

Tutorial Letter 101/3/2016

CORPORATE GOVERNANCE IN ACCOUNTANCY

AUE2602

Semesters 1 and 2

Department of Auditing

IMPORTANT INFORMATION

This tutorial letter contains important information about your module.

BAR CODE

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1 INTRODUCTION

Dear Student

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 with your studies. Be assured of our willingness to support you with advice during your studies.

You will receive a number of tutorial letters during the semester. A tutorial letter is one way of communicating with you about teaching, learning and assessment. Please read the **my Studies @ Unisa** brochure in combination with this tutorial letter (Tutorial Letter 101), as it gives you a general idea of important information when studying at our college.

Right from the start, we would like to point out that you must read **all the tutorial letters** you receive during the semester **immediately and carefully**, as they always contain important and, sometimes, urgent information.

This tutorial letter contains important information that will assist you with your studies. Please read it carefully and keep it at hand when working through the study material, preparing the assignments, preparing for the examination and addressing questions to your lecturers. We trust that you will benefit from everything that this module has to offer.

Study material

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

- MO001 (printed online material) and
- Tutorial letters

All tutorial material will be mailed to you upon registration. Tutorial matter that is not available when you register will be posted to you as soon as possible, but is also available on myUnisa.

To contact the Department of Despatch regarding tutorial material that you have not received, use the telephone numbers indicated in the booklet entitled **my Studies @ 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. **It is essential that you access myUnisa regularly, because important announcements, that will assist you in preparing for the examinations, will appear there during the semester.**

2 PURPOSE OF AND OUTCOMES FOR THE MODULE

2.1 Purpose

The purpose of this module is stated in the "Introduction and overview" of your learning units included in the MO001.

2.2 Outcomes

For the learning outcomes of this module, we refer you to the different topics covered in the MO001 for this module.

During the semester you should:

- work through your study material, make summaries and complete the “do” activities.
- answer the questions contained in Tutorial Letter 102 and compare your answers with the suggested solutions contained in Tutorial Letter 103.
- complete and submit Assignment 01, Assignment 02 and Assignment 03 **before the due dates** and complete the self-evaluation assessment. All the assignments and the self-evaluation assessment are included in this tutorial letter.
- prepare yourself for the examination (for examination preparation and technique, refer to the *my Studies @ Unisa* brochure).

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

3 LECTURERS AND CONTACT DETAILS

3.1 Lecturers

Lecturers for AUE2602:

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

Ms G Richard

E-mail: AUE2602@unisa.ac.za

Tel: 012 429 6480/+27 12 429 6480

Ms J Groenewald

E-mail: AUE2602@unisa.ac.za

Tel: 012 429 2164/+27 12 429 2164

Course co-ordinator:

Prof H Theron

E-mail: therohj@unisa.ac.za

Tel: +27 12 429 4364/ +27 12 429 4364

PLEASE NOTE: Personal appointments should be arranged beforehand.

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: +27 12 429 4707

Departmental web page<http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=194>

The Department of Auditing is situated on the fifth level of the Samuel Pauw Building on the main campus in Pretoria and our telephone number is +27 12 429 4707. Mr RE Hlakudi is the chair of the department.

3.3 College

For college-related undergraduate enquiries, please phone +27 12 429 4211 or send an e-mail to Casenquiries-undergraduate@unisa.ac.za.

3.4 University

If you need to contact Unisa about matters not related to the content of this module, please consult the brochure, *my Studies @ Unisa*, which you should have received with your study material. In this document you will find the contact details of various administrative departments.

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

Please take note that administrative questions should be directed to our Student Information Hub on +27 12 429 4211 or Casenquiries-undergraduate@unisa.ac.za.

The contact details are:

E-mail addresses

- info@unisa.ac.za for general enquiries
- study-info@unisa.ac.za for application and registration enquiries (prospective and registered students)
- international@unisa.ac.za for international students (registration enquiries)
- assign@unisa.ac.za for assignment enquiries
- exams@unisa.ac.za for examination enquiries
- despatch@unisa.ac.za for study material enquiries
- finan@unisa.ac.za for student account enquiries
- gaudeamus@unisa.ac.za for graduation enquiries
- myUnisaHelp@unisa.ac.za for assistance with myUnisa
- myLifeHelp@unisa.ac.za for assistance with myLife e-mail accounts
- aegrotats@unisa.ac.za for aegrotat exams
- remark@unisa.ac.za for remarking of papers
- recheck@unisa.ac.za for rechecking of papers
- condiscipuli@unisa.ac.za for names of fellow students

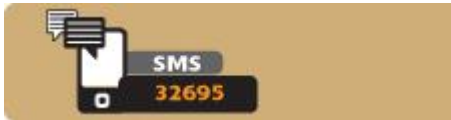
- counselling@unisa.ac.za for student counselling and career development
- vospresc@unisa.ac.za for enquiries about prescribed books

Library

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

General library catalogue enquiries	bib-oasis@unisa.ac.za
Library web co-ordinator	bib-web@unisa.ac.za
Interlibrary loans enquiries	libr-ill@unisa.ac.za
Enquiries about subject databases	bib-dbase@unisa.ac.za
Library information desk	bib-help@unisa.ac.za
Enquiries about training presented by the library	bib-oplei@unisa.ac.za
Send a question to the library staff	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 autoresponse 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 requested to use the e-mail address info@unisa.ac.za.

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

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

4 MODULE-RELATED RESOURCES

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

4.1 Prescribed books

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

- Jackson RDC & Stent WJ. 2014. *Auditing notes for South African students*. 9th edition. Durban: LexisNexis.
- LexisNexis. *Auditing: Legislation and Standards*. First edition. LexisNexis.
- Gowar H & Jackson RDC. 2015. *Graded Questions on Auditing 2016*. Durban: LexisNexis.

NB: All three books are essential for passing this module.

Please consult the list of official booksellers and their addresses listed in the **my Studies @ 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.

Information on the use and the sources of information available in the Unisa Library is detailed in the **my Studies @ Unisa** brochure.

4.2 Prescribed resources

Insight Education; Available from: <http://insighteducation.co.za>

5 STUDENT SUPPORT SERVICES FOR THE MODULE

For student support services, you are referred to the **my Studies @ Unisa** brochure.

5.1 Information on tutorial offerings at Unisa

Please be informed that, with effect from 2013, Unisa offers online tutorials (e-tutoring) to students registered for modules at NQF level 5 and 6, this means qualifying first year and second year modules. Please communicate with your module leader to find out if any of the modules that you have registered for falls in this category.

Once you have been registered for a qualifying module, you will be allocated to a group of students with whom you will be interacting during the tuition period as well as an e-tutor who will be your tutorial facilitator. Thereafter you will receive an sms informing you about your group, the name of your e-tutor and instructions on how to log onto MyUnisa in order to receive further information on the e-tutoring process.

Online tutorials are conducted by qualified e-tutors who are appointed by Unisa and are offered free of charge. All you need to be able to participate in e-tutoring is a computer with internet

connection. If you live close to a Unisa regional Centre or a Telecentre contracted with Unisa, please feel free to visit any of these to access the internet. E-tutoring takes place on MyUnisa where you are expected to connect with other students in your allocated group. It is the role of the e-tutor to guide you through your study material during this interaction process. For you to get the most out of online tutoring, you need to participate in the online discussions that the e-tutor will be facilitating.

