

# **Tutorial Letter 101/3/2019**

## **Corporate Governance in accountancy AUE2602**

**Semesters 1 and 2**

**Department of Auditing**

### **IMPORTANT INFORMATION**

Please register on myUnisa, activate your myLife email address and make sure that you have regular access to the myUnisa module website, AUE2602-2019-S1/S2, as well as your group website.

BARCODE



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Dear Student

## 1 INTRODUCTION

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 AUE2602-19-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 AUE2602-19-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 OVERVIEW OF AUE2602**

### **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 103 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
- [purchasescript@unisa.ac.za](mailto:purchasescript@unisa.ac.za) for purchasing of papers

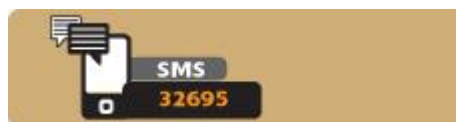
#### Library

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 Other resources – printed support material

Because we want you to be successful in this blended module, we also provide you with some of the study material in printed format. This will allow you to read the study material even if you are not online.

The printed study material will be sent to you at the beginning of the semester, but you do not have to wait for it before you start studying – you can go online as soon as you have registered and find all your study material there. The material we will send you is an **offline** copy of the formal content for the online part of the module.

## 4.3 Prescribed books

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.

## 4.4 Recommended books

There are no recommended books prescribed for this module.



#### 4.5 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.

#### 4.6 Library services and resources information

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

- 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 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)
- Frequently asked questions about the Library: <http://libguides.unisa.ac.za/ask>
- Services to students living with disabilities: <http://libguides.unisa.ac.za/disability>

#### 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 HOW TO STUDY ONLINE

### 6.1 What does it mean to study a blended module?

Studying a blended module may differ completely from studying some of your other modules at Unisa.

- ***All your study material and learning activities for blended and fully online modules are designed to be delivered online on myUnisa.*** Although blended modules include printed material, the module is designed to be delivered online.
- ***All communication between you and the University happens online.*** Lecturers will communicate to you by email and sms, as well as using the **Announcements** and in some cases the **Discussion Forums** tools.

### 6.2 myUnisa tools

It is very important that you log in to myUnisa regularly. We recommend that you log in at least once a week to do the following:

- **Check for new announcements.** You can also set your *myLife* e-mail account so that you receive the announcement e-mails on your cell phone.
- **Take part in the Discussion Forum activities.** You can discuss the content of the module with other students when you post messages online.
- One of the other tools that we use is the **Learning units tool**. The content of your module will be provided in this tool.

We hope that by giving you extra ways to study the material and practise all of the activities, you will succeed in the blended module. To get the most out of the blended module you **MUST** go online regularly.

## 7 ASSESSMENT

### 7.1 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.

## 7.2 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.

### 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 YOUR YEAR MARK**

## 7.3 Assignment numbers

### 7.3.1 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.

### 7.3.2 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.

### 7.4 Assignment due dates

Assignment	FIRST SEMESTER Due date if you are registered for the first semester	SECOND SEMESTER Due date if you are registered for the second semester
01	11 March 2019 Unique number: 830758	26 August 2019 Unique number: 691583
02	15 April 2019 Unique number: 823346	16 September 2019 Unique number: 764874

### 7.5 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.

## 7.6 The assignments

### 7.6.1 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 1-3 and 5 of the study guide.

## ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS

UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:

830758

DATE OF SUBMISSION FOR THE FIRST SEMESTER:

11 March 2019

### QUESTION 1

30 marks

#### REQUIRED

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

- |    |   |
|----|---|
| 1. | 1 |
| 2. | 3 |

(1½ marks per question)

1. Within how many days after a public or state-owned company has been incorporated should the board appoint the members of the audit committee?
  - 1     30 business days
  - 2     40 business days
  - 3     50 business days
  - 4     60 business days

#### 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       | - | Chair and independent non-executive director and a medical doctor                           |
| Dr Omega         | - | Chief Executive Officer (CEO), and medical doctor   |
| Mr Iron          | - | Financial director  |
| Mrs Magnesium    | - | The Company secretary   |
| Prof Antibiotics | - | Registered auditor, the wife of one of the major suppliers of inventory to HealthIQ Limited |

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

- 1 The chair 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. Select the **correct alternative** to complete the following sentence:

HealthIQ Limited's board of directors does **not** comply with Principle 7 of the King IV Report because ...

