

AUE1601

FEEDBACK REPORT ON OCT/NOV 2015 EXAM

Before you work through this feedback please do the following:

- 1) Obtain the Oct/Nov 2015 exam from the official study material tab.
- 2) Follow the steps on the exam technique document (Additional resources).
- 3) Read through the feedback report.
- 4) Attempt the questions on your own.

Question 1:

	Question	Feedback
1.1	<p>Refer only to matter 1 of the scenario: Describe what authorisation is needed to approve the share issue to Brick and discuss whether the share issue is acceptable, in terms of the Companies Act. (3)</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none">• Some students did not know the theory well enough to answer the question.• Students just stated a “special resolution” is required• It is important that “ a board resolution” is required• Students supplied unnecessary information regarding the shareholders <p>Tips for revision:</p> <ul style="list-style-type: none">• Students should study the theory of the Companies Act and ensure that they can provide suitable answers.• Look at the mark allocation and carefully read what is required: this question asked what authorisation was needed and secondly whether the share issue was acceptable(including a discussion)• In order to earn full marks a reason should have been given regarding the acceptability or not of the share issue. This is what is meant by discuss.• Apply your answer to the scenario information <p>Reference to correct answer:</p> <ul style="list-style-type: none">• Sec 38

<p>1.2</p>	<p>Refer to the background information and matter 2 of the scenario: Discuss, in terms of the Companies Act, whether it is legal for Axl to hold 20 000 shares in Heck. (3)</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none"> • Some students did not know the theory well enough to answer the questions. <p>Tips for revision:</p> <ul style="list-style-type: none"> • Don't just give a yes or no answer. You must discuss. • Look at the mark allocation to provide guidance on how much information is required • Apply your answer to the scenario information <p>Reference to correct answer:</p> <ul style="list-style-type: none"> • Sec 48
<p>1.3</p>	<p>Refer only to matter 3 of the scenario: Describe the requirements that must be fulfilled by Sue Heck, in terms of section 75 of the Companies Act, with regard to the directors meeting for the proposed acquisition. (5)</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none"> • Students did not identify that the parties were related and that Ms Hecks had a personal financial interest in the proposed acquisition • Unnecessary information was provided thereby wasting valuable time • Notices were discussed in great detail and it was not required <p>Tips for revision:</p> <ul style="list-style-type: none"> • Practise questions for examination technique <p>Reference to correct answer:</p> <ul style="list-style-type: none"> • Sec 75(5)
<p>1.4</p>	<p>Refer only to matter 4 of the scenario: Based on the available information for Axl for the financial year ended 30 June 2015:</p> <p>List the factors that need to be taken into account when calculating the public interest score. (4)</p> <p>Calculate the number of public interest score points of Axl for each factor and calculate the total public interest score for the financial year. (7)</p> <p>Structure your answer in the following format:</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none"> • Students included all liabilities in the calculation. PIS only takes 3rd party liabilities into account • Assets do not form part of the PIS calculation • Students were not familiar with the audit requirements for a (Pty)Ltd company • Students provided irrelevant information that wasted time • Did not understand the R5 million of assets held in a fiduciary capacity as many students mentioned R5 million in turnover. (study theory) <p>Tips for revision:</p> <ul style="list-style-type: none"> • Easy presentation marks and communication marks - so please make sure that you answer the question in the required format • Practice answering questions of this nature and make sure that you are certain of the

1.4.1 Factor to be taken into account	1.4.2 Public interest score
1.	
2.	
3.	
4.	
	Total score:

Communication skills: Answer presented in correct tabular format. (2)

State whether or not Axl should have its financial statements audited for the financial year ended 30 June 2015, **give reasons** for your answer taking into account the public interest score and information supplied in matter 4. (6)

Communication skills: Application to theory. (1)

theory for PIS calculation so that you can be in a position to apply the information given in the scenario

Reference to correct answer:

- Regulation 26
- Sec 30
- Learning unit 2.1.2

1.5 **Refer only to matter 5 of the scenario:**
Explain the Companies Act requirements to be met in order for Heck to sell the greater part of

Common mistakes made by students:

- Students did not understand what was required by them.