There are modules which students have been found to repeatedly fail, these modules are allocated face-to-face tutors and tutorials for these modules take place at the Unisa regional centres. These tutorials are also offered free of charge, however, it is important for you to register at your nearest Unisa regional Centre to secure attendance of these classes.

5.2 Unisa Library

Unisa Library login

You will be required to provide your login details, in other words 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. There are a limited number of copies available at the Unisa libraries, subject to each branch library's lending regulations. Problems experienced in obtaining copies from booksellers should be directed to the Prescribed Books Section at e-mail 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

These can be placed on +27 12 429 3133. Please supply the reservation order number (RON).

6 MODULE-SPECIFIC STUDY PLAN

You are responsible for pacing yourself. The volume of work is immense and therefore you should bear this in mind when planning your studies. Spread your studies evenly throughout the semester.

Also use the **my Studies @ Unisa** brochure for general time management and planning.

7 ASSESSMENT

7.1 Assessment plan

Assignments

The submission of one of the assignments, Assignment 01, 02 or 03 will prove that you are an active student and will therefore earn you admission to the examination. Admission to the examination will be obtained by submitting one of the assignments. You will undoubtedly realise the importance of commencing your study programme in good time so that you can obtain admission to the examination and earn a good year mark.

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.

The marks you obtain for Assignment 01, Assignment 02 and Assignment 03 will contribute towards your year mark.

Commentaries and feedback on assignments

The solution to Assignment 01, 02 and 03 will be provided to you in Tutorial Letter 201, 202 and 203, which will only be distributed after the due date of Assignment 01, 02 and 03.

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. The solution and commentary on the self-evaluation assessment will be included in Tutorial Letter 202, which will enable you to mark the assessment yourself.

Year mark

The marks that you obtained for Assignment 01, Assignment 02 and Assignment 03 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 Assignment 01 plus

10% x mark obtained for Assignment 02 plus

5% x mark obtained for Assignment 03 plus

80% x mark obtained in the examination (subminimum of 40%)

The subminimum 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, Assignment 02 and Assignment 03 reach the university **before the relevant due dates – late submission of these assignments will result in you not receiving marks that count towards your year mark.**

THUS:

TO GAIN ADMISSION TO THE EXAMINATION, YOU MUST SUBMIT ASSIGNMENT 01, ASSIGNMENT 02 OR ASSIGNMENT 03 BEFORE OR ON THE RELEVANT DUE DATES.

YOUR MARKS FOR THE THREE ASSIGNMENTS, 01, 02 AND 03, WILL BE USED TO DETERMINE YOUR YEAR MARK.

7.2 General assignment numbers

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

7.2.1 Unique assignment numbers

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

7.2.2 Due dates for assignments

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 (5% of year mark)	11 March 2016 Unique number: 662049	12 August 2016 Unique number: 833840
02 (10% of year mark)	1 April 2016 Unique number: 848674	5 September 2016 Unique number: 663260
03 (5% of year mark)	20 April 2016 Unique number: 593647	20 September 2016 Unique number: 761185

7.3 Submission of assignments

You may submit written assignments and assignments done on mark-reading sheets either by post or electronically via myUnisa. We **recommend** students to **submit the assignments electronically** via myUnisa (**in a PDF format**) instead of posting them.

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 NOTE: You may submit either of the assignments in order to be admitted to the examination, while Assignments 01, 02 and 03 must be submitted for purposes of determining your year mark. No extension of due dates can be given by the lecturers for these assignments.

General remarks

For enquiries about assignments (e.g. 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 tab 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>.

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. The cover must be completed **correctly**. The following information must appear on the COVER of your assignment:

Name Address (and postcode) Student number Subject code (e.g. AUE2602) Correct assignment number Correct unique assignment number Label with bar code
--

7.4 Assignments

7.4.1 Semester 1: Assignment 01

Instructions

- (1) Write the correct unique assignment number in the six blocks provided on the mark-reading sheet.
- (2) Write the ordinary assignment number (01) in the two blocks provided on the mark-reading sheet.
- (3) Consult **my Studies @ Unisa** for an example of how a computer mark-reading sheet should be completed.

- (4) If you do not follow these instructions, the computer will reject your answer sheet and it will be returned to you unmarked. Also consult *my Studies @ 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 and 2 of the MO001.

ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS
UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:
662049
DUE DATE
First semester: 11 March 2016

QUESTION 1

30 marks

REQUIRED

For each question, select only **ONE** alternative that you consider to be the most correct and then mark on myUnisa or on the mark-reading sheet the digit that corresponds to the digit of the alternative which 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. Select the **best** alternative to complete the following sentence:

The **key aspects** of the King III Report revolve around ...

- 1 alternative dispute resolution (ADR) and risk-based internal audit.
 - 2 sustainability.
 - 3 shareholders and remuneration.
 - 4 leadership, sustainability and corporate citizenship.
2. After incorporation of the company, the board must appoint the audit committee members within how many days?
- 1 30 business days

- 2 40 business days
 - 3 50 business days
 - 4 60 business days
3. The chairman of the board of directors must be ...
- 1 an independent non-executive director;
 - 2 a previously disadvantaged person;
 - 3 the chief executive officer (CEO) of the company, or an independent non-executive director who then reports to the CEO;
 - 4 the CEO of the company;
4. Which one of the following alternatives will **not** lead to the financial director being held liable in terms of the Companies Act No 71 of 2008, section 76?
- 1 Failing to disclose to the board a personal financial interest.
 - 2 Failing to act in good faith and for a proper purpose.
 - 3 Failing to act in the best interest of the company.
 - 4 Failing to inform the board of all environmental law changes.
5. 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 that is a subsidiary of a holding company which has an audit committee, but which will not perform the functions of an audit committee within the subsidiary.
- 1 Options (i) and (ii).
 - 2 Options (ii) and (iii).
 - 3 Options (i), (ii) and (iv).
 - 4 All the options.
6. Select the **incorrect** statement regarding the number of times per annum the various committees should meet.
- 1 The board of directors must meet at least every four months.
 - 2 The risk committee must meet at least every six months.

- 3 The audit committee must meet at least twice a year.
 - 4 The remuneration committee's number of meetings per annum is not specified in the King III Report.
7. Which ONE of the following alternatives is a function of the **remuneration committee**?
- 1 To assist with the process of identifying suitable members of the board.
 - 2 To assist the board in setting and administering remuneration policies.
 - 3 To consider the risk management policy, and to plan and monitor the risk management process.
 - 4 To set and administer remuneration policies and ensure that these policies are being implemented by the board.
8. Which one of the following alternatives is **not** an **input application control** to ensure **accuracy** in a computerised environment?
- 1 Alphanumeric format checks.
 - 2 Access control.
 - 3 Sequence checks.
 - 4 Reasonableness and limit tests.
9. Which ONE of the following alternatives is **not** one of the **ethical values** on which decisions and actions of directors should be based?
- 1 Conscience.
 - 2 Responsibility.
 - 3 Transparency.
 - 4 Accountability.
10. What is the **minimum** number of members that an audit committee must have?
- 1 Six members.
 - 2 Two members.
 - 3 Three members.
 - 4 Five members.
11. Which ONE of the following statements regarding internal control is **incorrect**?
- 1 Monitoring of the internal control process is all about determining whether the control activities are actually taking place.