- 1 Dr Omega, the CEO, is not the chair of the governing body.
- 2 collectively, the directors may not have an understanding of the effect of laws and regulations on the company.
- 3 the chair of the board, Dr Vitamin, is an independent non-executive director.
- 4 the CEO, Dr Omega, is not a qualified chartered accountant.

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.
- 3 executive directors.
- 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 of the following companies are required by the Companies Act to have an audit committee?

- i) State-owned companies.



- ii) Public companies.
- iii) Private companies.
- iv) A public company is a subsidiary of a holding company. The audit committee of the holding company will not perform the functions of an audit committee within the subsidiary.

- 1 (i) and (ii)
- 2 (ii) and (iii)
- 3 (i), (ii) and (iv)
- 4 all the options

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 could affect the company's financial performance, or 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 alternatives is **not** a factor the external auditor should consider when assessing whether a risk is a significant risk?

- 1 Recent significant economic, accounting or other developments.
- 2 Complexity of the transactions.

- 3 Nature, timing and extent of audit procedures.
  - 4 Significant transaction with related parties.
10. Which ONE of the following is **not** an example of physical 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 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 is **not** part of the risk assessment process, as one of the components of internal control?
- 1 Deciding on actions to deal with the risks.
  - 2 Estimating the potential impact if a risk was to occur.
  - 3 Identifying business risks relevant to financial reporting objectives.
  - 4 Identifying and assessing audit risks.
13. Which ONE of the following **is** an example of a good control environment?
- 1 There are policies and procedures, but only some employees follow it.
  - 2 There are policies and procedures, but only the management follows it.
  - 3 Policies and procedures are followed most of the time, but not always.

- 4 There are policies and procedures, which both the management and employees follow all the time.
14. 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
15. 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.
16. Which ONE of the following is **not** an example of the isolation of responsibilities?
- 1 The cashier uses a unique username and password to gain access to the till.
  - 2 If a mistake was made, the cashier will log the error, and the manager will authorise the correction.
  - 3 Each manager has his/her own username and password to enable corrections of mistakes.
  - 4 The security guard signs the till slip to indicate that he checked the goods in the bag against the till slip.
17. 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 a purchaser of the software.

18. Which ONE of the following is **not** a component of internal controls?

1 Control environment.

2 Risk assessment.

3 Segregation of duties.

4 Monitoring of controls.

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.

---X---

### 8.6.2 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, 4 and 6 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.

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:

823346

DATE OF SUBMISSION FOR THE FIRST SEMESTER

15 April 2019

QUESTION

100 marks

Payalot Ltd (hereafter referred to as Payalot) is an online shopping store that sells various goods. Due to the rapid expansion and excellent performance of the company, the board of directors is considering listing the company's equity on the Johannesburg Securities Exchange (JSE). Mr Daily Deals (DD), a friend of yours and the chief executive officer (CEO) of the company, recently contacted you for your advice: "The business has grown quickly and I feel that certain systems require improvement if efficiency and customer services are to be maintained. My initial concerns relate to the corporate governance in the company, the revenue and receipts cycle, and the inventory cycle."

A few days later in response to your enquiries, Mr DD provided you with the following information:

### ***Corporate governance in the company***

My knowledge of the Companies Act of 2008 and the King IV Report is not up to date. The directors are aware that the company needs to comply with sound corporate governance as recommended in the King IV Report, but we are not sure who qualifies to be on the audit committee. The suggested board of directors consists of the following individuals:

1	S Jobs	Financial director of Payalot
2	E Musk	Independent non-executive director who is a retired computer engineer
3	B Gates	Company secretary of Payalot
4	S Pichai	Registered auditor, the wife of one of the major suppliers of goods to Payalot.
5	D Deals	CEO and chairperson
6	M Zuckerberg	Independent non-executive director
7	K Reid	Independent non-executive director

### ***Risk assessment and approach***

Risk categories are used as a framework for risk assessment. We have identified the following **risks**, although this is not an exhaustive list.

- 1.2.1 Payalot sells goods that are not environmentally friendly
- 1.2.2 Exchange/interest rate currency fluctuation risks
- 1.2.3 Risk of Payalot not complying with all the relevant rules and regulations
- 1.2.4 Risk of acquiring another online shopping store

### ***Internal audit***

I will forward you the internal audit report for the financial year. The report does highlight that no physical controls exist to prevent unauthorised access to the inventory warehouse. However, the report indicates that there are sufficient controls governing the access of visitors from outside the company to the separate IT building. They also identified that all the personnel in the finance department share a single password to gain unlimited access to the bank account.

