internal control weakness (1.5 marks each)</b> | <b>2.5.2 Risk (1.5 marks each)</b> | <b>2.5.3 Control objective (1.5 marks each)</b> |
|---|------------------------------------|---|



|  |   |                          |
|--|---|--------------------------|
| Example:<br>Missing delivery notes are not identified and followed up with the despatch area by a senior personnel member as to why delivery has not yet taken place | Example:<br>All the goods leaving the premises might not have been invoiced, leaving insufficient records of the sales that have taken place. | Example:<br>Completeness |
|--|---|--------------------------|

A presentation mark will be awarded if the answer is presented in a tabular format, as well as marks for communication, logical reasoning and structure. **(1.5)**

**Note:** The examples above will not count for any marks and should therefore not be included in your answer.

This question refers to the “inventory” information in the question.

**2.6 2.6.1 Describe** at what **value** the inventory should be presented in the financial statements of Wireless Limited. **(3)**

**2.6.2 Indicate** if the costs listed should be included or excluded from the calculation of the value of inventory by indicating the amount of cost in the included and excluded column. **(9)**

**Note:** Present your answer in the following tabular format:

| Item                         | Included (R) | Excluded (R) |
|------------------------------|--------------|--------------|
| 1. Raw material              |              |              |
| 2. Import duties             |              |              |
| 3. Salary – secretary        |              |              |
| 4. Salary – design architect |              |              |
| 5. Material lost             |              |              |
| 6. Commissions               |              |              |

A presentation mark will be awarded if the answer is presented in tabular format, as well as marks for communication, logical reasoning and structure. **(1)**

## 6.7 Other assessment methods

An examination paper which serves as a self-evaluation assessment is included hereafter.

### Special instructions and the answering of this assessment opportunity

It is advised that you complete this assessment opportunity under examination conditions within three hours without consulting your study material.

After having completed this, you should compare your answers with the key in Tutorial Letter 202. This assessment opportunity **must not** be sent to the University.

### Tutorial material for this assessment opportunity

This assessment opportunity deals with the entire content of this module.

### Purpose of this assessment opportunity

The purpose of this assessment opportunity is to serve as a revision of the study material as a whole and at the same time is an indication of the standard which can be expected in the examination.

Attached find a previous examination that serves as a self assessment assignment.

## QUESTION 1

**50 MARKS**

You are an audit trainee at Green Tick Inc. a firm of registered auditors in Johannesburg. You were recently assigned to the audit of SaveUPlenty Limited (hereafter referred to as "SaveUPlenty"). SaveUPlenty is a supermarket chain that focuses on fresh produce and offers a wider range of choice food items. The following information pertains to SaveUPlenty:

### Corporate governance practices

|                 | Position                           | Member of<br>Governing Body<br>(Board of<br>Directors) | Member of Audit<br>Committee |
|-----------------|------------------------------------|--|------------------------------|
| Virat Amla      | Chief Executive Officer (CEO)      | Chairperson  | Chairperson                  |
| Frans Klewsner  | Operations Director                | Yes  |                              |
| Noddy Nkwe      | Managing Director                  | Yes  | Yes                          |
| Mary Smith      | Independent non-executive director | Yes  |                              |
| Marshall Gibbs  | Independent non-executive director | Yes  | Yes                          |
| Gertrude Moloji | Independent non-executive director | Yes  |                              |
| Thabiso Mudau   | Independent non-executive director | Yes  |                              |
| Note            |                                    | 1  | 2                            |

**Note 1:** The board met twice during the first financial year.

**Note 2:** At the only meeting held by the audit committee during the first financial year, a decision was taken that the committee's only duty is to nominate the external auditor for appointment. The audit committee will have a first meeting with the external auditors next month.

**Note 3:** SaveUPlenty is compiling with their first integrated report, however the CEO indicated to you that he does not know what the six capitals are that the King IV Report make frequent reference to.

### Continuity of operations

Mr Amla wants to develop an information technology (IT) disaster recovery plan as part of sound controls to minimise disruption should a disaster occur that could prevent processing and/or destroy financial data.