- 2 Control activities are actions which 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.
12. Which ONE of the following control activities in a payroll and personnel business cycle is an example of **segregation of duties**?
- 1 Before the batch of clock cards is transferred for payroll preparation, the section head should check calculations and authorise overtime payment.
 - 2 The appointment or dismissal of employees should be signed by the section head and countersigned by the section manager after referring to the budget.
 - 3 Any unclaimed wage packages should be retained by the paymaster, who should lock them away.
 - 4 Wage packets should be made up by two wage department members, whilst the payout of wages should be conducted by an independent paymaster and the section foreman.
13. 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;
14. Which ONE of the following internal controls is **not** an example of a **physical access control** in a computerised environment?
- 1 Users should provide unique user IDs and unique passwords to gain access to the system.
 - 2 Entry and exit points to the data centre should be limited to one and may be under closed-circuit TV surveillance.
 - 3 The building in which the equipment that runs the computerised system is housed (for example the servers and CPU) should have a dedicated room to which only a dedicated number of personnel should have access.
 - 4 Company personnel, other than IT personnel, should not need to enter the data centre and access should be controlled.

15. Which ONE of the following control activities is an example of **isolation of responsibility**?
- 1 An independent employee should regularly reconcile the debtors ledger with the debtors control account in the general ledger.
 - 2 Access to the inventory warehouse should be controlled by means of a turnstile gate and a security guard checking goods leaving the warehouse.
 - 3 The order clerk in the sales department of a company should issue the internal sales order (ISO), the warehouse clerk should perform the picking of the goods on the order in the warehouse and the dispatch clerk should dispatch the goods for delivery to the customer.
 - 4 The company's production foreman should sign the schedule of overtime before he or she hands it to the wages clerk for it to be calculated and paid.
16. Select from the following alternatives the **incorrect** alternative with regard to the characteristics of internal control.
- 1 Internal controls are not affected by changes in conditions, and therefore compliance with procedures will not deteriorate.
 - 2 Internal control is a process, namely a combination of systems, policies and procedures, designed, implemented and maintained to address the risks of running a business.
 - 3 The potential of human error due to carelessness, distraction, errors of judgement and the misunderstanding of instructions is a limitation of internal controls.
 - 4 The board of directors has overall responsibility and accountability for the internal control of a business.
17. Select the alternative which **best** completes the following statement:
- The term "computerised environment" refers to any particular and unique combination of ...
- 1 computerised business cycles;
 - 2 hardware, software and personnel;
 - 3 data centres housing servers, routers, modems, et cetera;
 - 4 general and application controls;
18. Which one of the following alternatives is **not** a factor which the external auditor should consider when assessing whether a risk is a significant risk?
- 1 Significant transaction with related parties.
 - 2 Recent significant economic, accounting or other developments.

- 3 The complexity of the transactions.
 - 4 The nature, timing and extent of audit procedures.
19. 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 of controls.
 - 4 Segregation of duties.
20. Which ONE of the following statements pertains to the **accuracy** of the debtors masterfile amendments?
- 1 Restrict write access to a specific member of the debtors' section by the use of user IDs and passwords.
 - 2 Implement programme checks, for example verification checks, to validate a debtor account number against the debtor's masterfile.
 - 3 Record amendments on sequentially prenumbered masterfile amendment forms (MAFs) and check sequence against the logs.
 - 4 Have each logged amendment checked to confirm that it is supported by a properly authorised masterfile amendment form (MAF).

---X---

7.4.2 Semester 1: Assignment 02

Instructions

- (1) Consult **my Studies @ Unisa** for instructions on how to submit assignments online.

Special instructions regarding the answering of this assignment

- (1) This assignment covers all the topics of the MO001.
- (2) All the questions should be answered.
- (3) Only selected questions will be marked.

ASSIGNMENT 02: ESSAY-TYPE QUESTIONS

UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:

848674

DUE DATE

First semester: 1 April 2016

QUESTION

50 marks

Foodco (Pty) Ltd (hereafter referred to as “Foodco”) is a large general dealer in South Africa. The company intends to list on the JSE (previously the Johannesburg Stock Exchange) in the near future. In order to do so, Foodco has to meet the recommendations of good governance of the King III Report, as compliance is compulsory for companies listed on the JSE.

Fraud in the company

Three months ago, Foodco appeared in the local newspaper’s headlines when the financial director was found guilty of defrauding the company of R1,8 million. This was done by adding fictitious employees to the employees’ masterfile and transferring their salaries into his personal bank account. The financial director was dismissed immediately after he was found guilty.

No controls exist to prevent unauthorised changes to the employee masterfile and this was exploited by the financial director in his fraud scheme.

Corporate governance in the company

As a result of the fraud scandal and Foodco’s intentions to list on the JSE, the shareholders requested a review of the company’s current corporate governance practices with reference to the King III Report recommendations.

The company secretary provided the following schedule of directors:

1. Board of directors

M Minnaar	Chairman and executive director
G Govendor	Chief Executive Officer (CEO)
L Roodman	Marketing Director (an executive director)
B Mbethe	Human Resources Director (an executive director)
N Mautsa	Information Technology (IT) Director (an executive director)
F Boomer	Risk Director (an executive director)
K Hamman CA(SA)	Independent non-executive director

- 1.1** The position of financial director has been vacant for six months after the previous director’s dismissal. The CEO, G Govendor, is in the process of interviewing candidates and will in due course appoint the new financial director.
- 1.2** The board of directors meets twice a year to accommodate K Hamman, who lives abroad and does not have the time to travel to South Africa more often for meetings.

Inventory

On review of the current year's financial statements, the external auditors reported material discrepancies between physical inventory on hand and perpetual inventory in the financial records. As a result, the CEO requested Internal Audit to perform an investigation into the effectiveness of the system of internal control over the **ordering of goods**, as an important function in the purchasing of inventory for the company.

Ordering of goods

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

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

REQUIRED

Marks

1. **Comment** on the information provided in relation to the **requirements of sound corporate governance** in terms of the King III Report.

Present your answer under the following headings:

1. Board of directors: composition and appointments (4 comments)
2. Board of directors: meetings (2 comments)

(9)

Both **compliance** and **non-compliance** should be addressed in your answer. One mark will be awarded for the correct presentation of your answer.

(1)

2. **Describe** the **internal controls** that should be implemented to prevent unauthorised and/or fictitious employees from being added to the **employees' masterfile** in a **computerised environment**.

(10)

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

Present your answer in the following format:

Risk No	Internal control
1	
2	
3	
4	
5	
6	

(15)

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

(15)

7.4.3 Semester 1: Assignment 03

ASSIGNMENT 03: MULTIPLE-CHOICE QUESTIONS

UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:

593647

DUE DATE

First semester: 20 April 2016

We as the lecturers on the module AUE2602, Ms. G Richard, Ms J Groenewald and Prof HJ Theron in the auditing department are conducting research on the benefits and impact of simulation of business cycles in an Open Distance Learning (“ODL”) environment. We are inviting you to participate in a study entitled: *The use of simulations in the under-graduate online teaching and learning of Auditing at Unisa in an ODL environment.*

With auditing being a very theoretical subject and practical experience only achieved during the period of practical training, the aim of this study is to identify the benefits and impact of simulations on the learning experience of students. You have been chosen to participate because you are enrolled for corporate governance in accountancy (AUE2602).

This assignment contains twenty five questions. The first ten questions relate to *Insight Education’s* website containing the business cycles. These questions will be assessed and will contribute 5% to your year mark. The second fifteen questions are designed for research purposes and will not be assessed.

Participation by means of answering questions 11 to 25 is voluntary and there is no penalty or loss of benefit for non-participation. You may also withdraw from this study at any time without penalty. Although your student number is known to the research team, only they will have access to the information and will sign a confidentiality agreement. Copies of your answers will be stored by the researchers for a period of five years in electronic format that is password protected. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. Password protected electronic information will be removed from the computer permanently once the five year period has expired.