We also require the internal audit department to perform the following functions among others:

1. Assist in reviewing the internal controls implemented for the payment of suppliers as part of the purchases cycle.
2. The external auditors requested that the members of the internal audit department attend the financial year-end inventory counts at four of the company's retail outlets on their behalf. The external auditors will have their own teams at the other outlets.

3. Update Payalot's fixed asset register to ensure that it is complete.
4. The financial manager requested that in future, the internal audit department authorise the write-off of bad debts at the end of each month after investigation of each debtor's circumstances.

### ***Internal control***

Payalot's risk committee requested the management to design appropriate internal controls. They explained that there are five components of internal control. The following internal controls relate to two of the five components (namely control activities and control environment) which were implemented by the company.

- 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 and resolved.
- e) The company has a receiving supervisor, a despatch supervisor, and a stores controller who is responsible for the custody of inventory.

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

### ***Revenue and receipts***

Due to the large volume of daily transactions at Payalot, our revenue and receipts cycle is highly automated; however, we do not have strict controls in place to prevent employees from making unauthorised changes to the debtors' masterfiles. The controls that we do have in place are that the employee masterfile can only be accessed with an authorised username and password. To enhance accuracy and completeness of keying in amendments to the the masterfile and to detect invalid conditions, screen aids and programme checks were implemented. Any changes made to the masterfile are automatically logged by the system on sequenced logs. The financial director regularly reviews the logs and checks the log sequence.

We also need 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:

1. Compulsory that VAT numbers of all clients of the company should be shown on the invoices.
2. Sales invoices should be issued only to clients with a valid account number.
3. Product item codes consist of five alphabetical characters.

4. The minimum number of a specific item that may be purchased is one and the maximum number is 20.
5. The percentage of VAT on the invoice should be 15%.
6. Invoices should be issued in number sequences.

### **Inventory**

Maggie Motolo, the warehouse administration clerk, printed a list off the computerised perpetual inventory system (inventory sheet) of each item (description and quantity). The inventory sheets were handed to the pickers who counted each item in the warehouse, and ticked off the quantities on the inventory sheets once they had counted the item.

### **REQUIRED**

### **Marks**

**1** With reference to the **corporate governance** information:

**1.1. Indicate** whether or not each of the individuals mentioned in **1 to 4** could be appointed as a member of the audit committee according to Section 94 of the Companies Act of 2008.

**(4)**

**1.2. Give a reason** for each answer.

**(6)**

Present your answer in the following format:

Individual	1.1. Yes/No (1 x 4 = 4 marks)	1.2. Reason (1.5 x 4 = 6 marks)
<b>1. S Jobs</b>	...	...
<b>2. E Musk</b>		
<b>3. B Gates</b>		
<b>4. S Pichai</b>		

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

**(1)**

**1.3. Identify** the factors that board should consider to determine the appropriate number of members of the board.

**(6)**

**1.4. Comment** on the composition of Payalot's board of directors in relation to the requirements of sound corporate governance in the King IV report.

**(6)**

Address both compliance and non-compliance in your answer

**2** With reference to the **risk** information:

**Link** each of the risks in **1.2.1** to **1.2.4** to a risk category that can be used in a framework to assess risk.

**(6)**

**3** With reference to the **internal audit** information:

Indicate whether the internal audit department should, in accordance with the King IV Report, perform the functions listed in **1** to **4** in the scenario; and provide **brief reasons** for your answers.

**(10)**



Present your answer in the following tabular format:

Function number	Should the function be performed? Yes/No (1 mark)	Brief reason (1.5 marks)
1		
2		
3		
4		

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

(1)

4 With reference to the **internal control** information:

4.1. **Indicate** for **each** of the internal controls implemented in **(b) to (e)** whether it relates to the control environment or a control activity as a component of internal control.

(6)

4.2. **Indicate** the characteristics in **(ii) to (vii)** which relate to each observation. Each characteristic can be used only once.

(6)

Present your answer in the following format:

Internal control observation	4.1. Control environment/ Control activity (1.5 x 4 = 6 marks)	4.2. Relation to characteristic (1.5 x 4 = 6 marks)
(a)	Control environment  <i>(No marks will be awarded for identifying this component.)</i>	(i)  <i>(No marks will be awarded for identifying this characteristic.)</i>

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

(1)

5 With reference to the **revenue and receipts** information:

**Describe password controls** as part of good, logical access control that Payalot should implement to prevent the theft of money due to unauthorised access to the company's bank account in a **computerised environment**.

(12)

**Note:** Your answer should only deal with password controls.

6 With reference to the **inventory** information:

Describe the physical access controls as a general IT-control that Payalot Ltd should implement to control unauthorised access to the inventory warehouse.

