# Studiebrief 103/3/2013

## WETLIKE ASPEKTE RAKENDE OUDITPRAKTYKVOERING

# AUE302Q

## Semesters 1 & 2

## Department Ouditkunde

**BELANGRIKE INLIGTING:**

Hierdie studiebrief bevat die antwoorde op die vrae wat in Studiebrief 102 ingesluit is.

BAR CODE

# INHOUD

*Bladsy*

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# 1 AFKORTINGS IN HIERDIE STUDIEBRIEF GEBRUIK

**CPC = Code of Professional Conduct, APA = Auditing Profession Act, Companies Act = Companies Act 71 of 2008, as amended, Companies Regulations = Companies Regulations 2011, ISA = International Standard on Auditing, IRBA = Independent Regulatory Board for Auditors, SAICA = South African Institute of Chartered Accountants, MOI = Memorandum of Incorporation.**

# 2 PUNTE TOEDELING

Elke vraag het aangedui hoe lank dit u behoort te neeem om dit te beantwoord, asook die maksimum punte wat behaal kan word.

Wanneer u, u antwoord nasien moet u die volgende riglyne toepas:

- 'n Korrekte geformuleerde paragraaf wat 'n toepassing van die toepaslike artikel/paragraaf van 'n Wet/PGK/ISA/ens insluit: **1½ punte**
- 'n Korrekte geformuleerde sin met 'n toepassing van 'n feit in die gegewe scenario: **1 punt**
- "Bullet" punte of kort sinne: **1 punt**

Onthou om by die voorgeskrewe tydbeperkings te hou en rekort van jou tyd te hou.

In sekere gevalle laat die sleutel u toe om meer as die vereiste punte vir die vraag te behaal. Dit maak dit 'n "makliker" vraag aangesien die sleutel meer omvattend is, maar u word beperk tot die maksimum punte aan die vraag toegedeel.

# 3 SLEUTEL TOT VRAE IN STUDIEBRIEF 102

**VRAAG 1 Voorgestelde oplossing op vraag 1.14 22 punte**

**1.** With regard to whether the company must appoint an external auditor, you will first have to calculate your company's public interest score (PIS) in terms of regulation 26(2) of the Companies Regulations, 2011. In short, this is the sum of points which are allocated to four "characteristics" of your company as follows:

- One point is allocated for the average number of employees (28 points).
- One point for every R1m (or portion thereof) of turnover (24 points)
- One point for every R1m (or portion thereof) of liability to 3rd parties (1 point)
- One point for every individual who has a direct or indirect interest in the shares of the company (5 points)

If your company's public interest score is below 100 there is no statutory requirement for your AFS to be audited (regulation 27(4)). Your PIS will be 58 points. However with this PIS it will be necessary for your company to appoint a Registered Auditor, or Chartered Accountant (SA) to independently review your financial statements (regulation 29).

It is also possible that the company's Memorandum of Incorporation contains a clause which requires that the company appoint an external auditor (a requirement created by the shareholders). If such a clause exists, your company would have to comply, but as you own 75% of the shares you could remove this clause if you wanted to.

With regards an internal auditor, there is no requirement in the Act which makes it obligatory for a private company to appoint one.

**Kommentaar:** U moet bo en behalwe die Maatskappyregulasies ook artikels 30 en 90 van die Maatskappywet in ag neem wanneer die oudit van van finansiële jaarstate or die aanstelling van ‘n ouditeur oorweeg word.

**2.** The company may retain its existing auditor, provided the existing auditor is available for re-appointment.

Whilst there is nothing in the Companies Act which prevents you from appointing me as your auditor, I would not be in a position to accept such an appointment.

For any audit opinion to be worthwhile (reliable) it must be provided by an auditor who is independent from the company about which the opinion is being expressed (section 90(2)(c)).

As we are close friends, I would not be, or be seen to be independent, and would therefore be in breach of the requirement explained in the previous statement as well as the SAICA Code of Professional Conduct.

Should your company only require an independent review (not a audit) you could appoint the existing auditor to conduct the review.

**3.** The shareholders would appoint the auditor by ordinary resolution (section 90(6) and (7)). As the other directors are not shareholders they have no say in the appointment.

As you hold 75% of the shares, it will be your decision. The Memorandum of Incorporation (MOI) (if this is relevant) may lay down some additional requirements for appointment of the auditor.

**4.** Benefits: Overall having your financial statements audited adds to the credibility of your company in its business dealings.

**For the company**

- It is essential that the stakeholders of the company be informed about the company’s performance. Audited annual financial statements are an important mechanism for reporting to the various stakeholders.
- Whoever prepares the company's financial statements may make errors (or even hide fraud) which may be detected during an audit. Thus the auditor's opinion on the fair presentation of the annual financial statements gives management greater assurance on the accuracy of the company's results.
- Having the accounting records audited acts as a deterrent to employees perpetuating fraud.
- The company will also benefit as lenders of money e.g. your bank, will be far more inclined to extend credit. They will almost certainly require audited financial information from you when considering your financial needs.
- The company will benefit from the advice on such matters as systems and tax that the auditor can offer. This kind of advice becomes a positive by-product of the audit.

**For you**

- Even though you are the majority shareholder and managing director it is still possible for your fellow directors or employees to "pull the wool over your eyes", particularly as, being an engineer, you know little about financial matters.

- The audit will give some assurance that this is not happening as it provides you with an independent "view" of the state of your company, and you will receive reports on weaknesses in your company's controls from the auditor.

A review engagement which is like a "watered down" audit does not provide the same level of independent assurance that an audit does. This will be explained in the review report given by the registered auditor carrying out the review so users of your financial statements may not be as confident about them as they would have been with an audited set of financial statements.

**Kommentaar:** Om hierdie vraag te beantwoord moes u verskillende bronne raadpleeg, naamlik die Maatskappywet, Maatskappyregulasies en die SAIGR se Professionele Gedragskode. Die punt wat ons wil maak is dat u bewus moet wees van die integrasie tussen onderwerpe en die belangrikheid daarvan om die groter prentjie te sien.

**VRAAG 2 Voorgestelde oplossing tot vraag 3.9 30 punte**

**a)** 1. **Integrity**:
Chartered accountants should be straightforward, honest, fair and truthful in their professional/business relationships.

2. **Objectivity:**
Chartered accountants should not compromise their professional or business judgement because of bias, conflict of interest, or undue influence of others.

3. **Professional competence and due care:**
Chartered accountants are required to maintain professional knowledge and skill and at the level required to ensure that a client receives competent professional services based on current developments in practice, legislation and techniques, and act diligently and in accordance with applicable technical and professional standards.

4. **Confidentiality:**
Chartered accountants should not disclose or use confidential information acquired as a result of a professional or business relationship, unless they have permission to do so or unless there is a legal obligation to do so.

5. **Professional behaviour**:
Chartered accountants must comply with relevant laws and regulations and avoid actions which bring discredit to the profession.

**b)** 1. A **familiarity** threat arises where, because of a long or close relationship, a Chartered Accountant becomes too sympathetic to the interests of others, or too accepting of their work and as a result, may act in a manner which he/she might not otherwise have acted thereby compromising his/her independence.

2. A **self-interest** threat arises where the Chartered Accountant has a relationship or financial involvement with a client which may give rise to the professional accountant looking after his/her own interests rather than taking an independent stance. The relationship or financial involvement will inappropriately influence the Chartered Accountants judgement or behaviour.

3. An **intimidation** threat arises where the Chartered Accountant refrains from acting with an acceptable level of objectivity (independence) because he/she has been threatened (actual or perceived) and is therefore fearful of acting independently.

**c)** 1. There is a **familiarity** threat brought about by the relationship between Marcus Login and Fred Spiral.

**Justification:**
The two of them are close friends, and as Fred Spiral is the financial director and Marcus Login the audit manager, they will be working closely together on the audit.

Due to this close relationship Marcus Login's independence will be (and will be seen to be) compromised, for example, problem areas identified during the audit may be overlooked.

2. There is a **self-interest** threat brought about by the fact that Marcus Login has a lucrative sponsorship which runs for three years.

**Justification:**
This amounts to financial involvement with an audit client which threatens Marcus Login's independence.

He is far less likely to follow up questionable practices or transactions discovered during the audit, in order to avoid a fall out with Skyhi (Pty) Ltd and losing his sponsorship.

3. There is an **intimidation** threat arising out of the sponsorship Marcus Login enjoys.

**Justification:**
In a sense, Fred Spiral now has a hold over Marcus Login. He can threaten (directly or indirectly) to have Marcus Login's sponsorship taken away unless Marcus Login does what Fred Spiral requires with regard to the audit, e.g. overlook discrepancies.

This presents a direct threat to Marcus Login's independence.

**d)** 1. In terms of the SAICA Code of Professional Conduct (CPC), this arrangement would amount to improper conduct.

2. In terms of section 240 – Fees, Bills and Co is entitled to negotiate a fee but must charge **appropriate** fees.
   2.1 To simply add on R22 000 "fictitious" audit fees would be a breach of this section as well as a breach of the fundamental principle of professional behaviour (even though the client has proposed it).

3. In terms of section 290 – Independence, this would amount to Bills and Co having a direct financial interest in an assurance client.
   3.1 This would pose a self-interest threat to the firm.
   3.2 As there is no safeguard to reduce this threat to an acceptable level, the arrangement proposed by the financial director should be rejected.

**e)** 1. Davey Jones has failed to recognise, or chosen to ignore, a **self-interest** threat to his compliance with the fundamental principle of confidentiality.
   1.1 By disclosing to his estate agent wife confidential information (purchase of properties and prices the client is prepared to pay), acquired as a result of his professional relationship with Chickentogo (Pty) Ltd, Davey Jones has

breached section 140 – Confidentiality, of the CPC.