We do not foresee any risks, injury or harm attributable to this study. You will not incur any costs.

While there is no financial or other direct benefit in participating, your experience as current AUE2602 student can however contribute much to assist and support AUE2602 students in future. It will take about 10 minutes of your time to complete the questionnaire. We would greatly appreciate your contribution!

This study has received written approval from the Research Ethics Committee of the College of Accounting Sciences at UNISA. This information will be used to publish an article in an accredited journal. No personal information of participants will be used in the research therefore privacy will be protected. If you would like to see the ethics approval letter, or may have any questions in respect of this study or want to receive a summary of the results, please contact the lecturers.

Consent to participate in this study

I have read and understood the study as explained in the introduction to the assignment. I understand that my participation in questions 11 to 25 is voluntary and that I am free to withdraw at any time without penalty. I am aware that the findings of this study will be anonymously processed into a research report, journal publications and/or conference proceedings.

By answering questions 11 to 25 I understand and accept the above.

Instructions

- (1) Write the correct unique assignment number in the six blocks provided on the mark-reading sheet.
- (2) Write the ordinary assignment number (03) in the two blocks provided on the mark-reading sheet.
- (3) Consult **my Studies @ Unisa** for an example of how a computer mark-reading sheet should be filled in.
- (4) If you do not follow these instructions, the computer will reject your answer sheet and it will be returned to you unmarked. Also consult **my Studies @ Unisa** when you answer multiple-choice assignments.

Special information regarding the answering of this assignment

- (1) This assignment consists of 25 multiple-choice questions.
- (2) How to register on the Insight Education website:

You will be able to register and access the Insight Education website from 1 February 2016 up until 30 April 2016. The registration manual is available on *myUnisa* under the additional resources tab.

QUESTION 1

15 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, as follows:

1. 1
2. 3

(1½ marks per question)

1. What is the name of the company that placed an order with Insight Construction for which the sales order clerk completed customer order form number 314 in the sales cycle?

- 1 Building Blocks.
 - 2 Bill Davids.
 - 3 Insight Construction.
 - 4 Clive Wood.
2. The sales order should be completed in triplicate. One copy is sent to the sales department and one copy is sent to the accounting department. Where else should a copy of the sales order be sent to?
- 1 Accounting department.
 - 2 Creditors' department.
 - 3 Warehouse.
 - 4 Despatch department.
3. What is the warehouse manager's name who authorised the inventory requisition before the order clerk completed the internally compiled order form from the inventory requisition in the ordering department?
- 1 Bob Nolan.
 - 2 Peter Park
 - 3 Jane Venter.
 - 4 Clive Wood.
4. How many PVC pipes were delivered from the approved supplier, Pipes for Africa, in the receiving bay of Insight Constructions?
- 1 100.
 - 2 200.
 - 3 125.
 - 4 150.
5. The name of the bank used by Insight Construction is:
- 1 Money Bank.
 - 2 Cycles Bank.
 - 3 Bank of Learning.
 - 4 Bank of the People.

6. Which raw materials were requested by the factory manager on raw materials requisition number 4539 in the production cycle?
- 1 Gravel and cement.
 - 2 Wood and cement.
 - 3 Wood and gravel.
 - 4 Paint and wood.
7. What type of system should a company implement to compare the theoretical inventory to the inventory on hand?
- 1 Inventory verification system.
 - 2 Stock count system.
 - 3 Auditing system.
 - 4 Transfer authorisation system.
8. In which department was an additional employee needed and requested by the factory manager as illustrated in the salaries and wages cycle?
- 1 Ordering department.
 - 2 Manufacturing department.
 - 3 Human resources department.
 - 4 Accounting department.
9. Which of the following should be completed on the staff request form when the head of a specific department requests an additional employee to be appointed?
- 1 Description of what the work entails.
 - 2 The qualifications that the applicants are required to have.
 - 3 Any specific experience needed by the applicant.
 - 5 All of the options above.
10. What is the name of the new employee appointed as indicated in the salaries and wages cycle?
- 1 Danny Mantsho.
 - 2 John Mahlabo.
 - 3 George Martin.
 - 4 Frikkie Snyman.

This concludes the part of the assignment that will be assessed. Questions 11-25 relate to the research questions as explained in the introduction to the assignment. If you are willing to participate in the study, please proceed with questions 11-25. If you do not want to participate, please submit your assignment now.

- 11.** To what extent did you have exposure to business cycles, risks and internal controls before AUE2602?
1. No exposure at all.
 2. To a minor extent.
 3. To some extent.
 4. To a moderate extent.
 5. To a large extent.
- 12.** I find the business cycles, risks and internal controls easier to understand when I see it visually compared to only studying from a textbook?
- 1 Strongly disagree.
 - 2 Disagree.
 - 3 Neither agree nor disagree.
 - 4 Agree.
 - 5 Strongly agree.
- 13** I find it easier to understand the purpose of the documents in the different business cycles as well as their importance as part of designing internal controls when seeing them visually.
- 1 Strongly disagree.
 - 2 Disagree.
 - 3 Neither agree nor disagree.
 - 4 Agree.
 - 5 Strongly agree.
- 14.** Rate the quantity of the information on the website, regarding the business cycles?
- 1 Too much information.
 - 2 Slightly too much information.
 - 3 Fine as it is.

- 4 Slightly too little information.
 - 5 Too little information.
- 15.** What was your experience in accessing the website of “Insight Education”?
- 1 I could access the website very easily.
 - 2 I struggled at first but managed to access the website in the end.
 - 3 I struggled throughout but managed to access the website in the end.
 - 4 I could not access the website at all.
- 16.** Insight Education has a user-friendly interface?
- 1 Strongly disagree.
 - 2 Disagree.
 - 3 Neither agree nor disagree.
 - 4 Agree.
 - 5 Strongly agree.
- 17.** How would you describe your experience navigating through the Insight Education Website?
- 1 Very difficult.
 - 2 Slightly difficult.
 - 3 Neither difficult nor easy.
 - 4 Somewhat easy.
 - 5 Very easy.
- 18.** How often did you access the website of “Insight Education” during this semester?
- 1 Never.
 - 2 1 - 2 times.
 3. 3 - 5 times.
 4. More than 5 times.
- 19.** What is the cumulative time that you spent on the website during this semester?
- 1 I did not visit the website.
 - 2 Less than one hour.

- 3 1 – 2 hours.
- 4 2 - 4 hours.
- 5 More than 5 hours.

20. What kind of problems did you encounter while using the website?

- 1 I did not encounter any problems while using the website.
- 2 The website was slow.
- 3 The video content froze all the time.
- 4 I could not navigate to a specific part in the video easily.
- 5 The website was slow and the video content froze all the time.
- 6 I could not navigate to a specific part in the video easily and the video content froze all the time.

21. How much will you be willing to pay for one (1) year's access to this product?

- 1 I am not interested in using a product like this.
- 2 R1-R100.
- 3 R101-R200.
- 4 R201-R300.

22. I would recommend this product to fellow auditing students in their studies of business cycles.

- 1 Strongly disagree.
- 2 Disagree.
- 3 Neither agree nor disagree.
- 4 Agree
- 5 Strongly agree

23. What type of device did you use to access the website?

- 1 Smartphone.
- 2 Tablet/ I-pad.
- 3 Desktop.
- 4 Laptop.