(9)

7 With reference to the **revenue and receipts** information:

7.1. Identify each of the programme checks in (2) to (6) (5)

7.2. Describe programme checks that will ensure compliance with the requirements listed in (2) to (6) regarding the accuracy and completeness of the online input of sales invoice data. (5)

Present your answer in the following format:

	7.1. Program check (1 x 5 = 5 marks)	7.2. Description of program check (1x 5 = 5 marks)
1	<i>Mandatory field/ missing data checks</i>  <i>(No marks will be awarded for identifying this program check.)</i>	<i>Keying in will not continue until a particular field or fields have been entered.</i>  <i>(No marks will be awarded for identifying this description)</i>

One presentation mark will be awarded if the answer is presented in the required format, and for communication, logical reasoning and structure (1)

8 With reference to the **revenue and receipts** information:

Describe any **additional internal controls** that should be implemented to ensure that new debtors' details that are added to the **debtors' masterfile** is accurate, complete and authorised. (9)

9 With reference to the **inventory** information:

**Discuss** the weaknesses in the stationery control for the year-end inventory count. (6)

**Note:** Limit your answer to stationery control

8.6.3 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 1-3 and 5 of the study guide.

## ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS

UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:

**691583**

DATE OF SUBMISSION

**Second semester: 26 August 2019**

### QUESTION 1

**30 marks**

#### REQUIRED

Select for each question 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 to the digit of the alternative which you have selected as your answer. Answer the sub-sections of this question in numerical sequence, for example, as follow:

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. In terms of the King IV Report, through which **ONE** of the following combinations is the balance of power of the governing body **best** attained?
  - 1 a majority of executive directors, with the other directors being non-executive directors, the majority of whom should be independent
  - 2 a majority of non-executive directors, the majority of whom should be independent
  - 3 a majority of non-executive directors, the minority of whom are independent

- 4 a clear majority of executive directors with a non-executive chairperson
2. According to the King IV Report, the governing body should lead ethically and effectively (Principle 1). Which ONE of the following is **not** one of the characteristics of ethical leadership as described by King IV?
- 1 integrity
  - 2 competence
  - 3 confidentiality
  - 4 responsibility
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 chief executive officer 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 chair of the governing body should ...

- 1 be a member of the audit committee
- 2 also be the chair of the remuneration committee
- 3 be a member of the nomination committee
- 4 also be the chief executive officer of the company

7. According to the King IV Report, the governing body should govern technology and information in a way that supports the organisation 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 entity **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. What is the **minimum** number of members that the risk committee should have according to the recommendations of the King IV Report?
- 1 Three members.
  - 2 The King IV Report does not make a recommendation.
  - 3 Five members.
  - 4 Four members.
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 fool proof.
  - 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 that the cost of internal control 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
14. Which ONE of the following alternatives is **not** one of the five components of internal control according to the framework provided by ISA 315 of the auditing standards?
- 1 control activities
  - 2 risk assessment
  - 3 monitoring controls
  - 4 segregation of duties
15. Which ONE of the following alternatives is **not** a control activity in a computerised accounting system?
- 1 performance reviews
  - 2 source document design
  - 3 comparison and reconciliation
  - 4 access control at an application level
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. Which ONE of the following is **not** a risk that will be dealt with by internal controls in a business?

1 late submission of a director's personal tax return

2 theft of the assets of the company

3 non-compliance with laws and regulations

4 fraud

---X---

#### 8.6.4 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 1 - 7 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.

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:

**764874**

DATE OF SUBMISSION FOR THE SECOND SEMESTER

**16 September 2019**

**QUESTION**

**100 marks**

## Background information

FurnCo Ltd (hereafter referred to as FurnCo) is a large furniture dealer in South Africa. The company has been listed on the JSE for a number of years. They recently applied for a secondary listing on the New York Stock Exchange in the United States of America.

## Possible fraud

Six months ago, FurnCo's external auditors informed the board of directors that they were not able to sign off on FurnCo's latest set of financial statements. They had identified possible accounting irregularities that need to be investigated further. The investigation is still ongoing, but in the meantime, FurnCo has been in news headlines quite often, despite continuing to operate as normal.

## Corporate governance

Because of the possible fraud, FurnCo would like to ensure that it fully complies with sound corporate governance, particularly with regard to the ethical leadership of the company.