1.2 Whether or not he was aware that she would use it to their advantage is not relevant (she will earn commission on the inflated price which Chickentogo (Pty) Ltd is prepared to pay).

1.3 Davey Jones' actions have harmed the client and placed them at a dis-advantage when negotiating the purchase of the properties. In doing what he did, he has compromised his professional behaviour and discredited himself and his firm.

**Kommentaar:** As die vorige eksamenvraestelle as voorbeeld moet dien, kom mens tot die gevolgtrekking dat die fundamentele beginsels, die tipe bedreigings en voorsorgmaatreëls daarvoor baie belangrik vir u as student is. Die bogenoemde sleutels kan ingevolge die SAIGR se Professionele Gedragskode redelik maklik afgelei word.

**VRAAG 3 Voorgestelde oplossing tot vraag 3.11 21 punte**

Despite the predicament Roz Sabbatini finds herself in, she should not consider co-operating with Kurt Curren by failing to take action and keeping quiet to protect herself.

**(i) The IRBA Rules Regarding Improper Conduct**

Roz Sabbatini will be guilty of improper conduct if:

She commits any offence involving dishonesty (rule 2.3), which she would be doing if she did not report the matter. She would be a "willing" party to blackmail in order to protect herself. She would be hiding the truth and essentially acting fraudulently.

She assists Curren (Sportz (Pty) Ltd to evade tax (rule 2.8). Her possible previous in-competence has assisted Sportz (Pty) Ltd in evading tax and failing to report the fraud once she discovered it, will provide further assistance to the company to evade tax.

In the performance of her duties she has not exercised due care and skill (rule 2.7). In view of her own opinion of her working papers and her failure to follow up queries this appears to be the case.

She conducts herself in a manner which brings the profession into disrepute (rule 2.17), should she go along with Curren.

She fails to comply with any section of the Auditing Profession Act 2005 with which it is her duty to comply (rule 2.1). This situation amounts to a reportable irregularity and therefore she has a duty in terms of section 45 of the AP Act to take the prescribed action.

From the above it is quite clear that Roz Sabbatini should ...:

- report this falsification as a reportable irregularity to fulfil her duty as the registered auditor;
- seek legal advice (e.g. from SAICA, IRBA or the legal profession).

**(ii) The SAICA Code of Professional Conduct - Compliance with the Code – prior audits/assignments**

Roz Sabbatini has failed to comply with a number of the fundamental principles.

**Objectivity – Section 120**

She is finding herself in a situation where a large percentage of her fees is derived from work refered to her by Kurt Curren. She has thus failed to recognise/respond to a situation which threatens her independence (section 290.220).

- As a result of this dependence on Kurt Curren, **self-interest** (section 200.4) may result in Roz Sabbatini making sure that she does not act in anyway which might jeopardise her relationship with Sportz (Pty) Ltd (Kurt Curren)
- The situation also gives rise to the possibility of **intimidation** (section 200.8). Due to Roz Sabbatini's disproportionate dependence on Kurt Curren, Kurt Curren is in a perfect position to attempt to intimidate her (which is exactly what he is doing by threatening to implicate her in his fraud!)

With regards to the charging of fees, Roz Sabbatini allowed a self-interest threat to cloud her judgement (objectivity). She admits that she overcharged on some audits/ assignments because she knew the fees would **not** be queried. (This has also contributed to the situation she now finds herself in).

The fact that Roz Sabbatini has charged excessive fees is a direct contravention of section 240 – Fees etcetera, of the CPC which requires that chartered accountants charge ***appropriate*** fees.

**Professional Competence and due care – Section 130**

Compliance with this fundamental principle requires that Roz Sabbatini act diligently (with due care) in accordance with applicable technical standards (e.g. the ISAs). By her own admission, Roz Sabbatini has not complied with these requirements in that:

- she has failed to keep adequate work papers/documentation
- she has failed to review the work of her audit team adequately (if at all) by not resolving queries raised by the team.

The failure to comply with this principle has contributed significantly to the difficult situation she finds herself in. She has little proof that she carried out her audits properly (there is, in fact, evidence that she did not) to the extent that it appears she was involved in the fraud.

**Professional behaviour – Section 150**

It appears that over the period of her relationship with Sportz (Pty) Ltd, Roz Sabbatini has become too "comfortable" with the client and failed to recognise that her compliance with the fundamental principles was under threat. She has allowed herself to act in a way which brings discredit to herself and the profession.

**Compliance with the Code after the discovery of the fraud**

The discovery of the fraud introduces a number of additional threats to Roz Sabbatini's compliance with the Code.

**Integrity – Section 110**

This principle requires that Roz Sabbatini act with honesty and truthfulness. If she reports the fraud there are likely to be some negative consequences for her as she has not acted appropriately (as discussed above) and Kurt Curren is almost certain to implicate her.

The only possible safeguard which Roz Sabbatini can adopt to respond to the threat to her **integrity** e.g. not reporting the fraud or coming to some kind of compromise with Kurt

Curren, is to report the fraud in the appropriate manner. She cannot let a self-interest threat cloud her judgement.

**Confidentiality – Section 140**
In terms of this principle, Roz Sabbatini cannot disclose confidential information about Sportz (Pty) Ltd/Kurt Curren, without specific authority (from Sportz (Pty) Ltd/Kurt Curren) or unless there is a legal or professional duty for her to do so. For example, she cannot phone the special branch or Nedtrust Ltd and "report" the fraud.

In terms of the principle of **Professional Behaviour - Section 150** Roz Sabbatini must comply with all relevant laws and regulations which in this situation requires that Roz Sabbatini report this fraud to the IRBA as a reportable irregularity, as all the requirements for this are present. Roz Sabbatini must follow the laid down procedures for doing this.

Although Roz Sabbatini is prevented by confidentiality from reporting the fraud directly to SARS and Nedtrust Ltd, she is entitled to disassociate herself from prior returns/ reports/fraudulent information **without** supplying the details.

To protect her integrity Roz Sabbatini should inform Sportz (Pty) Ltd/Kurt Curren of the action she takes. As mentioned earlier, Roz Sabbatini's actions during previous engagements breached the requirements of professional behaviour in that her actions discredited the profession. If Roz Sabbatini fails to act with integrity, and does not follow the correct procedures she will again be acting in a way which negatively affects the reputation of the profession.

**Kommentaar:** Om hierdie tipe vraag te beantwoord moet u die teorie onder die knie hê, dan sal dit nie moeilik wees om die optredes wat die *IRBA Rules Regarding Improper Conduct* of die SAIGR se Professionele Gedragskode oortree of nie nakom nie, te identifiseer nie.

**VRAAG 4 Voorgestelde oplossing tot vraag 3.12 25 punte**

**a)** The manager is in breach of the SAICA Code of Professional Conduct (CPC) in a number of respects.

By putting pressure on a member of the audit team to sign off work he has not done suggests a **lack of integrity** (sections 100.5 and 110) and **unprofessional behavior** (sections 100.5 and 150) as this is a dishonest practice. Whilst he himself is not doing the signing, he is using his position to have it done when he should be ensuring that those he is supervising maintain professional standards.

The fact that he is prepared to be dishonest to "meet the budget" is a breach of his **objectivity**, as he has allowed this to override his professional judgement.

He has also breached his duty of **professional competence and due care** by failing to act diligently and in accordance with the standards of the profession, to ensure his client receives competent professional service.

This occurrence will give rise to a **conflict of interest** for Garth Naidoo brought about by the overbearing demands and threats of his manager.

The situation threatens Garth Naidoo's compliance with the fundamental principles of ethical behaviour.

- If he does as he is told, he has given in to an intimidation threat and compromised his objectivity, integrity (misrepresenting the truth), professional competence and due care and professional behaviour (discredit to the profession).
- Furthermore he will also be guilty of giving in to a self-interest threat which will compromise his independence.

Garth Naidoo should …
- not sign off the audit programme;
- inform his manager that he will be discussing the entire matter with the audit manager or partner (he must not do this without informing the engagement manager);
- record the entire matter (for his own protection at a later stage)..

If he is not satisfied with the outcome, he may choose to, and should, seek counselling and advice on a confidential basis, from an independent advisor/senior member of SAICA.

**b)** Carl King has breached the CPC section 140 - **Confidentiality**, which states that a Chartered Accountant should refrain from using confidential information for personal advantage or the advantage of a third party.
- In this case it appears that Carl King's intention is to alert his father, an insurance broker, to the opportunity of entering into a profitable business venture.

In addition, Carl King has shown a lack of confidentiality by revealing the amount spent by Emex Ltd on insurance, and allowing an indirect "self-interest" threat to compromise his compliance with the fundamental principles.

Whether Carl King himself can be disciplined for this breach is debatable; however, in terms of section 140.5, the partner in charge of the audit must take reasonable steps to ensure that staff under his control respects the duty of confidentiality.

If Carl King had obtained the permission of the client to inform his father, e.g. by discussing it first with Richie Wrisk, he would not have breached confidentiality or any other fundamental principles. If he did not obtain Richie Wrisk's permission, Carl King would have breached confidentiality and this would cast the audit team in a bad light, resulting in a breach of professional behavior, bringing discredit to the profession.

**c)** In terms of section 290.6 - **Independence**. A member must remain independent of his/ her client in both mind and appearance, and must identify threats to his/her objectivity (independence).

