

May/June 2014 Exam Memo references

QUESTION 1

1.1: Requirements of sound corporate governance

a) Board of Directors: composition and appointments

Refer to King III Report Principle 2.16, 2.18, 2.19 point 80 and principle 2.21 point 95

(maximum 6 marks/4 comments)

b) Board of Directors: Meetings

Refer to King III Report Principle 2.1 point 1

(maximum 1.5 marks/1 comment)

c) Risk Committee: composition and appointments

Refer to King III Report Principle 4.3 point 21, principle 2.23 and principle 4.3 point 20

(maximum 3 marks/2 comments)

d) General remarks

Refer to King III Report Principle 1.1, principle 2.21 point 97, principle 2.21 point 98, principle 2.23 point 129-130, principle 4.1 point 129-130, principle 4.1

(maximum 6 marks/4 comments)

Remember to add the following remark to conclude on overall compliance/non compliance.

“Overall, the board of directors and board committees do not meet the King III Report’s requirements for good corporate governance and any recommendations that are not applied should be explained by them.”

1 Presentation mark was awarded if your question was structured under the headings provided in the question.

Remember to answer all corporate governance questions by stating the theory, application and conclusion to ensure you receive maximum allocated marks for each statement.

1.2: Audit Committee requirements per King III Report

Refer to Study guide, Study Unit 1.3.3: Audit Committees table on page 15 (English) and page 16 (Afrikaans)

Comment: Students did fairly well in this question. They only struggled with the functions. Please make sure you know the difference in the functions of the audit committee and the internal auditors.

Question 2

2.1: Four risks which a company might face relating to its workforce

Refer to Jackson & Stent page 13/2 -13/6

Also refer to Tutorial letter 102/2014 Topic 7 Question 9.8 (1) and Tutorial letter 103/2014 for the solution.

Common mistakes: Students who did their Tutorial letter 102 questions did well with this question. However, a lot of students did not read the question carefully. The question asked for risks with regards to the workforce. The risks with the wage preparations and payout were not relevant. Again, read your question carefully.

2.2: Internal controls over unclaimed wages

Refer to Jackson & Stent page 13/5 and 13/12

Comment: Students did fairly well in this question. Some students did however not limit their answer to only the controls of **unclaimed** wages, and wasted time.

Remember: When you prepare an internal control answer, include **who, what, on what and why** as far as possible. If you only write “the document must be signed” you’ll receive zero marks, as I could sign my pink post it, which will not prove anything. Rather say: “The section head (**who**) must sign (**what**) the payroll (**on what**) to acknowledge receipt of the paypackets. (**why**)”

2.3: Controls which should be carried out when employee details are updated in the employees’ master file

Refer to Jackson & Stent page 13/16-13/18

Comment: Masterfiles are pretty much the same for all the cycles, the only differences are the people (**who**) and the documents (**on what**).

Question 3

3.1: Controls over passwords

Refer to Jackson & Stent page 8/20

Comment: Students did fairly well in this question, as it is a straight forward theory question.

3.2: Four supplementary access controls to protect the accounting system

Refer to Jackson & Stent page 8/22

Also refer to Tutorial letter 102/2014 Topic 2 Question 4.29 (d) and Tutorial letter 103 for the solution.

Common mistakes: The question asked for access controls to protect the **accounting system**. In the question, it was stated that the accounting system was uploaded on the LAN. Therefore, even though the question did not specifically state “application” access controls, it is clear that application controls was asked for. You should remember to read your question with the scenario in mind. We did allocate marks to students who gave physical (general) access controls, but only when they clearly linked it to the accounting system, or the LAN.

3.3: Internal controls that management can implement in the ‘recording of receipts’

Refer to Jackson & Stent page 10/17

Common mistakes: Students either did very well in this question, or failed it. The question asked for the internal controls when “RECORDING” receipts, not the internal controls when they received the cash payments. Again, I stress this, [read the question!](#) We as lecturers were also very surprised that students did not do well in this question, as it was one of the assignment 2 questions; the solution was available in tutorial letter 202. When we say, do questions, we also mean you should mark yourself with the solution / text book, to ensure you’re on the right track.

3.4: Match the documents to the different functions in the acquisitions and payments cycle.

Refer to Jackson & Stent page 11/5 -11/6 and 11/9-11/13