## Responsible corporate citizenship

During a refresher course on corporate governance attended by the board and executive management of the company, they discussed what being a good corporate citizen really means. For each of the factors they considered, they came up with an example. Unfortunately, the table was scrambled due to bad Excel skills:

Factor	Example of what a good corporate citizen does
1. Human rights	A. Provide acceptable health and safety conditions in the workplace.
2. Economic transformation	B. Assist in providing basic human needs such as housing and fresh water.
3. Fair treatment of customers.	C. Provide literacy classes, study bursaries and in-house social programmes.
4. Fair labour practice	D. Not engage in the practice of "shifting profit".
5. Prevention, detection and response to fraud and corruption	E. Mentor and develop emerging business, promote BBBEE and promote employee share ownership.
6. Responsible tax policies	F. Adopt fair pricing (no price fixing), honour warrantees and provide efficient service.
7. Employee wellbeing and development	G. Implement strict policies against any form of bribery.

## Board of directors

M Table	–	Chairperson and independent non-executive director
S Chair	–	Chief executive officer (CEO)
L Shelf	–	Information technology (IT) director
B Couch	–	Risk director
D Cabinet	–	Independent non-executive director
A Carpet	–	Independent non-executive director
O Mirror	–	Independent non-executive director

As FurnCo has been listed on the JSE for quite some time, they already have all the required committees stipulated in the King IV Report.

## Audit committee

The following directors are part of the audit committee:

M Table	–	Chairperson and independent non-executive director
S Chair	–	CEO
D Cabinet	–	Independent non-executive director

## Revenue and receipts, and acquisitions and payments

FurnCo currently has numerous audit teams from the external auditors requesting information and trying to understand the company. Ms Amateur, from the external audit team, has been tasked with gaining an understanding of the revenue and receipts cycle as well as the acquisitions and payments cycle at FurnCo. However, she always gets very confused between the two. She is a first-year audit trainee and is unsure about the main objective of each of the following functions within these two cycles at FurnCo:

- a. The order department
- b. Recording of sales and raising debtors
- c. Credit management
- d. Ordering of goods
- e. Warehouse/despatch
- f. Receiving of goods
- g. Recording of purchases (acquisitions)
- h. Receiving and recording payments from debtors
- i. Actual payment and recording of the payment
- j. Invoicing
- k. Payment preparation

Ms Amateur recently learned about the control objectives that entities try to achieve, specifically with the help of computerised systems. This includes ensuring that data is valid, accurate and complete. She has identified the following screen aids when customers' orders are being input into the system:

- i. When an existing customer places an order, the customer is only required to provide his/her customer account number to the operator. When this is keyed in, all the remaining details such as name and delivery address are retrieved by the system.
- ii. Once this is done, the operator is unable to edit the fields of the name and delivery address of the customer.
- iii. When the operator is keying in information of the order on the system, there are certain fields in with a star (\*) next to it.
- iv. Should the operator choose to continue without the starred fields being completed, they are unable to do so. A screen even pops up to let them know that there are empty fields.
- v. When selecting inventory items, the operator uses a drop-down list and is unable to key in any details.
- vi. When the operator selects the inventory item, the value of the inventory is automatically completed by the system.
- vii. When the order is processed, the computer system assigns a unique number to it.

## Inventory and production

Inventory is a significant account balance in the financial statements of FurnCo. They have numerous factories across the country where they produce furniture for their retail shops. The management is concerned about the condition of the warehouses where the completed furniture is stored.

## Payroll and personnel

FurnCo 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. Ms Amateur obtained a screenshot of the password settings currently in use at the factories:

ACCOUNT AND PASSWORD SETTINGS – FURNCO LTD FACTORY SOFTWARE	
Detail	Setting
Enforce password history	1 password remembered
Maximum password age	6 months
Minimum password length	4 characters
Password must meet complexity requirements	Disabled
Store password using encryption	Disabled
Account lockout threshold	10 unsuccessful attempts
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

## REQUIRED

## Marks

- Based on the **background information** provided, consider FurnCo's intention to list on the NYSE and answer the following questions:
  - With which United States of America (USA) Act would the company need to comply to do so? (1½)
  - What is the main purpose of this Act? (1½)
  - Given the current state of affairs at FurnCo, do you think it is a good idea to continue with their intention to list in the USA? (1½)
- With reference to the **corporate governance** information, list the SIX (6) characteristics of ethical leadership according to the King IV Report. (6)
- Use the table provided under **responsible corporate citizenship** and unscramble the examples of what a good corporate citizen would do.