Independence is the quality which enables a Chartered Accountant in public practice to apply unbiased judgement and objectivity in a given set of circumstances. To be recognised as independent, a member must be free from any obligation to, or interest in, the client.

Should Franklin Curtis accept this property, he will have compromised his (and his firm's) independence (sections 290.118 and 290.126).
- The offer at a reduced price in effect, amounts to a "favour" from the client which may affect the independent relationship with the client. At a critical time in the future, Fairways Ltd may expect the "favour" to be returned. Self interest, familiarity and (potential) intimidation threats have been created.

- The transaction as a whole amounts to financial involvement with a client which is specifically regarded by the CPC as a breach of professional conduct resulting from the self-interest threat that has arisen.
- In addition, it appears that if Franklin Curtis purchases the plot, he will also be receiving an interest free loan from a client which is also regarded as financial involvement (again self-interest).

Normal trading transactions with a client are not considered to be a breach of the CPC; however, this cannot be regarded as a normal transaction as it is not on the same terms as are available to the general public (section 290.118).

- The loan is interest free (others pay market rate).
- The price is discounted.

**d)** In terms of section 270 – **Custody of client assets**, Tina Bell, as partner in charge of the investment of client funds, should deposit client monies into a specifically designated bank account separate from personal or firm monies (section 270.2(a) and 270.4(a)). This has not been done.

Client monies should only be used in accordance with client instructions, and it is highly unlikely that clients would approve of the use of their money to pay staff salaries (section 270.2(b)).

One of the overriding requirements for holding client monies is that the money be administered in the best interests of the client. It appears that this is not the case as the additional interest earned is credited to Blakey, Bell & Co, and not to the clients.

- Interest earned on client monies should be credited to the clients account (section 270.2(c)).

Tina Bell (and, by implication, her firm), has failed to put into practice safeguards against threats posed to the firm in respect of taking custody of assets and in doing so has breached the fundamental principles of professional behaviour and objectivity as well as professional competence.

**Note:** On accepting new funds, Tina Bell should ensure that they are not from illegal sources (section 270.3).

**Kommentaar:** Dieselfde kommentaar is van toepassing as by vorige vraag.

**VRAAG 5 Voorgestelde oplossing tot vraag 3.13 33 punte**

**a) Matter 1**

There are two aspects to this matter, each of which should be considered separately:

**1. Settlement of the audit fee**

There is nothing in the Code of Professional Conduct which requires that the audit fee be paid in cash.

Although the value of the tour packages equates to the amount owed by Actiontravel (Pty) Ltd, this method of settlement is “out of the ordinary” and should probably not be accepted by the firm as there is no apparent reason or need to do so. It suggests that our firm may be involving itself in a dishonest (dubious)

transaction, which reflects adversely on its integrity, e.g. evading tax by not including the client's audit fee in the firm's gross income.

A threat to the fundamental principles of integrity and professional behaviour exist, the only safeguard is to decline the offer.

**2. The two free packages**

This offer makes the entire transaction even more suspicious as the client is prepared to "give" specific audit team members tours to the value of R50 000 (nearly half the audit fee). It would appear that the client has an interest in keeping these two individuals on the audit.

Most importantly, acceptance of these packages under any circumstances would present a significant threat to our firm's independence (section 290.230, 291.158 and 350).

- **The two most senior members of the audit team (other than the engagement partner) are being offered expensive "gifts/rewards" which may give rise to self-interest/familiarity threats.**
- **In future years the two members of this team are more likely to turn a "blind eye" to audit problems so as not to jeopardise future (substantial) gifts/rewards from this client.**
- **The audit team's independence in mind and appearance are under threat.**

**b) Matter 2**

**1. The SAICA Code of Professional Conduct (CPC)**

In terms of the CPC, a partner or employee of the audit firm may not accept the appointment as a director of an assurance client as this gives rise to self-review and self-interest threats to the firm's independence (section 290.135).

**Danial Messi therefore cannot accept the appointment even though he does not play any role on the audit of Wissles (Pty) Ltd** (section 290.146)**.**

In terms of the CPC, an audit firm should **not** *inter alia*, authorise transactions or make business decisions on behalf of an assurance client, as this gives rise to self-interest and self-review threats to the firm's independence.

**If Tom Boonin accepts the appointment to the Remuneration Committee he would be in contravention of the CPC, as he would be taking on a management (board) responsibility** (section 290.146)**.**

**Note:** In effect the firm would be auditing decisions taken by one of its engagement partners (self-review) and it may be perceived to be in Tom Boonin's interest (and the firm's interest) to keep the client's executives financially satisfied so as to retain the client (self-interest).

He would be neither independent in mind nor in appearance.

**2. The Companies Act 2008**

**In terms of section 90 of the Companies Act 2008, a director of a company is disqualified from being appointed as auditor of the company.**

**The Companies Act does not distinguish between non-executive directors and executive directors in respect of appointment. Therefore Danial Messi cannot be legally appointed as a director (non-executive) of Wissles (Pty) Ltd.**

In terms of the Companies Act (specifically section 90) there is nothing which prohibits Tom Boonin from accepting the position on the Remuneration Committee as he is not a director, officer or employee of the company. (Note: CPC and King Report requirements take effect).

**c) Matter 3**

In terms of section 290.128 (b) of the Code of Professional Conduct (CPC) , there is a potential significant threat to the firm's independence by virtue of the fact that an **immediate** family member (spouse) of the manager of the audit will take up the appointment of company accountant at the client (Burlyn Ltd) during the course of the year-end audit.

This family relationship gives rise to, self-interest, familiarity or intimidation threats to the firm's independence.

It may be argued that Eliza Meiring's husband was only appointed after the financial year-end and therefore Eliza Meiring could complete the 30 April 2013 audit without a threat to her independence. However …

- **the fact remains that as company accountant, Steve Meiring will still be able to "exert direct and significant influence" on the audit. (The audit still has at least a month and a half to run and numerous decisions relating to the financial statements at 30 April must be made by the company accountant and his team).**
- **as they are husband and wife working together it is very unlikely that they will be independent in appearance or in state of mind.**

**d) Matter 4**

In terms of sections 100.5(d) and 140 of the Code of Professional Conduct (CPC), there is a threat to the fundamental principle of confidentiality should our firm accept this proposal.

We would be supplying Copycat (Pty) Ltd with confidential information about our clients, e.g. depreciated asset values and should our firm do this **without the permission of the clients,** we would be in contravention.

It may also be regarded as unprofessional in the eyes of our clients; and therefore a threat to the fundamental principle of professional behavior (section 150). We are there to provide audit and accounting services, not to promote another client's sales.

The payment of 10% by Copycat (Pty) Ltd on each sale made, amounts to the payment of a commission.
The CPC clearly states that where a commission is received by a firm for referring a product to a client, there is a potential threat to objectivity, integrity and professional behaviour (self interest) unless the client has prior knowledge of the financial arrangement between the audit firm and supplier and has accepted it (section 240.5).

**Note:** The issue is that the audit firm may refer the product because of the financial gain rather than the quality of the product.

This situation is further complicated by the fact that our firm would be entering into a business relationship with an assurance client. This could give rise to self-interest or intimidation threats particularly if (as expected) this becomes a lucrative venture. The audit firm may overlook audit problems so as not to lose the lucrative deal (self-interest) or the client may threaten to take away the lucrative deal if the auditors do not "keep the client happy" (intimidation) (section 290.124).

**e) Matter 5**

The overriding requirements for **advertising by a professional firm** are that the advertising …

- reflects a due sense of responsibility to the profession and to the public;
- is in good taste; and
- **must not reflect adversely on the good reputation of the profession and conforms to the accepted norms of legality, decency, honesty and truthfulness.**

In terms of section 250 of the CPC – **Marketing Professional Services**, advertising which does not comply with the above, could present a threat to the fundamental principle of professional behaviour.

Both slogans may breach the "good taste" requirement

- Slogan 1 is extravagant and claims superiority over other audit firms.
- Slogan 2 is extravagant and does not convey a professional image. It is a slogan more suited to a motorcross event, couched in "popular hype-like spelling".

**Because slogan 1 compares the firm's services offered to others it is clearly not in good taste and would be a breach of the CPC.**

Slogan 2 is not specifically irresponsible or outside of accepted advertising norms (other than that it may be regarded as being in bad taste).

**VRAAG 6 Voorgestelde oplossing tot vraag 3.15 25 punte**

**a) The situation in which Manoj Ravjee finds himself in relation to the SAICA Code of Professional Conduct (CPC)**

As a member of SAICA, Manoj Ravjee is bound by the CPC and must comply with the fundamental principles of integrity, objectivity, technical competence and due care, confidentiality and professional behaviour.

However, the situation which has arisen with his financial director gives rise to a number of threats to his compliance with the fundamental principles.

Section 320 – Preparation and reporting of information, states that Manoj Ravjee has a responsibility to present such information (the Annual Financial Statements (AFS)) honestly and fairly, and in accordance with the relevant standards, i.e. International Financial Reporting Standrds (IFRS). Thus if Manoj Ravjee does manipulate the Annual Financial Statements he will be in breach of the fundamental principles and a specific section of the CPC.

In effect, a conflict of interest situation has arisen. Does Manoj Ravjee look after his own interests i.e. a bigger bonus and **not** being fired or does he look after the interests of Raintech (Pty) Ltd and ultimately Hydroworks Ltd by submitting the correct figures on which the bonuses will be calculated?