24. Will the fact that the product can only be accessed via the internet influence your decision to use it or not?
- 1 Yes, because internet costs are expensive.
 - 2 Yes, I do not have regular access to the internet.
 - 3 Yes, I do not have regular access to the internet and internet costs are expensive.
 - 4 No, I do not have a problem with accessing the internet.
 - 5 No, I do not have a problem with internet costs.
 - 6 No, I do not have a problem with accessing the internet or internet costs.
25. **To what extent** do you feel better equipped to write the AUE2602 exam after using this product?
- 1 Not at all.
 - 2 To a minor extent.
 - 3 To some extent.
 - 4 To a moderate extent.
 - 5 To a large extent.

7.4.4 Semester 2: Assignment 01

Instructions

- (1) Write the correct unique assignment number in the six blocks provided on the mark-reading sheet.
- (2) Write the ordinary assignment number (01) in the two blocks provided on the mark-reading sheet.
- (3) Consult **my Studies @ Unisa** for an example of how a computer mark-reading sheet should be completed.
- (4) If you do not follow these instructions, the computer will reject your answer sheet and it will be returned to you unmarked. Also consult **my Studies @ Unisa** when you answer multiple-choice assignments.

Special instructions regarding the answering of this assignment

- (1) This assignment consists of 20 multiple-choice questions.
- (2) This assignment covers topics 1 and 2 of the MO001.

ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS

**UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:
833840**

DUE DATE

Second semester: 12 August 2016

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 subsections of this question in numerical sequence, for example:

1. 1
2. 3

(1½ marks per question)

1. **Within how many days** after incorporation of the company must the board appoint the audit committee members?
 - 1 30 business days.
 - 2 40 business days.
 - 3 50 business days.
 - 4 60 business days.

The following scenario pertains to questions 2 to 6:

Cluedo Limited is a large company that manufactures and sells board games. The board of directors meets as and when required, but at least once a year.

The members of the board of directors are:

Colonel Mustard	-	Chairman and independent nonexecutive director
Dr Black	-	Chief Executive Officer (CEO)
Miss Scarlett CA(SA)	-	Financial Director
Mrs White	-	Operations Director
Mr Green	-	Independent nonexecutive director
Prof Plum	-	Independent nonexecutive director

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

- 1 The chairman of the board, Colonel Mustard, may not be a member of the audit committee.
- 2 Dr Black may not be a member of the remuneration committee.
- 3 Colonel Mustard may be a member of the risk committee.
- 4 Dr Black may be a member of the audit committee.

3. Select the correct alternative to complete the following sentence:

Cluedo Ltd's board of directors is **not** complying with principle 6.2 of the King III Report, because ...

- 1 each of the directors does not have an in-depth knowledge of all the laws and regulations applicable to the company;
- 2 collectively, the directors may not have an understanding of the effect of laws and regulations on the company;
- 3 the company secretary, who has a duty to assist the board in fulfilling their duties regarding the laws and regulations, is not a member of the board;
- 4 the CEO, Dr Black, is not a qualified chartered accountant;

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

Cluedo Ltd does not comply with principle 2.18 of the King III Report relating to the composition of the board. The board of directors should comprise a balance of power with ...

- 1 a majority of non-executive directors;
- 2 a majority of independent directors;
- 3 a majority of executive directors;
- 4 a majority of non-executive directors, of which the majority must be independent;

5. The chairman of the board of directors must be ...

- 1 the CEO of the company;
- 2 a previously disadvantaged person;
- 3 the CEO of the company, or an independent non-executive director who reports to the CEO;
- 4 an independent non-executive director;

6. The board of directors must meet at least ...
- 1 once a year;
 - 2 every four months;
 - 3 four times per annum;
 - 4 twice a year;
7. Select the **correct** alternative to complete the following sentence:
- The King III Report and Code on Governance for South Africa is based on the principle of ...
- 1 the Companies Act, No 71 of 2008;
 - 2 “apply or explain”;
 - 3 “comply or explain”;
 - 4 “comply or else”;
8. The **minimum** number of members that an audit committee must have is ...
- 1 six members;
 - 2 two members;
 - 3 three members;
 - 4 five members;
9. Who is ultimately responsible to ensure that the company complies with applicable laws and regulations?
- 1 The board of directors.
 - 2 The audit committee.
 - 3 The risk committee.
 - 4 All the personnel of the company.
10. Select the **best** alternative to complete the following statement:
- The term “**risk assessment**” as part of **internal control** may refer to ...
- 1 the performing of tests of control to determine the effectiveness of the system of control;

- 2 the audit work performed by the outgoing auditor to determine the risk of material misstatement;
 - 3 assessing the likelihood and frequency of risks identified and estimating the potential impact of the risk;
 - 4 estimating the amount of financial losses should a specific risk occur and determining the recovery actions to be taken;
11. Select the alternative which **best** completes the following sentence:
- Stakeholders in an auditing context can be considered to be ...
- 1 any group that can affect, or be affected by, the company;
 - 2 the community in which the company operates;
 - 3 the shareholders of the company;
 - 4 any group that can affect the company's financial performance, or be affected by the company's financial performance;
12. Which one of the following control activities in a payroll business cycle is an example of **segregation of duties**?
- 1 Before the batch of clock cards is transferred to payroll preparation, the section head should check calculations and authorise overtime.
 - 2 The appointment or dismissal of employees should be signed by the section head and countersigned by the section manager after reference to the budget.
 - 3 Any unclaimed wage packages should be retained by the paymaster, who should lock them away.
 - 4 Wage packets should be made up by two wage department members, whilst the wages payout should be conducted by the independent paymaster and the section foreman.
13. Which ONE of the following management assertions is at risk when the theft of inventory from the warehouse goes undetected, resulting in the inventory figure in the financial statements being overstated?
- 1 Existence.
 - 2 Completeness.
 - 3 Cut-off.
 - 4 Rights and obligations.

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 Sequence checks.
 - 4 Reasonableness and limit tests.
15. 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 of controls.
 - 4 Segregation of duties.
16. Select the alternative which **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 occurrence
 - 2 accuracy
 - 3 completeness
 - 4 authorisation
17. Select the alternative which **best** completes the following sentence:
- The financial manager ensures that **all** sales for the financial year are recorded, in order to satisfy him or herself that ...
- 1 debtors paid their accounts timeously during the financial year;
 - 2 the completeness assertion has been fulfilled and to ensure that revenue is not materially misstated in the financial records of the company;
 - 3 the profit is increased to an acceptable level;
 - 4 the going concern concept is adhered to;
18. Which ONE of the following alternatives represents the “triple bottom line” concept on which company reporting should occur?

- 1 Economic aspects, environmental aspects, and social aspects.
 - 2 Economic aspects, political aspects and environmental aspects.
 - 3 Environmental aspects, health and safety aspects and financial aspects.
 - 4 Educational aspects, social aspects and financial aspects.
- 19.** The following alternatives describe the audit committee of the company, VAT Limited. Which one of the alternatives **is not** in accordance with the King III Report's requirements for audit committees?
- 1 The audit committee of VAT Limited consists of five members, who include three independent nonexecutive members, the financial director and the group financial manager.
 - 2 The audit committee meets every quarter of the year. The internal auditors attend all the meetings, whilst the external auditors are only requested to attend once a year.
 - 3 The chairman of the audit committee is an independent non-executive director who is not the chairman of VAT Limited's board of directors.
 - 4 The audit committee oversees the integrated reporting of VAT Limited and ensures that adequate information about the social, economic and environmental impact of VAT Limited on the community is conveyed.
- 20.** Select the alternative which **best** completes the following statement:
- Accuracy** can be defined as ...
- 1 a transaction or event which has been recorded took place and pertains to the entity;
 - 2 the fact that amounts and other data relating to recorded transactions and events have been recorded appropriately;
 - 3 all assets, liabilities, transactions or events which should have been recorded have been recorded;
 - 4 a transaction or event has been recorded in the correct accounting period;

---X---

7.4.5 Semester 2: Assignment 02

Instructions

- (1) Consult **my Studies @ Unisa** for instructions on how to submit assignments online.