### Password controls

SaveUPlenty makes use of computerised accounting software when calculating the wages of their employees. All the data is accessible from the various factories via an internet connection. Each factory foreperson can access the data to verify hours worked as well as to update the employee masterfiles. You obtained a screenshot of the password settings currently in use at the factories:

| ACCOUNT AND PASSWORD SETTINGS – SAVEUPLenty LTD SOFTWARE |              |
|--|--------------|
| Detail   | Setting      |
| Maximum password age                                     | 6 months     |
| Minimum password length                                  | 4 characters |
| Password must meet complexity requirements               | Disabled     |
| Store password using encryption                          | Disabled     |
| Users must change password at first logon                | Disabled     |
| Show characters when typing passwords                    | Enabled      |
| Allow the same password for different usernames          | Enabled      |
| Automatically log failed login attempts                  | Disabled     |

### Payroll and Personnel

On arriving at or leaving work, employees tick off their names on a “daily time list”, entering their time of arrival or departure in the space provided. A large clock is located in the gate hut. The other controls relating to payroll remained the same.”

### REQUIRED

### MARKS

- 1.1 With reference to the “**Corporate governance**” section, **comment** on the information that SaveUPlenty Limited provided with reference to the requirements of **sound corporate** governance in terms of the King IV Report.

Present your answer under the following headings:

- |  |      |
|--|------|
| a) Governing Body (Board of directors): composition and appointments (five comments) | (7½) |
| b) Audit committee: composition and appointments (three comments)                    | (4½) |
| c) Audit committee: meetings (two comments)  | (3)  |
| d) General remarks (two comments)  | (3)  |
- 
- You should discuss issues in respect of both **compliance** and **non-compliance** with the King IV Report in your answer.
  - Two presentation marks will be awarded if the answer is presented under the correct headings, and for communication, logical reasoning and structure.
- (2)

- 1.2 List the SIX (6) capitals as referred to in the King IV Report that SaveUPlenty should report on in the integrated report. (3)
- 1.3 This question refers to the “**Continuity of operations**” section: Describe the **controls** that Mr C Amla should implement at SaveUPlenty Limited to minimise information technology (IT) disruption as a result of some disaster. Limit your answer to the **disaster recovery plan**. (6)
- 1.4 This question refers to the “**payroll and personnel**” section: Identify EIGHT (8) weaknesses in SaveUPlenty’s “account and password settings” procedures, when considering the screenshot obtained by you. (12)
- 1.5 This question refers to the “**payroll and personnel**” section:
- 1.5.1 Explain four (4) weaknesses in SaveUPlenty’s wage system. Limit your answer to the timekeeping function. (6)
- 1.5.2 Explain what the term biometric data means in a computerised clocking system. (1.5)
- 1.5.3 Describe one advantage of biometric data over an identification card or a clock card. (1.5)

## QUESTION 2

50 MARKS

### Inventory

SaveUPlenty has comprehensive internal controls in place to ensure the inventory is safeguarded against theft and misappropriation. However on review of the current year’s financial statements, the external auditors reported material discrepancies between physical inventory on hand and perpetual inventory in the financial records. As a result, the CEO requested Internal Audit to perform an investigation into the effectiveness of the system of internal control over the ordering of goods, as an important function in the purchasing of inventory for the company.

The following controls were implemented in the inventory cycle:

1. Entry to and exit from the warehouse are monitored 24 hours a day by surveillance cameras.
2. The company has a receiving supervisor, a despatch supervisor, and a stores controller who is responsible for the custody of inventory.
3. The financial controller, receiving supervisor, despatch supervisor and stores controller all have the necessary skills and qualifications applicable to their job descriptions.
4. The company has a full inventory count every two months which is attended by the financial controller and external auditors.
5. One of the warehousing section’s objectives is to keep theft of inventory below 1% of the total cost of inventory on hand. This is monitored monthly.
6. Pickers sign the picking slip after they have selected the goods from the store.

7. Any warehouse personnel, who are caught stealing inventory, are dismissed immediately.

### Ordering of goods

Internal Audit identified the following **risks** in the **ordering of goods** function, which could occur due to weaknesses in the system of internal control:

1. Ordering incorrect or unnecessary goods, resulting in liquidity problems and wastage.
2. Ordering unauthorised goods, resulting in losses to the company through fraud.
3. Obtaining goods of inferior quality.
4. Paying unnecessarily high prices for goods ordered.
5. Placing orders with suppliers that do not deliver/do not deliver timeously.
6. Abusing order forms, for example by placing orders for private purchases.