Manoj Ravjee must recognise the following threats, evaluate whether they are clearly insignificant (they are not) and must put safeguards in place to ensure that he does not breach the fundamental principles (section 100.5):

- Self-interest threat to his objectivity (independence) – manipulating the figures to keep his job and earn a bigger bonus.
- Intimidation threat to his objectivity – if he does what his financial director tells him to do, he has committed a serious offence which the financial director (and Dave Vance) can use against him in the future, or which he can use to force Manoj Ravjee to do other unethical/fraudulent things (section 300.12).
- A threat to his integrity – to comply with Walter Hagen's instructions would amount to fraud which is dishonest.
- Threat to his professional behaviour – to comply with Walter Hagen's instructions would be discreditable to Manoj Ravjee himself and to his profession.

Another dilemma which faces Manoj Ravjee is how he complies with the fundamental principle of confidentiality. Has he already breached this by discussing the matter with a fellow employee or should he have raised the matter through the appropriate channels?

- The CPC states that Manoj Ravjee will not be in breach if he discloses this information in order to comply with ethical requirements.
- However, a further difficulty is that Manoj Ravjee has no proof that he was told to manipulate the figures. It will be the financial manager's word against his.

Finally, if Manoj Ravjee is to comply with the fundamental principle of integrity – section 110, he must ensure that he is **not** associated with information he believes to be false (or misleading).

**b) Dave Vance's attitude to professional ethics**

Dave Vance shows little understanding of professional ethics and/or a very unprofessional attitude towards them.

He seems to think that because he (and Manoj Ravjee) are no longer in the profession, that professional ethics no longer apply; this is in direct contradiction to Part C of the SAICA CPC which requires that Chartered Accountants in business comply with the CPC (section 300).

His suggestion to Manoj Ravjee reveals that he does not regard his personal integrity as important:

- He is quite prepared to condone what he knows to be dishonesty; and
- **He let a colleague (Manoj Ravjee) expose him to negative consequences (he himself takes no risk but is quite happy to enjoy a bigger unearned bonus).**
- Despite the fact that he is knowingly taking money from the company to which he is not entitled, he does not see this as stealing. "Its OK its only from the company!"
- De appears to be inherently dishonest …
  - it is fine to act in this manner because nobody is going to find out, and if they do it is fine to be untruthful.
  - no problem to lie to the auditors to cover up any manipulations.

- This also shows a general disregard for his professional colleagues. Rather than support them in a positive way, he is prepared to take advantage of their alleged inexperience.

He has little regard for being or being seen to be independent – his self-interest outweighs his desire to be independent. The risk of being fired will be enough to prevent him from doing what is right.

He cares little about professional behaviour – he brings discredit to himself and to Manoj Ravjee as well as his profession.

**c) The action Manoj Ravjee could take assuming that he is not prepared to comply with Willy Hagen's instructions** (sections 300.14 and 300.15 and 310)

Manoj Ravjee is in a very difficult situation but **he must not manipulate the figures.**

He should inform Walter Hagen in writing of his decision not to make the changes.

Prior to doing so he may wish to obtain some guidance from SAICA (not giving too many details) and should raise the matter, in confidence with senior personnel at Raintech (Pty) Ltd or Hydroworks (Pty) Ltd, e.g. Human Resources Manager, or governance structures.

If Raintech (Pty) Ltd has laid down procedures which must be followed in such situations, then Manoj Ravjee must follow these procedures (section 300.14).

Manoj Ravjee may choose to resign from Raintech (Pty) Ltd but should not do so with-out taking the matter further (section 300.15). As mentioned earlier it will be his word against the financial director, but this should not deter him from acting with integrity and objectivity. With little concrete evidence available to support his allegations, it is likely to be a difficult task for Manoj Ravjee.

**VRAAG 7 Voorgestelde oplossing tot vraag 3.17(b) 22 punte**

**Discuss each of situations 1 – 3, in terms of the SAICA Code of Professional Conduct (CPC)**

**Situation 1 - Iron Ware Ltd**

Our firm would have to consider this request carefully as there are a number of **potential** threats to the firm's independence.

- There is a **self-interest threat** in that the firm may see this as a way of cementing the relationship with a major client of the firm (retaining the audit).
- There is also a **familiarity/intimidation threat** as it is possible that an employee's child who becomes a trainee accountant with our firm may end up auditing in a section of the company where the parent is involved and/or has a significant influence on the financial information being audited.

As there clearly is a potential threat, our firm will have to consider whether the threat can be regarded as **insignificant** - it cannot be regarded as insignificant but it may be argued that adequate safeguards can be put in place e.g. our firm ensuring that none of these trainees works on the Iron Ware Ltd audit, to address the threat.

However, a very important aspect of whether the threat is significant or not, is whether the firm's independence **in appearance** is threatened, and in this situation it probably would be.

**Situation 2 - Megasure Ltd**
Jack Johnson has breached a number of the fundamental principles of the CPC, and although he has clearly recognised the threats posed by his behaviour, he has chosen to ignore them.

**Confidentiality**
In terms of section 140 he should not **disclose** or **make use** of confidential information acquired as a result of his professional relationship with Megasure Ltd, for his own personal/third party advantage.

He has breached this by …
- using information taken from the directors minutes (reasonable tender price) to assist his wife in determining Jack Spratt CC's tender.
- disclosing and making use of information extracted on the audit for his personal (wife's) use.

**Integrity**
In terms of section 110 he has shown a distinct lack of integrity as he has not been straightforward and honest; he was devious and underhand.
- He has requested his wife to deceive Megasure Ltd, and if necessary to be untruthful (under no circumstances to reveal that they are married).
- He has instructed a trainee to carry out work not required for audit purposes, which will no doubt be charged to, and paid for by the client.

**Objectivity (Independence)**
Although Jack Johnson fully recognises the threat to his independence in his capacity as audit manager of Megasure Ltd, he has deliberately chosen to ignore the threat.

He is a member of Jack Spratt CC, his wife is the other member, and if the CC enters into a contract with Megasure Ltd, he (and his immediate family) will be in a close business relationship with an audit client; this gives rise to self-interest and intimidation/familiarity threats (section 290.124).

It is not an acceptable "safeguard" for him to make out or pretend that he is not a member, he is and his independence is compromised.

**Professional behaviour**
In terms of section 150, Jack Johnson has acted in a way which threatens to discredit the profession and affect its reputation negatively.

Should Jack Spratt CC be successful with its tender, it is inevitable that Jack Johnson's "connection" to the CC will come to light which, in turn, will reveal his prior deception, the breaches of confidentiality, and lack of integrity.

**Situation 3 - SupaRugby (Pty) Ltd**
1. **Independence**
   To enter into a joint venture (in any form) with an assurance client presents a significant self interest threat (and potentially familiarity and intimidation threats) to the firm as it will amount to a close business relationship (section 290.124).

   In addition, investing R5m in a company with an existing assurance client amounts to financial involvement with a client which is a threat to the independence of the firm and its partners (section 290.122).

In these proposed dealings with SupaRugby (Pty) Ltd, **and** the joint venture company, our firm will neither be independent in appearance, mind nor fact.

Whilst there is no problem with our firm providing advice, partners from our firm cannot take up directorships in the joint venture company (and retain the audit of the joint venture company) as this is specifically prohibited by section 90 of the Companies Act 2008.

Even if the firm does not accept the audit appointment, it would be a significant threat to the partners' independence to be directors of a company which is wholly owned by an assurance client.

There are no safeguards which can be put in place to address these threats other than declining the involvement in the joint venture if our firm wishes to retain the SupaRugby (Pty) Ltd audit.

**VRAAG 8 Voorgestelde oplossing tot vraag 3.19 15 punte**

My advice to Reg Randle would be that the auditors could be sued but that the outcome of the case is not determinable at this stage. The following points would be pertinent:

In terms of ISA 240 – The Auditor's Responsibilities relating to fraud - it is not the responsibility of the auditors to **prevent** fraud, this responsibility lies with management who are responsible for instituting and monitoring internal controls.

- In this case management, particularly John Dukes, has not met its responsibilities ... a very casual approach to internal controls prevailed... .
- An important component of internal control is the entity's own risk assessment process which requires that the entity identify and assess risk within the business on an ongoing basis. As the making of unauthorised payments is a common business risk, John Dukes should have responded by the implementation of sound authorisation controls, which was clearly not done.

The primary responsibility for the **detection** of fraud also lies with management **but** the auditor does have a responsibility to **plan**, and **perform** the audit in such a way that there is a reasonable chance that material misstatement in the financial statements due to fraud will be identified. (See point 4 below.)

To be successful Jemsports Ltd will need to prove that …

- the auditors were negligent (or malicious); and
- that had they not been negligent they would have identified the fraudulent act of paying fictitious creditors.

If sued the auditors will need to demonstrate that they were not negligent in prior audits (prior 18 months). Their workpapers should reflect compliance with the International Standards on Auditing (ISAs) specifically:

- They complied with ISA 315 – Identifying and assessing risk … and, based on the audit team's understanding of the entity, they adequately considered the presence of fraud risk factors, namely …
  - risk factors which related to misstatement resulting from fraudulent financial reporting;
  - risk factors relating to the misappropriation of assets.

- Procedures relating to ISA 315 included the identification and assessment of the risk of material misstatement at both financial statement and account balance level, and enquiries of Jemsports Ltd's management as to …
  - its assessment of the risk of fraud;
  - its processes for identifying and responding to fraud.
- That they identified the weaknesses in internal control/control environment **and** reported them to management, **and**
- That they amended the audit strategy e.g. suitably competent audit team, for creditors/purchases to address the "casual approach to internal controls" (as this should have been identified as a fraudulent risk factor), i.e. testing more extensively for overstatement not only understatement; and searching for unauthorised/unsupported payments.
- The audit team had been informed of the consequences of the poor internal control and told what to look out for (how unauthorised payments might occur).
- The audit team had adopted the necessary level of professional skepticism e.g. requested written evidence (as opposed to oral), followed up on information provided, resolved queries comprehensively, especially "suspicious" payments.
- Unusual or unexplained relationships within and between accounts were followed up.
- That fraud risk factors evident from information gathered were identified and responded to by the audit team.