	<p>its assets. (6)</p> <p>Communication skills: Clarity of expression.(1)</p> <p>Explain whether or not the proposed sale of the property and equipment constitute the sale of the greater part of Heck’s assets.(3)</p> <p>Describe in terms of the Companies Act, what is meant by the term “reckless trading”.(2)</p>	<ul style="list-style-type: none"> • Did not understand all the notice, meeting and quorum requirements <p>Tips for revision:</p> <ul style="list-style-type: none"> • Make sure that the theory is understood so that in an examination it can be applied to the scenario • Practice questions of this nature for examination technique <p>Reference to correct answer:</p> <ul style="list-style-type: none"> • Sec 112 (including sec 115 and 164) • Refer to Activity 4 in learning unit 6.3
1.6	<p>Refer only to matter 6 of the scenario:</p> <p>List six (6) persons and/or entities that may be offered protection as a whistle-blower, in terms of Section 159 of the Companies Act.</p> <p>State whether or not Jasmin will be offered protection if she decides to become a whistle-blower.</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none"> • Students did not list six persons <p>Reference to correct answer:</p> <ul style="list-style-type: none"> • Sec 159

Question 2:

2.1	<p>Refer only to matter 1 on the agenda: Appointment of directors.</p> <p>Supply the board members in terms of the Companies Act, of persons who will be ineligible or disqualified from being appointed as a director of a company. (10)</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none"> • Most students answered 2.1.1 and 2.1.2 well. • Some students repeated 2.1.2 by also answering it in 2.1.1. <p>Tips for revision:</p> <ul style="list-style-type: none"> • Students should study the theory from the Companies Act well and be able to apply it to a given scenario.
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	<p>State whether or not each of the candidates short listed will be permissible in terms of the requirements of the Companies Act, to be appointed as a director of Modern.</p> <p>Give a reason for each person being permissible or not. (5)</p> <p>Communication skills: Answer presented in tabular format. (1)</p>	<ul style="list-style-type: none"> Students should ensure they answer the question in a tabular format if (as in this question) when it is stated in the “Required” section. <p>Reference to correct answer: SAICA Legislation Handbook 2015/2016 (Companies Act, section 69(7))</p>
<p>2.2</p>	<p>Refer only to matter 2 on the agenda: Loan to Bennie Berlin.</p> <p>Explain what is defined as financial assistance to directors per section 45 of the Companies Act. (3)</p> <p>Explain what is not defined as financial assistance to directors per section 45 of the Companies Act. (3)</p> <p>Discuss whether or not the loan to Bennie Berlin meets the definition of financial assistance. (4)</p> <p>Communication skills: Clarity of expression. (1)</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none"> Some students were not sure what was required of them in question 2.2.1. Some students did not know and understand what is meant by “financial assistance to directors” as per section 45 of the Companies Act. Students unfortunately lost marks for stating the theory in question 2.2.2 and the application thereof in question 2.2.3. <p>Tips for revision:</p> <ul style="list-style-type: none"> Students should study the theory from the Companies Act well and be able to apply it to a given scenario. <p>Reference to correct answer: SAICA Legislation Handbook 2015/2016 (Companies Act, section 45 (a) & (b))</p>
<p>2.3</p>	<p>Refer to the background information and matter (a) of other matters: Possible appointment as auditor.</p> <p>Describe the requirements of the Companies Act, regarding the rotation of auditors. (3)</p> <p>Describe four (4) considerations that will be taken into account by the audit committee in determining the independence of Pritchett (4)</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none"> Most students obtained good marks for question 2.3.1. Some students seemed not to have understood what was required of them in question 2.3.2. This could have been due to a lack of their knowledge of the theory. <p>Tips for revision:</p> <ul style="list-style-type: none"> Students should study the theory from the Companies Act well and be able to apply it to a given scenario. <p>Reference to correct answer: SAICA Legislation Handbook 2015/2016 (Companies Act, section 92 & 94(8))</p>

2.4	<p>Refer to background information and matter (b) of other matters: Pre-incorporation contract entered into by Donny Ressler.</p> <p>Describe the Companies Act requirements that need to be considered when advising Donny Ressler on the pre-incorporation contract.</p> <p>For each requirement, discuss the information that will be considered in determining the possible consequences relating to the contract. (9)</p> <p>Present your answer in the following format:</p> <p>Note: The following is provided as an example of what is required and no marks will be awarded for repeating the information in the example.</p> <p>Communication skills: Answer presented in tabular format. (1)</p>	<p>Common mistakes made by students:</p> <ul style="list-style-type: none"> • Many students repeated the example that was quoted in the “Required” section (2.4.1 & 2.4.2) although it was clearly stated that no marks will be awarded for it. Time was wasted by doing this. • Some students did not complete questions 2.4.1 and 2.4.2 which is evident of a time problem. • Some students struggled the most with the application part in question 2.4.2. <p>Tips for revision:</p> <ul style="list-style-type: none"> • Students should aim to answer all questions in the exam and if there is a time management issue, address the issue by doing many questions at home under exam conditions. • Students should study the theory from the Companies Act well and be able to apply it to a given scenario. <p>Reference to correct answer:</p> <p>SAICA Legislation Handbook 2015/2016 (Companies Act, section 21)</p>