### Capital investment

SaveUPlenty want to buy and install new fridges for the supermarkets country wide, as the fridges that they have is not energy efficient. As this is a large capital expenditure the managing director asked you, the audit manager to assist in documenting the controls that should be implemented when making the purchase.

### REQUIRED

### MARKS

- 2.1** Describe **FOUR (4) internal controls** that should be implemented to mitigate the risks associated with the **movement of inventory** from the goods for resale warehouse to the despatch section

**(6)**

- 2.2** Two of the components of internal control in terms of ISA 315 are **control environment** and **control activities**. There are five different categories of control activities.

For each of the **inventory controls** provided in the question (1-7), indicate whether it relates to the control environment or control activities. Where your answer is control activities, indicate into which category of control activity it falls.

**(15)**

Present your answer in the following table format:

| No. | Control environment/<br>Control activity | Control activity if applicable  |
|-----|--|---------------------------------|
| 1   | <i>Example: Control Activity</i>         | <i>Example: Access Controls</i> |
| 2   |  |                                 |
| 3   |  |                                 |
| 4   |  |                                 |
| 5   |  |                                 |

|   |  |  |
|---|--|--|
| 6 |  |  |
| 7 |  |  |

- Number 1 is included above as an example and no marks will be awarded for this.
- One mark will be awarded for the correct presentation of your answer

(1)

**2.3** Describe the procedures to be followed when conducting a physical year-end inventory count.

(9)

**2.4** Advise management of the internal controls (in a manual system) that could be implemented to mitigate the risks that you identified relating to the ordering of goods.

(12)

Present your answer in the following format:

(1)

| Risk No | Internal control    |
|---------|---------------------|
| 1       | (Give ONE control)  |
| 2       | (Give TWO controls) |
| 3       | (Give ONE control)  |
| 4       | (Give ONE control)  |
| 5       | (Give TWO controls) |
| 6       | (Give ONE control)  |

**2.5** This question refers to the “**Capital Investment**” section:

Describe any FOUR (4) compensating internal controls to be implemented to address the risks of material misstatement when purchasing the fridges.

(6)

## 6.8 The examination

### Requirements for admission to the examination

Submission of the compulsory assignment 01 by its due date will give a student admission to the examination in this module. Admission will be obtained by submitting this assignment in time and not by the marks you obtain for it. Please ensure that this assignment reaches the University before or on the due date. Late submission of the assignment will result in you not being admitted to the examination. No extension will be given for the late submission of assignments 01 and 02.

### The examination period

This module is offered in both semesters. This means that if you are registered for the first semester, you will write the examination in May/June 2020 and the supplementary examination will be written in October/November 2020. If you are registered for the second semester you will write the examination in October/November 2020 and the supplementary examination will be written in May/June 2021.

During the semester, the examination section will provide you with information regarding the examination in general, examination venues, examination dates and examination times.

### **Format of the examination paper**

The duration of the examination is 3 hours. The exam paper consists of a case study with questions. Students will have to apply their theoretical knowledge to the information provided in the case study. The examination will not contain any multiple-choice or any theoretical questions.

### **Calculator policy**

Candidates may only use silent, electronic, battery-driven pocket calculators subject to the following conditions:

- Calculators must be cordless, and may not have print-out facilities or alpha keys;
- Any financial calculator will be allowed, as the following tables will not be provided:
  - Tables of present value factors for various discount rates for varying periods; and
  - Tables of future value factors for various interest rates for varying periods;
- The calculator function on mobile telephones or any electronic device (i.e. laptops and/or any Smart Phone) may not be used; and
- Candidates may not share a calculator with another candidate in the examination room.

### **Previous examination papers**

Previous examination papers are available to students on *myUnisa*. Suggested solutions are not provided. You may, however, accept that the type of questions that will be asked in the examination will be similar to those found in your study material.

Use the **Study @ Unisa** brochure for general guidance for the examination as well as for your preparation for the examination.

## **7 CONCLUSION**

Wishing you every success with your Auditing studies! We are here to assist you where we can with the content of the module. Please make the most of your opportunity to learn about this module.