The auditors could argue that although the amount of R5m is in itself material, it was spread over two audit years and over a number of fraudulent "transactions", making it very difficult to detect a series of small fraudulent amounts.

The auditors could not be sued successfully for any portion of the R5m which was stolen **prior** to the audit, which Jemsports Ltd will claim was negligently performed. The company will need to prove that the auditors should have picked up the fraudulent practice thereby preventing **further** loss.

The courts will also regard inherent limitations of the audit and potential for collusion as mitigating factors.

**Kommentaar:** In die eksamen sal ons normaalweg aandui dat u die vraag ingevolge die *International Standards on Auditing en die Auditing Profession Act moet beantwoord*. Die voorblad van die eksamenvraestel dui ook aan watter onderwerp deur die vraag gedek word en moet ook in ag geneem word. Met dit gesê, is dit duidelik dat hierdie vraag vereis dat u verskillende onderwerpe wat u bestudeer het moet toepas. U moet moet hulle kan toepas, of daar spesifiek na hulle verwys is in die verlang gedeelte van die vraag al dan nie. Verder, omdat daar nie van u vereis is om *ISA* 315 vir hierdie module te bestudeer nie, sou ons nie van u verwag het om hierdie verwysings na *ISA* 315 in u antwoord in te sluit nie, tensy die inhoud van daardie verwysing in *ISA* 240 ingesluit was. Ons het egter daardie verwysing volledigheidshalwe in die oplossing gelaat en sodat u die groter prentjie kan sien.

'n Voorbeeld van 'n verwysing in *ISA* 240 na 'n ander *ISA*, kan gevind word in paragraaf 25 waar daar aangedui word: *"In accordance with ISA 315, the auditor shall identify and assess the risks of material misstatement due to fraud at the financial statement level, and at the assertion level for classes of transactions, account balances and disclosures".* U moet hierdie stelling/vereistes dan wel in u antwoord insluit indien dit op die vraag van toepassing is.

**VRAAG 9 Voorgestelde oplossing tot vraag 13.3 23 punte**

**a) Identify and comment briefly on each of the matters which you would have considered in "satisfying yourself" that a reportable irregularity has taken place** (Auditing Profession Act, section 1)

I would have satisfied myself that:
An **unlawful act** had taken place – the company has breached the Income Tax Act by claiming (intentionally) VAT to which it was not entitled. This is also fraud.

It was **committed by persons responsible for the management** of Franschoek (Pty) Ltd – fraud was perpetrated by the financial director and managing director, the only two executives on the Board, who effectively manage the company.

**Has caused or is likely to cause financial loss** – SARS will suffer loss as will the company (penalties).

The above three points are sufficient to satisfy me, but further justification would be that …

- this unlawful act is **fraudulant**; and
- the **financial director and managing director have breached their fiduciary duty** to the company, shareholders, etcetera.

**b) Outline the procedure which you would have followed on satisfying yourself that a reportable irregularity was taking place (Auditing Profession Act, section 45)**

I would have:

"Without delay" sent a written report to the IRBA, giving particulars of the reportable irregularities.

Within three days of this report, notified the Board of Franschoek (Pty) Ltd in writing of the sending of the report to the IRBA and provided a copy of the report to the Board.

As soon as reasonably possible but within 30 days of sending the first report …

- have taken all reasonable measures to discuss the report with the Board of Franschoek (Pty) Ltd; and
- sent another report to the IRBA which included a statement that I am of the opinion that …
  - no reportable irregularity is taking or has taken place;
  - the reportable irregularity is no longer taking place and that adequate steps have taken place for the prevention or recovery of any loss; or
  - the reportable irregularity is continuing.

**c) State whether you would still report the irregularity if …**

**i) the financial director and managing director were not shareholders of the company**
It would make no difference, the section applies to unlawful acts conducted by persons responsible for the management of the company. The fact that they are also shareholders is not a factor.

**ii) the financial director and managing director realised before you made your report, that you suspected what was going on, and offered to notify SARS and pay all VAT and penalties owed**

I would still submit my first report. If within 30 days thereof I am satisfied that the directors have in fact taken adequate steps to rectify the situation, I would notify the IRBA accordingly i.e. the process must still be followed.

**iii) you had discovered the fraud whilst conducting other work for Franschoek (Pty) Ltd (not audit work)**

If Franschoek (Pty) Ltd is an **audit** client it does not matter that the unlawful act was identified whilst conducting other work.

**iv) the managing director had in no way been involved in the fraud and could not reasonably be expected to be aware of it**

Even if the managing director had in no way been involved in the fraud and was unaware of it, it would still be a reportable irregularity. The reason being that, in terms of paragraph 3.6.1 or the IRBA publication: Reportable irregularities: A guide for Registered Auditors, the financial director is a principal executive officer of the company and exercises executive control which reflects the general policy of the company or which is related to the general administration of the company.

In paragraph 3.5 of the same publication it is stated that in applying in section 1, it may be useful for the auditor to determine if the unlawful act or omission has been perpetrated by any person in the organisation responsible for overall planning, organising, leading, co-ordinating or controlling the business affairs of the entity and this surely includes the financial director.

Effectively we believe the irregularity should therefore be reported as it complies with the definition of a reportable irregularity regarding the involvement by the financial director.

**d) Explain how you would respond to the argument that as this is not an audit required by the Companies Act 2008, you have no duty to report the irregularity**

The fact that this is not an audit required by the Companies Act 2008 makes no difference.

The loan agreement requires that the company be audited by a "registered auditor".

As a firm of registered auditors we are required to comply with the Auditing Profession Act 2005, including section 45 (reportable irregularities).

**Kommentaar:** Hierdie is 'n tipiese vraag waar u artikels 1 en 45 van die *Auditing Profession Act* moet toepas. Onthou dat artikel 1 handel met die definisie (sien punt (a) hierbo), en artikel 45 handel met die rapporteringsvereistes (sien punt (b) hierbo). U moet dus ook die IRBA publikasie soos hierbo in (c)(iv) beskryf, bestudeer. Dit is belangrik dat waar u die kriteria vir 'n rapporteerbare onreëlmatigheid oorweeg, dat u motiveer waarom daardie criteria aan voldoen is en nie slegs aandui dat die optrede *"must have caused or is likely to cause financial loss"*, sonder om aan te dui wat werklik in die gegewe scenario gebeur het (toepassing van u kennis).

**VRAAG 10 Voorgestelde oplossing tot vraag 13.5 30 punte**

**a) Discuss whether there is any merit in Franco Steyn's statement**

1. There is **no** merit in Franco Steyn's statement.

1.1 We have every right to "concern ourselves" with this matter. In fact, in terms of the Auditing Profession Act (APA), our firm, and particularly myself as the designated auditor, could be held liable if we do not report a material irregularity (which this is).
- If found guilty of failing to report this irregularity to the IRBA, in terms of section 52 of the APA, I could be liable to a fine or to imprisonment (for up to 10 years) or both.

1.2 What Franco Steyn appears to be missing is that the Close Corporation (CC) is defrauding SARS by claiming personal expenses as business expenses. This means the company is paying less tax:
- Normal Income Tax (by illegally reducing its profits).
- VAT (by claiming the VAT back on these "business" expenses).

1.3 The only reason that there has been no comeback is because there has been no external intervention of the CC affairs (none required **and** that the members have colluded amongst themselves; because they have all agreed to an illegal activity doesn't make it a legal activity. The fact that "no member is favoured over another" is not the point, SARS are being prejudiced!

1.4 Franco Steyn is correct in saying that the new legislation does not change the requirement that the CC's members should work together, but it doesn't say they can work together to break the law.

1.5 There are no such things as "company audit rules" and CC audit rules. Our duties and procedures as auditors are laid out in the APA and the auditing statements. Once we are appointed as auditors, we must abide by the relevant rules therefore …
- he is correct in stating that reportable irregularities (RI's) are not mentioned in the Close Corporations Act, **but**
- reporting a reportable irregularity is one of our duties in terms of the APA and as "officially" appointed auditors, we must comply with this duty.

**b) Conclude on whether this matter would constitute a reportable irregularity (RI). Justify your answer** (Auditing Profession Act (APA), section 1)

This will constitute a reportable irregularity. To qualify as an RI, the following criteria must be satisfied:

**Committed by a person(s) responsible for management of the CC**
The act of claiming personal expenses through the CC was carried out by all the members of the CC who are responsible for the management of the CC.

**The act must be an unlawful act**
This act amounts to defrauding SARS by…
- reducing normal taxation of the CC by claiming non-business expenditures;
- claiming VAT on expenses which were not valid BuilderBoy CC expenses.

**Does the act result in material financial loss?**
This requirement is satisfied, as all members are charging personal expenses and have been for years. SARS is likely to have suffered financial loss which is material either in respect of normal tax or VAT but probably both.

**Does the act amount to theft, fraud or a breach of fiduciary duty?**
This act is fraudulent and does amount to a breach of fiduciary duty by the members of the CC itself (as a legal entity).

**Are we satisfied (or do we have sufficient reason to believe) that the RI is (actually) taking place**
Our audit evidence suggests this and Franco Steyn had admitted it, so we can be satisfied that it is occurring.