Special instructions regarding the answering of this assignment

- (1) This assignment covers all the topics of the MO001.
- (2) All the questions should be completed.
- (3) Only selected questions will be marked.

ASSIGNMENT 02: ESSAY-TYPE QUESTIONS

UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:
663260

DUE DATE

Second semester: 5 September 2016

QUESTION 1

25 marks

Africa Fashion (Pty) Ltd (hereafter referred to as AF) is a producer of the latest clothing fashions for the retail market. Mr Africa, the CEO, has heard of the King III Report, and the advantages that it could provide for his company. He approaches you to help him with the implementation of good corporate governance for AF.

A board of directors and a risk committee have been established.

1. Board of directors

Mr Botswana	-	Chairman and an executive director
Mr Africa	-	Chief Executive Officer (CEO)
Mr Lesotho	-	Financial Director (an executive director)
Mr Style	-	Human Resources Director (an executive director), appointed two months ago by Mr Africa
Mr Swaziland	-	Marketing Director (an executive director)
Mr Zimbabwe	-	Information Technology (IT) Director (an executive director)
Mr Zip	-	Risk Director (an executive director). He will also act as the company secretary. He has extensive risk management experience.
Mr Namibia	-	Independent non-executive director

1.1 The board of directors will meet once a year for a two-day session to discuss all important issues and committees of the company.

1.2 Mr Swaziland will arrange for the meeting to take place at his brother's game farm and conference facilities in the North-West province. Mr Swaziland's brother charges AF double the regular rates and then pays a "kickback" to Mr Swaziland.

2. Risk committee

Mr Africa - Chairman of the risk committee
Mr Zip

The risk committee knows the risks that the business faces. It has not identified any additional risks that would necessitate a review of the risk management plan and processes of the company.

3. Audit committee

Mr Africa is aware that an audit committee should be appointed, but he does not understand the King III Report requirements. He has therefore asked you to help him with establishing the audit committee.

REQUIRED

Marks

1.1 Comment on the board of directors in relation to the **requirements of sound corporate governance** in terms of the King III Report.

Present your answer under the following headings:

- a) Board of directors: composition and appointments (4 comments)
- b) Board of directors: meetings (1 comment)
- c) Risk committee: composition and appointments (2 comments)
- d) General remarks (4 comments)

(16½)

Please note:

Both **compliance** and **non-compliance** should be addressed in your answer.

Communication, logic, structure and layout.

(1)

1.2 Provide Mr Africa with the necessary information to establish an **audit committee** which **complies with the King III Report** requirements.

Present your answer addressing the following queries of Mr Africa:

- a) Who is allowed to be the **chairperson** of the audit committee? (1½ marks)
- b) What is the **minimum number of members** that should form the audit committee? (1½ marks)
- c) What is the **minimum number of meetings** that the audit committee should hold each year? (1½ marks)
- d) Name **two functions** this committee should perform. (3 marks)

(7½)

QUESTION 2

25 marks

Banglo Platinum Ltd (hereafter referred to as Banglo Platinum) is a mining company and has a workforce of about 1 500 workers.

Wages system

Complete wage records are kept by the company at the administration building. Each worker receives a weekly cash wage that is paid out by the pay clerk at a central pay point. Weaknesses exist in the internal controls over unclaimed wages, resulting in financial losses suffered by Banglo Platinum. Employee details are updated from time to time on the **employee masterfile**.

Inventory valuation

The inventory is a material account balance in the financial statements of Banglo Platinum. Management therefore wants to ensure that this balance is correctly reflected in the accounting records, and has asked you for advice.

REQUIRED	Marks
2.1 Describe the internal controls that should be implemented to ensure good control over unclaimed wages at Banglo Platinum Ltd.	(9)
2.2 Describe the controls that should be implemented when updating the employees' masterfile in a computerised environment . Limit your answer to updating existing employee data.	(10)
2.3 Indicate at what inventory valuation value inventory should be presented in the financial statements of a company.	(1½)
2.4 List what the cost price of inventory should consist of.	(4½)

---X---

7.4.6 Semester 2: Assignment 03

ASSIGNMENT 03: MULTIPLE CHOICE QUESTIONS

**UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:
761185**

DUE DATE

Second semester: 20 September 2016

We as the lecturers on the module AUE2602, Ms. G Richard, Ms J Groenewald and Prof HJ Theron in the auditing department are conducting research on the benefits and impact of simulation of business cycles in an Open Distance Learning (“ODL”) environment. We are inviting you to participate in a study entitled: The use of simulations in the under-graduate online teaching and learning of Auditing at Unisa in an ODL environment.

With auditing being a very theoretical subject and practical experience only achieved during the period of practical training, the aim of this study is to identify the benefits and impact of simulations on the learning experience of students. You have been chosen to participate because you are enrolled for corporate governance in accountancy (AUE2602).

This assignment contains twenty five questions. The first ten questions relate to Insight Education’s website containing the business cycles. These questions will be assessed and will contribute 5% to your year mark. The second fifteen questions are designed for research purposes and will not be assessed.

Participation by means of answering questions 11 to 25 is voluntary and there is no penalty or loss of benefit for non-participation. You may also withdraw from this study at any time without penalty. Although your student number is known to the research team, only they will have access to the information and will sign a confidentiality agreement. Copies of your answers will be stored by the researchers for a period of five years in electronic format that is password protected. Future use of the stored data will be subject to further Research Ethics Review and

approval if applicable. Password protected electronic information will be removed from the computer permanently once the five year period has expired.

We do not foresee any risks, injury or harm attributable to this study. You will not incur any costs.

While there is no financial or other direct benefit in participating, your experience as current AUE2602 student can however contribute much to assist and support AUE2602 students in future. It will take about 10 minutes of your time to complete the questionnaire. We would greatly appreciate your contribution!

This study has received written approval from the Research Ethics Committee of the College of Accounting Sciences at UNISA. This information will be used to publish an article in an accredited journal. No personal information of participants will be used in the research therefore privacy will be protected. If you would like to see the ethics approval letter, or may have any questions in respect of this study or want to receive a summary of the results, please contact the lecturers.

Consent to participate in this study

I have read and understood the study as explained in the introduction to the assignment. I understand that my participation in questions 11 to 25 is voluntary and that I am free to withdraw at any time without penalty. I am aware that the findings of this study will be anonymously processed into a research report, journal publications and/or conference proceedings.

By answering questions 11 to 25 I understand and accept the above.

Instructions

- (1) Write the correct unique assignment number in the six blocks provided on the mark-reading sheet.
- (2) Write the ordinary assignment number (03) in the two blocks provided on the mark-reading sheet.
- (3) Consult **my Studies @ Unisa** for an example of how a computer mark-reading sheet should be filled in.
- (4) If you do not follow these instructions, the computer will reject your answer sheet and it will be returned to you unmarked. Also consult **my Studies @ Unisa** when you answer multiple-choice assignments.