Provide your answer in the following table format:

Factor	What a good corporate citizen does (1 x 6 = 6 marks)
Example	Example

1. Human rights	B. Assist in providing basic human needs such as housing and fresh water.
2. Economic transformation	
3. Fair treatment of customers	
4. Fair labour practice	
5. Prevention, detection and response to fraud and corruption	
6. Responsible tax policies	
7. Employee wellbeing and development	

(6)

- Number 1 above is provided as an example and therefore no marks will be awarded for it.
- One presentation mark will be awarded if the answer is presented in the correct format.

(1)

4. With reference to the information provided under **revenue and receipts and acquisitions and payments**, explain the following terms in the context of a computerised environment and provide ONE (1) example of each:

4.1. General IT controls

(3)

4.2. Application controls

(3)

5. With reference to the information provided under **revenue and receipts and acquisitions and payments**:

- 5.1. For each of the functions (b-k) listed by Ms Amateur, identify the cycle that it forms part of and describe briefly the main objective of the function.

Provide your answer in the following table format:

Function	Cycle (10 x 0.5 = 5 marks)	Main objective (10 x 1 = 10 marks)
<b>Example</b>	<b>Example</b>	<b>Example</b>
a. The order department	Revenue and receipts cycle	The order department is responsible for receiving orders from customers and setting in motion the filling of the order.
b. Recording of sales and raising debtors		

<b>c.</b> Credit management		
<b>d.</b> Ordering of good		
<b>e.</b> Warehouse/despatch		
<b>f.</b> Receiving of goods		
<b>g.</b> Recording of purchases (acquisitions)		
<b>h.</b> Receiving and recording payments from debtors		
<b>i.</b> Actual payment and recording of the payment		
<b>j.</b> Invoicing		
<b>k.</b> Payment preparation		

(15)

- Number **a.** above is provided as an example and therefore no marks will be awarded for it.
- One presentation mark will be awarded if the answer is presented in the correct format.

(1)

**5.2.** Assist Ms Amateur with her understanding of the screen aids and related features by identifying the specific screen aid used for ii to vii and linking it to the relevant control objective(s).

Provide your answer in the following table format:

<b>Information</b>	<b>Screen aid or related feature</b> <b>(1.5 x 6 = 9 marks)</b>	<b>Objective of the control</b> <b>(1 x 6 = 6 marks)</b>
<b>Example</b>	<b>Example</b>	<b>Example</b>
<b>i.</b> When an existing customer places an order, the customer is only required to provide his/her account number to the operator. When this is keyed in, all the remaining details such as name and delivery address are retrieved by the system.	Minimum keying of information	Accuracy OR Validity
<b>ii.</b> Once this is done, the operator is unable to edit the fields of the name and delivery address of the customer.		
<b>iii.</b> When the operator is keying in information of the order on the system, there are certain fields in with a star (*) next to it.		

<b>iv.</b> Should the operator choose to continue without the starred fields being completed, they are unable to do so. A screen even pops up to let them know that there are empty fields		
<b>v.</b> When selecting inventory items, the operator uses a drop-down list and is unable to key in any details.		
<b>vi.</b> When the operator selects the inventory, the value of the inventory is automatically completed by the system.		
<b>vii.</b> When the order is processed, the computer system assigns a unique number to it.		

**(15)**

- Number **i.** above is provided as an example and therefore no marks will be awarded for it.
- One presentation mark will be awarded if the answer is presented in the correct format.

**(1)**

**6. With reference to the information provided under **inventory and production**:**

**6.1.** List the SIX (6) physical controls that FurnCo should have implemented at their warehouses to lower the risk of theft, damage and loss of inventory.

**(6)**

**6.2.** Indicate at what value inventory should be presented in the financial statements of FurnCo.

**(1½)**

**7. With reference to the information provided under **payroll and personnel**:**

**7.1.** Describe the controls that should be implemented when updating the employee masterfiles. Limit your answer to updating existing employee data.

**(10)**

**7.2.** Identify TEN (10) weaknesses in FurnCo's "account and password settings" procedures, when considering the screenshot obtained by Ms. Amateur.

**(15)**

---X---

## 7.7 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**

Ming Limited is a very large diamond mining company in the Northern Cape province of South Africa. The company is listed on the JSE. The board of directors wants to ensure that they still comply with the recommendations of the King IV Report and have asked you for some advice.

The company secretary, Miss Gold provided you with the following information.

### The governing body

Ms Platinum	-	Chief executive officer (an executive director)
Mr Iron	-	Chair (an independent non-executive director)
Mr Diamond	-	Chief finance executive director (an executive director)
Ms Emerald	-	Marketing director (an executive director)
Mr Safire	-	Independent non-executive director
Ms Ruby	-	Personnel director (an executive director)
Mr Coal	-	Independent non-executive director
Mr Aluminium	-	Non-executive director. He is Ms Platinum's son-in-law

Mr Safire was appointed to the governing body during the course of the current financial year. He has considerable knowledge of mining operations and export regulations. A friend recently told him that there are some instances according to the Companies Act of 2008, whereby a director of a board can personally be held liable for losses made by the company. Mr Safire is now very concerned and has asked you to provide him with details.