**c) State the criteria which the designated auditor must satisfy before an unqualified audit opinion can be given** (APA, section 44)

An unqualified (unmodified) opinion cannot be given **unless** …

- the audit has been carried out free of restriction;
- the designated auditor has satisfied himself of the existence of all assets and liabilities shown in the financial statements;
- proper accounting records have been kept (in at least one of the official languages) and all information, vouchers and other documents, which in the auditor's opinion, were necessary for the proper performance of his duties, were obtained;
- the auditor has ***not*** had occasion to report a reportable irregularity to the IRBA;
- the auditor has complied with all laws relating to the audit of that entity; and
- the auditor is satisfied as to the fairness of the financial statements.

**d) Comment on whether if BuilderBoy CC had a public interest score of 256, its annual financial statements would have to be externally audited or reviewed**

This would depend on whether its Annual Financial Statements (AFS) were **internally** compiled or **independently** compiled.

- If they were internally compiled, the AFS would have to be audited.
- If they were independently compiled, the AFS would **not** have to be audited provided the compiler was an "independent accounting professional".

An independent review of a CC's AFS is not a requirement under any legislative situation (Association Agreement could require it). This is because a close corporation is considered to be "owner managed" and thus subject to the review exemption of section 30(2)A of the Companies Act, 2008.

**Kommentaar:** Wanneer u die openbare belang-telling toepas of oorweeg of 'n entiteit geoudit of nagegaan moet word, moet u ook verwys na studiebrief 501, onderwerp 3, studie eenheid 3.1.2 en onderwerp 6, studie eenhede 6.1.1 en 6.3.1.

**VRAAG 11 Voorgestelde oplossing tot vraag 13.8 18 punte**

All references in this solution relates to the Companies Act 2008.

| | | | |
|---|---|---|---|
| 1. | 1.2 | : | 15 days (section 62(a)). (Note: the MOI can stipulate a longer or shorter period). |
| 2. | True | : | Section 62(2) determines that the MOI may provide for shorter or longer minimum notice periods than provided in section 62(1). |
| 3. | 3.2 | : | 25% of all voting rights (section 64(1)(a)). |
| 4. | 4.2 and 4.3 | : | The Company satisfies liquidity/solvency test and a special resolution is obtained (section 45). |

| | | | |
|---|---|---|---|
| 5. | False | : | The financial assistance provisions of the Act are not "alterable provisions" (section 45). |
| 6. | All | : | Provided liquidity/solvency test is satisfied and the necessary special resolutions are obtained (section 44). |
| 7. | 7.3 | : | The requisite knowledge and experience... (section 86(2)(a)). |
| 8. | 8.1 and 8.2 | : | 8.1 and 8.2 are the major requirements for a private company (section 8(2)(b)). |
| 9. | True | : | Section 15. |
| 10. | 10.2 | : | A special resolution is required (section 16). |
| 11. | 11.1 and 11.2 | : | The Company must be liquid **and** solvent, therefore 11.3 does not apply (section 46). |
| 12. | False | : | Section 33 – Every company must file an annual return. |
| 13. | 13.2 | : | Rehabilitated insolvent (section 69). |
| 14. | 14.1 and 14.3 | : | Neither of them is disqualified by the Companies Act (section 90(2)), (14.2 related to a director). |
| 15. | 15.2 | : | Special resolution (section 112(2)). |

**Kommentaar:** Ten einde al hierdie individuele vrae te beantwoord sal u 'n baie goeie kennis van 'n hele aantal Maatskappywet artikels moet hê en in staat moet wees om hulle toe te pas. Dit is dus 'n goeie teken as u in instaat was om goed in hierdie vraag te doen.

**VRAAG 12 Voorgestelde oplossing tot vraag 13.15 20 punte**

The company has 350 000 shares already in issue, and wishes to issue a further 250 000 shares. However the company only has 400 000 authorised shares. **Note that there is an error in point 2 of the question where it refers to "the 450 000 shares are held as follows", it should have read "350 000 shares are held as follows".**

The authorised share capital will therefore have to be increased to (at least) 600 000 shares.

- The board of directors can increase the number of authorised shares.
- This in turn will require an amendment to the Memorandum of Incorporation (MOI).

To amend the MOI, the board (or shareholders entitled to exercise at least 10% of the voting rights) must propose a special resolution to authorise the amendment. (This will present no problem in this case as the board wishes to make the amendment).
As Kwin (Pty) Ltd is a private company, all the existing shareholders have a pre-emptive right before any person who is not a shareholder, to be offered to subscribe for a percentage of the shares to be issued.

- The percentage offered must be equal to the voting power of those shareholders' general voting rights immediately before the offer was made.
- This may present a problem for Kwin (Pty) Ltd because the intention is not to offer BioMed (Pty) Ltd and the share scheme trust any of the new shares, **but** it is intended to offer shares to the two directors who are **not** existing shareholders

As it is intended to offer shares to the directors, the issue must be approved by a special resolution. As the issue is not in proportion to existing holdings, the exemption for obtaining a special resolution does not come into play. (There are other exemptions which are not relevant).

It will also have to be determinable that the issue price of R40 was "adequate". The board of directors must decide whether the "consideration" of R40 is adequate, and if they have done so, the R40 cannot be challenged on any basis other than the directors having not acted in good faith, in the best interests of the company and with the degree of skill and diligence reasonably expected of a director.

As can be seen from the above, two special resolutions are needed for this issue (even after resolving the pre-emptive rights issue). Thus a meeting of shareholders must be called.

- **Notice**: 10 business days prior to the meeting (assuming MOI is silent);
- **Notice must include** …
  - date, time and location of meeting;
  - general purpose of the meeting;
  - copies of the proposed resolutions (special resolution in this case);
  - voting percentages required to pass the resolutions (75%);
  - a reasonably prominent statement that a shareholder may appoint a proxy and the proxy need not be a shareholder; and
  - a reasonably prominent statement that personal identification is required to attend the meeting.
- **Quorum** : "votes" quorum - the meeting may not begin until persons holding 25% of voting rights for at least one matter to be resolved, are present (the attendance of only the three shareholders/directors would satisfy this); **and**
  "Person" quorum - at least three shareholders are present.
- **Resolution voting**: as these are special resolutions, 75% of the voting rights exercised on the resolution must be in favour. (In this case the three shareholders/directors would require the help of other shareholders if all shareholders attended the meeting).
  If the board makes the issue without increasing the authorised share capital, the issue can be retroactively ratified by special resolution.
- If this resolution is not passed, the issue is null and void (money repaid, share certificates and entries in the share register nullified).

Only once the full consideration (R40 per share) has been received, will the shares be fully paid. At this point the shareholders details must be entered in the share register.

**Kommentaar:** Dit is belangrik dat wanner u 'n vraag kry waar aandele uitgereik gaan word, dat u bepaal of daar genoegsame onuitgereikte gemagtigde aandele beskikbaar is vir die beoogde uitreiking. In hierdie geval was daar nie genoegsame aandele beskikbaar vir die uitreiking nie. Die een rede waarom dit belanfrik is, is omdat wanneer daar wel genoegsame aandele beskikbaar is om uit te reik nie, hoef die gemagtigde aandelekapitaal nie verhoog te word nie en dus is daar minder vereistes om na te kom (paragrawe 1-3 hierbo).

Dit is ook belangrik om kennis te neem van die tipe maatskappy in die scenareo. In hierdie geval was dit 'n privaatmaatskappy en die effek is dat sekere vereistes op hierdie tipe maatskappy van toepassing is wat nie op 'n openbare maatskappy van toepassing is nie (paragraaf 4 hierbo).

Aangesien aandele aan direkteure uitgereik gaan word (en nie in verhouding tot bestaande aandeelhoudings nie), word 'n spesiale besluit vereis (paragraaf 5 hierbo).

Aangesien die verlang gedeelte verlang dat u antwoord onder andere die kennisgewingsvereistes vir vergaderings, kworumvereistes, ens. moet insluit, moet u daarmee handel in u antwoord, anders gaan u heelwat punte verloor.

U moet die instruksies in die verlang gedeelte van die vraag volg, u moet die belangrike punte in die gegewe inligting in ag neem en u kennis toepas op daardie inligting. Indien u nie genoegsame kennis het nie, gaan u dit moeilik vind om die belangrike punte te identifiseer en gaan u nie in staat wees om goeie punte vir die vraag te behaal nie.

**VRAAG 13 Voorgestelde oplossing tot vraag 13.16 32 punte**

**To Sam Mashaba**
Yes, there are further procedures you should conduct.

Firstly, you should inspect the company's Memorandum of Incorporation (MOI) to determine whether there are any conditions or restrictions in respect of directors having personal financial interests in contracts into which their company enter. Obviously if there are conditions or restrictions you would have to confirm whether they have been complied with.

**This purchase appears to amount to a contract in which two of the directors of Pipes and All (Pty) Ltd have a personal financial interest** by virtue of the fact that Aeron Sibaya and Andre Booth own ATimes2 CC.

- This brings into consideration whether Aeron Sibaya and Andre Booth have breached section 75 which requires directors to disclose any personal financial interests in a matter to be considered at a meeting of the directors, and whether by not doing so, they have breached section 76.
- In terms of section 76, directors must communicate to the board at the earliest opportunity, any information that comes to their attention (pertaining to the affairs of the company).
- It is also required by section 76 that directors must exercise their powers and perform their functions …
  - in good faith and for a proper purpose;
  - in the best interests of the company.

Taking the previous point into account it would seem clear that to comply with section 75 and avoid any suggestion of a breach of section 76, Aeron Sibaya and Andre Booth should have notified the other directors of their personal financial interest in the contract to buy a R4.6m machine prior to the decision taken by the board to purchase the machine.