Special information regarding the answering of this assignment

- (1) This assignment consists of 25 multiple-choice questions.
- (2) How to register on the Insight Education website:

You will be able to register and access the Insight Education website from 1 August 2016 up until 31 October 2016. The registration manual is available on *myUnisa* under the additional resources tab.

QUESTION 1

15 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, as follows:

1. 1
2. 3

(1½ marks per question)

1. What is the name of the company that placed an order with Insight Construction for which the sales order clerk completed customer order form number 314 in the sales cycle?
 - 1 Building Blocks.
 - 2 Clive Wood.
 - 3 Insight Construction.
 - 4 Bill Davids.
2. The sales order should be completed in triplicate. One copy is sent to the sales department and one copy is sent to the accounting department. Where else should a copy of the sales order be sent to?
 - 1 Accounting department.
 - 2 Creditors' department.
 - 3 Warehouse.
 - 4 Despatch department.
3. What is the warehouse manager's name who authorised the inventory requisition before the order clerk completed the internally compiled order form from the inventory requisition in the ordering department?
 - 1 Bob Nolan.
 - 2 Jane Venter.
 - 3 Peter Park.
 - 4 Clive Wood.
4. How many PVC pipes were delivered from the approved supplier, Pipes for Africa, in the receiving bay of Insight Constructions?

- 1 100.
 - 2 200.
 - 3 125.
 - 4 150.
5. The name of the bank used by Insight Construction is:
- 1 Bank of Learning.
 - 2 Cycles Bank.
 - 3 Money Bank.
 - 4 Bank of the People.
6. Which raw materials were requested by the factory manager on raw materials requisition number 4539 in the production cycle?
- 1 Paint and wood.
 - 2 Wood and cement.
 - 3 Wood and gravel.
 - 4 Gravel and cement.
7. What type of system should a company implement to compare the theoretical inventory to the inventory on hand?
- 1 Inventory verification system.
 - 2 Auditing system.
 - 3 Stock count system.
 - 4 Transfer authorisation system.
8. In which department was an additional employee needed and requested by the factory manager as illustrated in the salaries and wages cycle?
- 1 Accounting department.
 - 2 Human resources department.
 - 3 Ordering department.
 - 4 Manufacturing department.

- 9.** Which of the following should be completed on the staff request form when the head of a specific department requests an additional employee to be appointed?
- 1 Description of what the work entails.
 - 2 The qualifications that the applicants are required to have.
 - 3 Any specific experience needed by the applicant.
 - 4 All of the options above.
- 10.** What is the name of the new employee appointed as indicated in the salaries and wages cycle?
- 1 Danny Mantsho.
 - 2 John Mahlabo.
 - 3 Frikkie Snyman.
 - 4 George Martin.

This concludes the part of the assignment that will be assessed. Questions 11-25 relate to the research questions as explained in the introduction to the assignment. If you are willing to participate in the study, please proceed with questions 11-25. If you do not want to participate, please submit your assignment now.

- 11.** To what extent did you have exposure to business cycles, risks and internal controls before AUE2602?
1. No exposure at all.
 2. To a minor extent.
 3. To some extent.
 4. To a moderate extent.
 5. To a large extent.
- 12.** I find the business cycles, risks and internal controls easier to understand when I see it visually compared to only studying from a textbook?
- 1 Strongly disagree.
 - 2 Disagree.
 - 3 Neither agree nor disagree.
 - 4 Agree.
 - 5 Strongly agree.

- 13.** I find it easier to understand the purpose of the documents in the different business cycles, as well as their importance as part of designing internal controls when seeing them visually.
- 1 Strongly disagree.
 - 2 Disagree.
 - 3 Neither agree nor disagree.
 - 4 Agree.
 - 5 Strongly agree.
- 14.** Rate the quantity of the information on the website, regarding the business cycles?
- 1 Too much information.
 - 2 Slightly too much information.
 - 3 Fine as it is.
 - 4 Slightly too little information.
 - 5 Too little information.
- 15.** What was your experience in accessing the website of “Insight Education”?
- 1 I could access the website very easily.
 - 2 I struggled at first but managed to access the website in the end.
 - 3 I struggled throughout but managed to access the website in the end.
 - 4 I could not access the website at all.
- 16.** Insight Education has a user-friendly interface?
- 1 Strongly disagree.
 - 2 Disagree.
 - 3 Neither agree nor disagree.
 - 4 Agree.
 - 5 Strongly agree.
- 17.** How would you describe your experience navigating through the Insight Education Website?
- 1 Very difficult.

- 2 Slightly difficult.
- 3 Neither difficult nor easy.
- 4 Somewhat easy.
- 5 Very easy.

18. How often did you access the website of “Insight Education” during this semester?

- 1 Never.
- 2 1 - 2 times.
- 3 3 - 5 times.
- 4 More than 5 times.

19. What is the cumulative time that you spent on the website during this semester?

- 1 I did not visit the website.
- 2 Less than one hour.
- 3 1 – 2 hours.
- 4 2 - 4 hours.
- 5 More than 5 hours.

20. What kind of problems did you encounter while using the website?

- 1 I did not encounter any problems while using the website.
- 2 The website was slow.
- 3 The video content froze all the time.
- 4 I could not navigate to a specific part in the video easily.
- 5 The website was slow and the video content froze all the time.
- 6 I could not navigate to a specific part in the video easily and the video content froze all the time.

21. How much will you be willing to pay for one (1) year’s access to this product?

- 1 I am not interested in using a product like this.
- 2 R1 - R100.
- 3 R101 - R200.
- 4 R201 - R300.

22. I would recommend this product to fellow auditing students in their studies of business cycles.
- 1 Strongly disagree.
 - 2 Disagree.
 - 3 Neither agree nor disagree.
 - 4 Agree.
 - 5 Strongly agree.
23. What type of device are you using to access the website?
- 1 Smartphone.
 - 2 Tablet/ I-pad.
 - 3 Desktop.
 - 4 Laptop.
24. Will the fact that the product can only be accessed via the internet influence your decision to use it or not?
- 1 Yes, because internet costs are expensive.
 - 2 Yes, I do not have regular access to the internet.
 - 3 Yes, I do not have regular access to the internet and internet costs are expensive.
 - 4 No, I do not have a problem with accessing the internet.
 - 5 No, I do not have a problem with internet costs.
 - 6 No, I do not have a problem with accessing the internet or internet costs.
25. **To what extent** do you feel better equipped to write the AUE2602 exam after using this product?
- 1 Not at all.
 - 2 To a minor extent.
 - 3 To some extent.
 - 4 To a moderate extent.
 - 5 To a large extent.

---X---

8 OTHER ASSESSMENT METHODS

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

Special instructions and remarks regarding the answering of this assessment

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

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

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.

QUESTION 1

25 marks

Sweets-R-Us Limited (hereafter referred to as Sweets-R-Us) is a producer of candies and chocolates that are sold in various retail stores across South Africa. Sweets-R-Us was founded by Mr Willy Wonka 30 years ago. The company was listed on the JSE (previously the Johannesburg Stock Exchange) 12 years ago. Thereafter, Mr Wonka retained only 2% of the shares in Sweets-R-Us. Recently, while inspecting the annual report of Sweets-R-Us, you noticed that the board of directors and the board committees are composed as detailed below.