### Responsibilities and activities



Mr Iron contacted you for some advice. He is unsure who of the current available committees or individuals (i-x) should be responsible for the activities as set out below (a-g).

#### List of activities

- a) Oversight of the internal audit function
- b) Approval of the appointment of the chief audit executive (CAE)
- c) Monitoring that the internal audit function follows an approved risk-based audit plan
- d) Implementation and execution of effective compliance management
- e) Leading the implementation and execution of approved strategy, policy and operational planning
- f) Oversight of the evaluation of the performance of the governing body
- g) Oversight and reporting on sustainable development

#### Available committees or individuals

- i) Governing body
- ii) Ms Platinum (Chief executive officer)
- iii) Social and ethics committee
- iv) Labour union
- v) Audit committee
- vi) Mr Coal (Independent non-executive director)
- vii) Risk committee
- viii) Executive management
- ix) Mr Diamond (Chief finance executive director)
- x) Nominations committee

### Workforce

Ming Limited has a large workforce of about 7 000 employees, the majority being miners. Many of the miners are migrant workers from Namibia, Botswana, Mozambique and Zimbabwe. Because of this, Ming Limited's workforce has a high personnel turnover. All personnel salaries are automatically calculated and paid via electronic fund transfers (EFT) payments on a monthly basis.

Ming Limited's risk committee has recently identified and addressed all risks relating to the employee masterfile, timekeeping, payroll preparation and EFT payments of salaries. They have now approached you for assistance with identifying other risks relating to the human resources function of the payroll and personnel business cycle.

### Warehouse

Ming Limited has implemented various internal controls in the warehouse given the financial value of the inventory kept. Ms Platinum has heard that internal controls can be classified as general or application controls, and that there are various components of internal control. You have sent her a list of the internal control components: control environment, control activities, risk assessment, monitoring of controls and information systems. Ms Platinum has asked you to help classify some of the current internal controls implemented in the warehouse.

1. The warehouse is monitored by close circuit television.
2. Mr Digger, the warehouse manager, has read-only access to the inventory masterfile.
3. Any adjustments to the inventory masterfile must be authorised by the warehouse supervisor and the financial accountant.

4. An employee caught stealing is dismissed if found guilty after an internal investigation.
5. Store requisitions are issued electronically. The program automatically provides a sequentially numbered document.

## REQUIRED

## Marks

- 1.1 Regarding the information provided in the **introduction and** under the heading **“the governing body”**, describe any FOUR (4) aspects that Ming Limited **comply** with in terms of the recommendations of sound corporate governance as set out in the King IV Report. (6)
- 1.2 Describe any SIX (6) **instances where a director may be held liable** to the company for any loss, damage or costs arising as a direct or indirect consequence of the directors’ decisions, as indicated in Section 77 of the Companies Act of 2008. (9)
- 1.3 With reference to the information under the heading **“responsibilities and activities”**, indicate for EACH of the activities listed (a-g) the **main responsible committee or individual (i-x)**. You are limited to name **only ONE (1)** committee or individual per activity. Each committee or individual may be used more than once. (10½)
- 1.4 With reference to the information under the heading **“workforce”** briefly describe FIVE (5) **additional risks** in the human resource function which a company such as Ming Limited might face. (7½)
- 1.5 With reference to the internal controls (1-6) provided under the heading **“warehouse”**, indicate:
  - a) for controls **1 – 2** if it is an **application or general control**, and provide an **explanation** for your answer, AND
  - b) for controls **3 – 5** the **component** of internal control to which the control relates as provided in the scenario, and provide an **explanation** for your answer.

Present your answer in the following format:

<b>Internal control</b>	<b>a) General or application (1½ each)</b>	<b>Explanation (1½ each)</b>
<b>1</b> CCTV cameras		
<b>2</b> Masterfile access		

<b>Internal control</b>	<b>b) Component of internal control (1½ each)</b>	<b>Explanation (1½ each)</b>
<b>3</b> Adjustments to masterfile		
<b>4</b> Dismissal of employees caught stealing		
<b>5</b> Sequenced store requisitions		

**(15)**

- Provide only ONE component for each internal control under numbers 3-5.
- Two presentation marks will be awarded if the answer is presented in the required format, and for communication, logical reasoning and structure.