Therefore you should inspect the minutes of the meeting at which the decision was taken to purchase the machine to confirm/determine …

- if the meeting was properly constituted e.g. quorate.
- if the interest and its general nature (e.g. ownership of the CC supplying the machine) was disclosed by both directors before being considered at the meeting.
- any other disclosure by the two directors which may have significance (may be nothing).
- that the two directors left the meeting after making the disclosures (this should be recorded), and
- that the two did not vote on the decision to purchase (the two may be considered as present for quorum purposes); and
- that the resolution to purchase was approved by the other two directors (both would have to have voted for the resolution to be passed).

As this transaction seems to have been fair and at arms length there should be no problem. The essence is that directors in this situation are faced with a conflict of interest, and must not make a "secret profit" out of the transaction.

If the transaction was not "authorised" as required by section 75, the shareholders can still ratify it by an ordinary resolution.
Failure to comply with section 75 or to have the contract ratified by the shareholders, makes the contract voidable at the option of the company, unless an interested party applies to a court and the court declares the contract valid.

**To Daan Greef**
John Sepaka is a director of a wholly owned subsidiary of the company making the loan i.e. a related company.

In terms of section 45, **a company may make a loan to a director of a related company** (directly or indirectly).

The company (board) must comply with the Companies Act and any requirements/restrictions that the MOI of C-Ramics (Pty) Ltd might contain.

However, despite anything the MOI might say, the board may not authorise the loan unless …
- it is pursuant to a special resolution of the shareholders, adopted within the previous two years which approved the specific loan (i.e. to John Sepaka), or generally for a category of recipients e.g. directors;
- the board is satisfied that immediately after providing the financial assistance, the company would satisfy the liquidity/solvency test;
- the board has satisfied itself that any conditions or restrictions set out in the MOI have been complied with.

The board must provide written notice to the shareholders (remember that this loan could be granted up to two years after the special resolution was obtained) and to any trade union representative …
- within 10 business days of adopting the resolution if the loan of R150 000 is combined with any other such resolutions during the financial year, greater than one tenth of one percent of the company's net worth; or
- within 30 business days of the year-end in any other case.

There is of course the general rule that in making the loan, the directors must act in good faith, in the interests of the company; therefore the terms of the loan should be fair and reasonable to the company.

**To Seb Rothman**
The **purchase by Baththime (Pty) Ltd of its own shares amounts to a "distribution" as defined in section 1** of the Act. It is a transfer by a company of money to the holders of shares of that company - as consideration for the acquisition of its shares from those shareholders (section 48).

The "distribution" must only be made …
- if it is pursuant to an existing legal obligation or court order. You can establish this by inspection of directors meeting minutes and enquiry of Isaak Shaai, the company secretary, or
- if it is authorised by the board of the company.

You should inspect the minutes of the meeting of directors (obtain the relevant date from Isaak Shaai) to determine that …

- the meeting was quorate – A majority of the directors must have been present;
- the directors applied the liquidity/solvency test i.e. that after the distribution, the company …
  - will be able to pay its debts (and has been able to do so) in the normal course of business for the 12 months after the distribution; and
  - the company's assets fairly valued, exceeded its liabilities.
- the directors acknowledged in the minute that they had applied the liquidity/solvency test and had concluded that the test was satisfied;
- the majority of the votes cast were in favour of the resolution.

Obtain the working schedules used by the directors to conduct the liquidity/solvency test and confirm by inspection, recalculation, analytical review, etc, that the test was conducted based on …

- accurate and complete accounting records;
- financial statements which comply with the financial reporting standards as to form and content.

(As we are conducting the audit this should not be difficult to do).

You should also inspect the MOI to determine whether there are any conditions/restrictions to be complied with.

Obtain a summary from Isaak Shaai detailing the buyback and confirm by inspection that …

- the number of shares purchased was 50 000 Bathtime (Pty) Ltd shares;
- the purchase price was R7; and that
- the transaction took place within the financial year and that these details all agree with the directors minute;
- the buyback price of R7 was fair and reasonable.

Inspect the paid cheques/bank transfers/bank statement to confirm that …

- the buyback took place within 120 business days of the resolution, in full (note: if it did not, the directors must reperform the liquidity/solvency/acknowledgement exercise);
- the amount paid out was R350 000.

Inspect the share register to confirm that the shareholders details/holding have been correctly amended.

Confirm by inspection of the financial statements that …

- the buyback has been accurately and completely disclosed;
- issued share capital has been reduced by 50 000 shares;
- stated capital reduced by R250 000 and reserves by R100 000.

**Kommentaar:** Hierdie vraag hanteer drie verskillende tipes transaksies waar u **artikels 75** en **76, 44** en **48,** moes toepas. **Hulle is almal baie belangrike artikels in die Maatskappywet.**

Die groot verskil is dat daar in twee gevalle van u verlang is om aan die lid van die ouditspan aan te dui of hy verdere verantwoordelikhede uit hierdie transaksie het al dan nie, en tweedens of 'n betrokke lening aanvaarbaar was, en indien wel, wat die vereistes ingevolge die Maatskappywet 2008 is.

In die derde geval word daar van u verlang om die lid van die ouditspan te adviseer omtrent die prosedures wat hy moet volg om die aandele terugkoop te oudit. Daar is ‘n definitiewe verskil ten opsigte van die wyse waarop die eerste twee navrae beantwoord moes word in vergelyking met die navraag drie waar ouditprosedures gegee moes word, gebaseer op die vereistes van toepassing op die gegewe scenario.

Neem kennis dat die verskil verband hou met die feit dat vir die eerste twee navrae u die toepaslike Maatskappywetvereistes moes toepas, maar vir die derde navraag moes u ‘n **ouditprosedure** daarby voeg om te verifieer dat die toepaslike vereiste(s) nagekom is.

**VRAAG 14 Voorgestelde oplossing tot vraag 13.17 30 punte**

**a) Discuss the legality of Ross McKewan’s removal from the board**

1. It appears that Ross McKewan has been removed from the board contrary to the requirements of the Companies Act.

2. In terms of section 71, the **board** may **remove a director** but only if it is alleged by a shareholder or a director and accepted by the board, that the said director is …
   2.1 ineligible or disqualified from being a director (in terms of the Act), or
   2.2 incapacitated to the extent that the director is unable to perform the functions of a director, or
   2.3 has neglected, or been derelict in the performance of the functions of a director.

3. Based on the information given in the question, none of these apply to Ross McKewan, indeed it would appear that he is fulfilling his function very well despite being unable to prevent Barry Black from acting illegally and probably being derelict in the performance of **his** duties.

4. Even if Barry Black was intent on removing Ross McKewan from the board for any of the above reasons, he, Barry Black, would have to call another meeting of the directors at which Ross McKewan’s removal would be proposed. Ross McKewan would have to be provided with …
   4.1 notice of this meeting, including a copy of the proposed resolution and a statement setting out the reasons for the resolution with sufficient specificity to reasonably permit Ross McKewan to prepare and present a response.
   4.2 a reasonable opportunity to make a presentation to the meeting before the resolution is put to the vote.

5. In this presentation, Ross McKewan would be fully entitled to disclose Barry Black’s contraventions of the Act in his own defence. If the directors still vote in favour of removing Ross McKewan, he may apply within 20 business days to a court to review the decision of the board.

6. As it stands, the current directors’ resolution to remove Ross McKewan is invalid and he remains a director. He should notify Barry Black, the other directors, and the shareholders (who would probably have appointed him in the first place) of the situation. If Barry Black still wishes to have Ross McKewan removed, he would either have to …
   6.1 proceed as outlined in 2 to 4 above.

6.2 request the shareholders to effect the removal. However, this would require the shareholders to pass an ordinary resolution to remove Ross McKewan **after** affording him the right to make representations.

**b) Discuss Barry Black's compliance with the requirements of the Companies Act 2008 with regards to the contract awarded to Singer Designs and comment on the validity of the contract, in terms of the Act**

1. This is a contract in which Barry Black has a **personal financial interest** by virtue of the fact that he is "related" (by definition) to the party, Singer Designs, with whom Saska (Pty) Ltd has contracted on the strength of a directors' resolution. The owners of Singer Designs are his wife and daughter.

2. Barry Black should therefore have …
   2.1 disclosed the interest and its general nature to the meeting before the contract was discussed.
   2.2 disclosed any material information he had about the contract.
   2.3 disclosed any observations/insights he had about the contract if requested to by the directors (no doubt Ross McKewan and the other directors would have wanted Barry Black's opinion on why Singer Designs contract was more expensive, had they known of his interest!).
   2.4 left the meeting and not have taken part in the deliberations on the proposal to award the contract (he did take part, actually convincing the other directors on which one to vote for).

3. As it stands, this contract is invalid as it was approved without disclosure and Ross McKewan is as a director, entitled (and obliged in terms of section 76) to communicate this information to the board.

4. Barry Black would then have the option of …
   4.1 having the contract ratified by an ordinary resolution of the shareholders after making full disclosure, or
   4.2 reconvening a directors meeting disclosing his interest and having the directors vote again on the contract.

5. Barry Black appears to be in breach of section 76 which deals with the standard applicable to directors' conduct. Barry Black has contravened this section in that …
   5.1 he has **used his position** as a director to gain an advantage for himself by having a lucrative contract awarded to his family.
   5.2 he did not **communicate** information to the board which he should have disclosed – financial interest.
   5.3 he has not exercised his **powers and functions** as a director …
   - in good faith and for a proper purpose.
   - in the best interests of the company.