The **Board of Directors** consists of:

Mr Willy Wonka	-	Executive Chairperson *1
Mr Charlie Bucket	-	Chief Executive Officer (CEO)
Ms Veruca Salt	-	Financial Director (an executive director)
Mr August Gloop	-	Operations Director (an executive director)
Ms Violet Bafedi	-	Human Resources Director (an executive director)
Ms Sen Slug (CA(SA))	-	Independent Non-Executive Director (CA(SA)) *2
Mr Oompa Loompa	-	Non-Executive Director *3
Mr Mike Tebogo	-	Marketing Director (an executive director) *4

* Note 1

Mr Willy Wonka retired a year ago as the CEO, after 30 years of service. He immediately assumed the newly created role of Executive Chairperson.

* Note 2

Ms Sen Slug was the Financial Director of Sweets-R-Us for a number of years. She retired two years ago. She rejoined the board at Mr Wonka's request when he became the chairperson. Mr Wonka has always taken responsibility of appointing directors to the board.

* Note 3

Mr Oompa Loompa is the CEO of World of Wonders Incorporated, a large company that provides safari services. Neither Mr Loompa nor World of Wonders Inc has any financial interest in or business relationship with Sweets-R-Us.

*** Note 4**

The position of the company secretary has been vacant for six months. Ms Violet Bafedi will make an appointment during the course of the upcoming financial year. Mr Mike Tebogo is being considered for this position.

Board committees

The company has two board committees, namely an **audit committee** and a **remuneration committee**. Each of these committees consists of three members. Mr Willy Wonka chairs both the audit committee and the remuneration committee. Mr August Gloop and Mr Mike Tebogo serve on both of these committees. The committees meet once a year, usually shortly after completion of the external audit. The audit committee's only function is to discuss the findings of the annual statutory audit. The remuneration committee is responsible for approving the remuneration policies of company personnel for the next financial year.

REQUIRED**Marks**

- 1.1** **Comment** on the board of directors and the board committees in relation to the **requirements of sound corporate governance** in terms of the King III Report.

Please note

Present your answer under the following sub-headings:

- a) Mr Willy Wonka – Executive Chairperson (two comments)
- b) Ms Sen Slug – Non-executive Director (one comment)
- c) Mr Oompa Loompa – Non-executive Director (one comment)
- d) The company secretary (three comments)
- e) The audit committee (five comments)
- f) The remuneration committee (three comments)
- g) Any other general issues regarding the board of directors and the board committees (one comment)

(24)

- Both **compliance** and **non-compliance** should be addressed in your answer.
- Communication, logic, structure and presentation

(1)**QUESTION 2****40 Marks**

Lipstick Mania (Pty) Ltd (hereafter referred to as Lipstick Mania) is a cosmetics manufacturing company that provides a variety of products for sale at various retail stores across South Africa. Lipstick Mania takes great pride in the fact that none of its products is tested on animals. Mr Luto, the production manager, has received instructions to start preparing for the annual inventory count. As this is Mr Luto's first year at the company, he requested your help with the preparation of the stock count in order to ensure a successful inventory count.

Upon joining Lipstick Mania, Mr Luto was informed about the occurrence of theft of the manufacturing equipment in the past. New equipment was recently bought to replace the equipment that was stolen. Mr Luto wants to propose internal controls to management, which can be implemented in the store to reduce the risk of theft.

REQUIRED

Marks

2.1 Describe to Mr Luto the **preparation** process for the **inventory count**.

Present your answer under the following headings:

- a) Planning and preparation (10½ marks)
- b) Design of stationery (6 marks)
- c) Written instructions (7½ marks) (24)

Please note

Communication, logic, structure and presentation (1)

2.2 Advise Mr Luto on the **internal controls** that can be implemented in a manual system for the safeguarding of equipment acquired in the manufacturing plant, to ensure that the **theft** incidents that occurred in the past will not be repeated. (15)

QUESTION 3

35 Marks

Carmen's Cravat (Pty) Ltd (hereafter referred to as CC) is a retail shop that specialises in the sale of handmade formal men's clothing. CC purchases the clothes and then sells it to the public. CC's inventory includes items such as suits, cravats, ties, bowties, handkerchiefs and cufflinks.

Ms Carmen Tibideaux is the chief executive officer (CEO) of CC. Her assistant, Ms Rachel Berry, implemented sound internal controls in the **receiving of goods department**. Ms Tibideaux does not understand the necessity of these sound internal controls.

Although Ms Berry feels that the internal controls are adequate, she has nevertheless informed Ms Tibideaux that the internal controls do not provide absolute assurance that the company will be able to respond adequately to risks. Ms Berry is particularly concerned about sales and listed the following weaknesses:

- a) Management may decide that sophisticated bar-code scanning equipment may not be worth the cost, despite the fact that sales will be rung up more accurately.
- b) The retail shop supplies men's clothing on credit to a very limited number of customers. There are few internal controls over sales and receipts from debtors, since these transactions do not take place often and as such, the debtor's accounts may be neglected.
- c) A teller may transpose an amount rung up (for example, R9.60 rung up as R6.90) and the customer may not notice the error.
- d) The cashier and the till supervisor (who together agree the day's takings) may decide to manipulate the reconciliation of cash/till slips and divide the money stolen between them.
- e) The manager of the retail shop may allow a friend to remove goods through the till area without paying for them. The cashier will be powerless to prevent this from happening, as the manager is in an authoritative position.
- f) The existing system may be unable to "control" a newly introduced staff discount arrangement whereby shop staff can purchase up to a certain amount of goods at a discount. As a result, staff may be abusing the system by purchasing goods in excess of their limit.

REQUIRED**Marks**

- 3.1** List any **five (5) risks** associated with the **receiving of goods department** in a manual **acquisitions and payments cycle**. (7½)
- 3.2** Provide Ms Tibideaux with any **eight (8) internal controls** that should be in place in the **receiving of goods department** in a manual **acquisitions and payments cycle**. (12)
- 3.3** List the **internal control limitations** and give a brief **explanation** of each of the limitations listed in a) to f) in the scenario. Please refer to the example below and present your answer using the table given.

Example	Internal control limitation	Explanation
Example a) Management may decide that sophisticated bar-code scanning equipment may not be worth the cost, despite the fact that sales will be rung up more accurately.	Internal controls might not be cost effective.	Certain errors or irregularities may go undetected because management has decided that the appropriate control is too costly to implement.
b)		
c)		
d)		
e)		
f)		

(15)

Please note

Communication, logic, structure and presentation

(½)

9 EXAMINATION**Requirements for admission to the examination**

Submission of one of **Assignment 01, Assignment 02 OR Assignment 03** by its due date will give you *admission* to the examination in this module. Admission will be obtained by submitting this assignment **in time** and not on the basis of the marks you obtain for it. Please ensure that this assignment reaches the university **before or on the due date**. **Late submission of an assignment will result in you not being admitted to the examination. No extension will be granted for the submission of assignments.**

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 2016 and the supplementary examination will be written in October/November 2016. If you are registered for the second semester, you will write the examination in October/November 2016 and the supplementary examination will be written in May/June 2017.

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

The examination paper

Your self-evaluation assessment is an example of an examination paper. It was included in this tutorial letter under point 8. Please refer to this assessment opportunity for the format of the examination paper and type of questions you can expect in the examination.

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
 - 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 smartphone) may not be used.
- 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 *my Studies @ Unisa* brochure for general guidance for the examination as well as for your preparation for the examination.

10 FREQUENTLY ASKED QUESTIONS

The *my Studies @ Unisa* brochure contains an A–Z guide of the most relevant study information.

11 CONCLUSION

Wishing you 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.