**(2)****QUESTION 2****50 marks**

Taolo (Pty) Ltd (hereafter referred to as Taolo) is a growing wholesale business specialising in the distribution of beverages around the country.

Mr Molaodi (CA (SA)) is the current financial manager of Taolo and believes that good corporate governance and internal controls will carry the company into the future. He has therefore asked his internal audit department to assess the different business cycles separately and report back to him on their findings. Mr Molaodi wants to improve the internal controls to provide him with absolute assurance that the risks that threaten the objectives of the business will be adequately responded to.

**Revenue and receipts cycle**

Taolo makes use of a well-known standard accounting software package. This accounting system is fully integrated. Sales are made only on credit to approved customers. The internal audit department is concerned that the controls relating to the granting of credit terms and limits to new customers, are not sufficient.

**Acquisitions and payments cycle**

During the internal audit of the acquisitions and payments cycle, the following weaknesses, relating to the payment of creditors by electronic funds transfers (EFT), were identified:

1. It was noted that the software does not have the automatic logging function enabled for unsuccessful logon attempts.
2. The creditor's clerk will access the "prepare payment" module to prepare the EFT schedule of payments, after which he will select the "proceed" option. The creditor's section head will then access the "prepare payment" module and review the schedule for reasonableness. The creditor's section head will also make any changes he deems necessary.
3. The creditor's clerk will then select the "approve" option on the screen.
4. The bank's EFT software is loaded on all the computers in the finance department. The finance manager wants immediate access to the EFT software from any computer when necessary.
5. In order to access the EFT software, users require only a username and a password.
6. The username and password is shared by all employees that have access to the EFT software.
7. Only the finance manager has authorisation access to the EFT software to authorise the payment. He authorise payments as soon as he receives the request.
8. The creditors are paid directly from the main account of Taolo which resulted in the past to numerous erroneous payments to creditors.

## Inventory

Mr Molaodi is planning to attend the year-end inventory count at Taolo's largest warehouse.

## Finance and investment cycle

Mr Molaodi is considering an investment in a company that specialises in the distribution of bottled water in Africa. Their head office is located in Lagos, Nigeria. He is ready to sign the contract without visiting the head office and without consulting a valuation specialist, as the owner seem to be a very honest individual and the financial statements show incredible growth. Mr Molaodi is eager to take advantage of this opportunity quickly. This will result in a large increase in Taolo's investments for the coming financial year. In order to finance the investment Mr Molaodi plans to make use of a bank loan.

## REQUIRED

## Marks

- |     |  |      |
|-----|--|------|
| 2.1 | Describe the SIX (6) <b>limitations of internal control</b> to show Mr Molaodi that internal controls are not able to provide absolute assurance.  | (9)  |
| 2.2 | With reference to the information provided under the heading " <b>revenue and receipts cycle</b> ", describe any EIGHT (8) computerised and manual <b>internal controls</b> relating to the <b>granting of credit terms and limits for new customers</b> . | (12) |
| 2.3 | For EACH of the weaknesses identified (1-8) under the heading " <b>acquisitions and payments cycle</b> ", describe ONE (1) <b>internal control</b> that Taolo (Pty) Ltd should implement in order to address the weakness.                                 |      |

Please provide your answer in the following format:

Weakness	Internal control (1½ each)
<b>Example:</b> 1	<b>Example:</b> <i>The attempts to gain unauthorised access to the EFT software should be automatically logged and periodically reviewed.</i>
2	
3	
4	
5	
6	
7	
8	

(10½)

- Number 1 is included above as an example and no marks will be awarded for this.
- One and a half presentation marks will be awarded if the answer is presented in the required format, and for communication, logical reasoning and structure.

(1½)

**2.4** With reference to the information under the heading “**inventory**”, describe the preparation process for the year-end **inventory count** that Mr Taolo will attend.

Present your answer under the following headings:

- a) Planning and preparation
- b) Design of stationery

(7½)

(4½)

- You are not required to address inventory count procedures.
- Two presentation marks will be awarded if the answer is presented in the required format, and for communication, logical reasoning and structure.

(2)

**2.5** With reference to the information under the heading “**finance and investment cycle**”, describe TWO (2) **major risks** relating to the possible **increase** in Taolo (Pty) Ltd’s **investments**.

(3)

## 7.8 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 2019 and the supplementary examination will be written in October/November 2019. If you are registered for the second semester you will write the examination in October/November 2019 and the supplementary examination will be written in May/June 2020.

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.

## **8 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.