It appears that he has made a "secret profit" at the expense of the company by getting the directors to accept an expensive (inflated) contract from which he will benefit.

**c) Discuss the legality of the loan to be made to Ben Johnson**

1. A **company is entitled to make a loan to one of its directors** provided (section 45) …
   1.1 any conditions or restrictions in respect of making the loan contained in the MOI, are adhered to, and

1.2 the board is satisfied that …
- immediately after providing the loan (financial assistance), the company would satisfy the solvency and liquidity test – no consideration seems to have been given to this.
- the terms under which the loan is proposed, are fair and reasonable (a R2m interest-free loan is not fair and reasonable), and
- a special resolution is obtained.

2. The special resolution could be one which had been passed within the last two years, giving authority for a loan to a specific recipient (obviously not the case here), or it could be one giving general authority to a category of potential recipients, e.g. directors.
   2.1 However, it appears that no such authority exists. The authority for this loan is the "personal authorisation by Barry Black in his capacity as chairman".
   2.2 In terms of the Companies Act there is no such thing as the "personal authority of the chairman".

3. Barry Black's intention to have the loan made by Calgary (Pty) Ltd because Ben Johnson is "not a director of Calgary (Pty) Ltd" is strange as section 45 makes it perfectly clear that a company can make a loan to the director of a related company (Calgary (Pty) Ltd is a subsidiary of Saska (Pty) Ltd) and therefore is related (by definition (section 1)) **provided** all the same conditions as described above, have been met.

4. Either way, if by his actions, Barry Black is trying to hide the loan from the shareholders of Saska (Pty) Ltd/Calgary (Pty) Ltd, he will not succeed as shareholders must be notified of the granting of this loan within stipulated time periods depending on the size of the loan.

5. As it stands, this loan is void and in terms of section 77, the directors who voted in favour of the loan, may be jointly and severally liable for any loss, damage or costs arising as a direct or indirect consequence of approving the loan, e.g. it is not repaid in full.

6. Barry Black's actions appear to be in serious contravention of section 76 (Standards of Conduct).

**VRAAG 15 Voorgestelde oplossing tot vraag 13.18** **38 punte**

I would advise the directors as follows

**1. Disposal**

The proposed disposal would be regarded as a fundamental transaction as it amounts to the **sale of the greater part of the assets** of **Cookware (Pty) Ltd**.
This means that the requirements of sections 112 and 115 of the Companies Act 2008 would have to be satisfied.

- A notice of a **shareholders** meeting would have to be delivered to all shareholders 10 business days (section 62(1)(b)) before the meeting is to begin (the MOI may stipulate a longer period).
- The notice of the meeting must be in writing and must include (section 62(3) …
  - date, time and place of meeting;

- general purpose of the meeting;
- a copy of the proposed resolution to sell the greater part of the assets (see also #A);
- the voting rights required to adopt the resolution - in terms of section 112 a special resolution is required for this transaction (75% of votes exercised or as stipulated in the MOI) (see also #B below);
- a prominent statement that a shareholder can appoint a proxy (who need not be a shareholder); and
- a written summary of the terms of the transaction and the provisions of sections 115 and 164 (see #C and #D below).

Before a person may attend and participate in the meeting, that person must present identification.

#B The meeting must be quorate in terms of section 115. To be quorate there must be sufficient persons present to exercise in aggregate at least 25% of the voting rights which are entitled to be exercised on this matter (sections 64 and 115).

#A The resolution to be taken must be expressed with sufficient clarity and specificity and must be accompanied by sufficient information for a shareholder to determine whether to participate
- In terms of section 112, the precise terms of the disposal transactions must be given and the fair market value of the assets at the date of disposal, provided.

#C In terms of section 115, if the resolution is **opposed** by more than 15% of the voting rights exercised on the resolution, even though it was passed by the required 75%, the company may not implement the resolution (i.e. dispose of the assets) if a shareholder who voted against the resolution requires the company to seek court approval. (The shareholder has 5 business days to request the directors to obtain court approval).

#D In terms of section 164, a dissenting shareholder is entitled to give the company a written notice of objection to the proposal at any time before the resolution (proposal) is voted on.

## 2. New line of business

Once a company is properly incorporated it is a juristic person and has the legal powers and capacity to exercise those powers to the extent that its company's Memorandum of Incorporation (MOI) does not exclude them.

The MOI does not normally stipulate the objects of the company but may restrict the company from doing certain things – e.g. operating in a particular line of business.

In the very unlikely event that the MOI prohibits the company from importing and wholesaling electrical components, the MOI could be altered.
To change the MOI requires a special resolution which could be dealt with at the meeting if the shareholders approve the disposal of the plant, etc.

**New name of business**
The company is entitled to change its name but would have to …
- change the MOI in the approved manner (by special resolution),
- file a notice of amendment with the Commission (CIPC) (with the prescribed fee).

The directors therefore cannot change the name without the shareholders consent.

The CIPC will determine whether the new name satisfies the requirements of section 11 …

- not confusingly similar to another company name;
- not misleading as to association with another person, company, etcetera;
- not constitute propaganda for war, incitement of violence, or advocate hatred, racism, etcetera which obviously it does not.

If the CIPC is satisfied, it will issue an amended registration certificate and alter the name in the company's register.

**3. Payment to Ken King**

Ken King is entitled to resign from the board of directors at any time.

There may be conditions in the MOI which must be adhered to, e.g. notice period.

Ken King is also entitled to resign as an employee of the company (he is an executive active in the day-to-day running of the business).

In terms of section 66(8) a company may **pay remuneration to its directors for their services as directors** but only in accordance with a special resolution approved by the shareholders within the previous two years.

The board cannot simply decide to pay Ken King the R500 000. This payment would have to be approved by the shareholders by a properly obtained special resolution (see point 1).

As this payment is part of the "disposal", shareholders should be fully aware of it.

Again the board does not have the power to issue shares to Ken King, he is a director and a special resolution is required (section 41).

- Cookware/Airware (Pty) Ltd is a private company and therefore its shares have restrictions on transferability (section 8(2)(b)).
- There would have to be unissued but authorised shares available.
- Any pre-emptive rights to shares to be issued (held by other shareholders) in terms of the MOI, would have to be addressed (section 39).

Furthermore, the directors themselves cannot make the decision to appoint Ken King as a director (non-executive or otherwise), it is up to the shareholders to elect each director (section 70(3)(b)). (**Note**: the MOI may provide for a specific person to appoint a director to the board – this is unlikely to be the case in a private company such as Cookware/Airware (Pty) Ltd.

**Note:** An additional problem is that this payment may be regarded as the company providing financial assistance for the purchase of its own shares. It does not appear to be a "loan" but is it a way of providing Ken King with funds to buy shares with the "repayment" being his services as a non-executive director?
Financial assistance is not prohibited by the Act (section 44) but if it is given, the board must be satisfied that

- immediately after giving the financial assistance, the company would satisfy the liquidity/solvency test:
  - Can pay its debts in the normal course of business for a period of twelve months;
  - Assets fairly valued exceed liabilities fairly valued; **and**
  - that the terms of the financial assistance are fair and reasonable to the company? Would they be in this case?

**4. Redeemable preference shares**

The **repayment of the redeemable preference shares will be regarded as a "distribution"** as defined by the Companies Act 2008 (definitions (section 1)).

A distribution is defined as a direct or indirect transfer of money by the company to or for the benefit of one or more holders of any of the shares of that company.

In terms of section 46, the decision to make the distribution is a **board** decision, a company must not make any distribution unless …

- the distribution
  - is pursuant to an existing legal obligation (which this is); **or**
  - is pursuant to a court order (not applicable); **or**
  - the board by resolution has authorised the distribution.
- it reasonably appears that the company will satisfy the liquidity/solvency test immediately after completing the proposed distribution; and
- the board has acknowledged by resolution, that it has applied the liquidity/ solvency test and concluded that the company will satisfy the test immediately after the payment is made.

If the company does not fully carry out the distribution within 120 business days from making the liquidity/solvency acknowledgement, the board must re-assess the liquidity/solvency and make a fresh acknowledgement of having done so (another resolution). This is possible as it could easily take more than 120 days to sell the plant, etc and receive payment.

If a director of Cookware (Pty) Ltd was present at the meeting or participated in the decision to make a distribution which was contrary to the requirements of section 46 (e.g. the company did not pass the liquidity/solvency test, but the distribution was still made), that director will be …

- liable for any loss, damages or costs sustained by the company as a direct or indirect consequence of that director;
- having failed to vote against the distribution, despite knowing it was contrary to the section.

**5. General**

The question might arise as to whether the shareholders can authorise only some parts of the proposal and not others, e.g. authorise the disposal but reject the payment to Ken King. This may raise some interesting legal issues but from a practical point of view, the shareholders ultimately control the board and could request amendment to the proposal as they deem fit, so each part could be dealt with as a separate part. Dissenting shareholders can invoke their protection remedies.

**Kommentaar:** Die identifikasie van die tipe transaksies of aksies wat in die scenario plaasvind is van groot belang, nie net vir hierdie vraag nie, maar ook vir soortgelyke vrae, want sonder korrekte identifikasie sal die toepassing van die vereistes verkeerd/ontoepaslik wees en u sal minder punte verwerf as wat u kon.

## 4 SLOTOPMERKING

Nadat u u antwoorde met hierdie oplossings vergelyk het en vind dat u antwoorde ten opsigte van sekere onderwerpe nie op standaard is nie, moet u teruggaan en daardie onderwerp herbestudeer.

**DOSENTE: AUE302Q**

**Mnr E van Niekerk**
**Mev C Roets**