

Tutorial Letter 101/3/2018

INTRODUCTION TO AUDITING AUE1501

Semesters 1 and 2

Department of Auditing

This tutorial letter contains important information
about your module.

BARCODE

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1 INTRODUCTION

Dear Student

Welcome to the **ONLINE** module AUE1501. We will do our best to make your study of this module interesting and rewarding. You will be well on your way to success if you start studying early in the semester and decide to do your assignments properly.

Students must be registered for a *myLife* email address and must be able to access *myUnisa* to access their study material.

We encourage you to utilise the online learning platform. All the learning material is available on *myUnisa* with useful links to assist you in mastering a subject like auditing perceived as difficult. In this module you will be guided through the content by working through the learning units either on *myUnisa* or the printed study guide.

We hope that you will have a very enjoyable and successful semester of study.

1.1 To get started on *myUnisa*

Based on a Unisa decision, for this module you will only receive a printed study guide and tutorial letter 101 (this tutorial letter). The other tutorial letters of less than 20 pages are not printed and is electronically available on *myUnisa*. You must be registered on *myUnisa* to be able to access study material, submit your assignments, gain access to the library functions and various learning resources, to “chat” to your lecturer or teaching assistant and fellow students about your studies and the challenges that you might encounter, and to participate in online discussion forums, blogs or self-assessments.

In addition to registering on *myUnisa*, it is crucial that you activate your *myLife* email address, as all your official correspondence regarding this module will be sent to your *myLife* address and not your private email address. Please consult with the **Study @ Unisa** brochure for more information on activating your *myLife* email address and obtaining access to the *myUnisa* module site.

Go to the website <https://my.unisa.ac.za> and login with your student number and password. Then you will see **AUE1501** in your row of modules, in the orange bar across the top of the webpage.

1.2 How to study this module online

This module is taught online — this means that it is a different experience from some of your other modules at Unisa.

- **This means that all your study material and learning activities are online, on *myUnisa*.** Limited printed material will be provided, however you will benefit from utilising the online platform.
- **Attempt to submit all of your assignments online.** If you submit your assignments online, make sure that you submit them on *myUnisa* in the required format (**PDF**). (Remember submitting your assignments online is **faster and safer** than by post.)

- **This means that most of the communication between yourself and the university also happens online** — by email, in the Discussion Forums and through the Questions and Answers options. The semester period is very short therefore communicating with you online is also the most effective way.

2 PURPOSE AND OUTCOMES

2.1 Purpose

The purpose of this module is to introduce you to the basic principles that apply in the audit world. The general principles regarding the business world, the auditing profession and the role of auditors are covered. In addition, the module is to enable students to identify business and audit risk areas in an entity and to identify control measures to mitigate risks; all restricted to small and medium- sized enterprises.

2.2 Outcomes

In the study guide, you will find the detailed learning outcomes for each learning unit. In sum, after completing this module successfully, you will be able to demonstrate an understanding of, and describe elementary auditing/internal auditing principles applicable to small and medium-sized enterprises.

During the semester, you should:

- Work through your study material, make summaries and complete the activities
- Complete the activities with the assistance of the prescribed text book
- Access internet links in the study guide and participate in the discussion forums
- Complete and submit Assignments 01 and 02 **before the due dates** and complete the self-evaluation assignment. All the compulsory assignments and the self-evaluation assignment are included in this tutorial letter
- Compare your answers to the assignments with the solutions provided in the tutorial letters on myUnisa
- Prepare yourself for the examination (for examination preparation and technique refer to the **Study @ Unisa** brochure)

3 LECTURER(S) AND CONTACT DETAILS

3.1 Lecturer(s)

You will be allocated to an e-tutor. The function of the e-tutor is to pace you and assist you in the teaching and learning of the module content. Make use of this study assistance. Remember the e-tutor is not there to do the assignments for you but to assist you where clarification is required.

The lecturer responsible for this module and to whom you should direct your enquiries, is:

Ms L Ferreira

E-mail: ferrel1@unisa.ac.za

Tel: 012 429 4418 / +27 12 429 4418

Course coordinator

Prof HJ Theron

E-mail: Therohj@unisa.ac.za

Tel: 012 429 4364/ +27 12 429 4364

PLEASE NOTE: To visit the lecturer personally, arrange an appointment beforehand.

Always have your student number and module code ready when you contact the University!

Please do not hesitate to contact the lecturer(s) by email, telephonically or personally (by prior arranged appointment only), should you experience specific problems regarding the **content of the module**. Have your study material open online when you contact us. Note that enquiries with regards to matters not relating to the **content of the module** (e.g. *myUnisa* or *myLife* access, enquiries about examination dates, examination venues, etc.) must **not be directed to your lecturer** but direct them to the relevant administrative department. The contact details are available in the **Studies @ Unisa** brochure (www.unisa.ac.za).

3.2 Department

Department of Auditing:

If you wish to write to us, address letters to:

The module leader: AUE1501
 Department of Auditing
 PO Box 392
 Unisa
 0003

Secretary:

Tel: +2712 429 4707

Departmental web page:

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

3.3 College

You should direct College related undergraduate enquiries to: +2712 429 4211 or Casenquiries-undergraduate@unisa.ac.za

3.4 University

If you need to contact Unisa a brochure about matters **not related to the content** of this module, please consult the **Study @ Unisa** brochure, which you should have received with your study material. In this document you will find the contact details of various administrative departments. If you did not receive this document and have access to the internet, you can find it on *myUnisa* under the 'Resources' option. Remember to always have your student number at hand when making an enquiry.

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

The contact details are:

E-mail addresses:



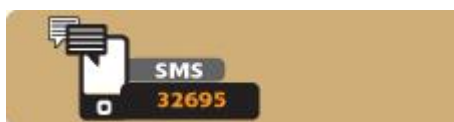
- info@unisa.ac.za for general enquiries
- study-info@unisa.ac.za for application and registration-related enquiries (prospective and registered students)
- international@unisa.ac.za for international students (registration-related enquiries)
- assign@unisa.ac.za for assignment enquiries
- exams@unisa.ac.za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

Library

The **Study @ Unisa** brochure, which is part of your registration package, lists all the services offered by the Unisa library.

General library catalogue enquiries	bib-oasis@unisa.ac.za
Library web co-coordinator	bib-web@unisa.ac.za
Inter-library loans enquiries	libr-ill@unisa.ac.za
Enquiries about subject databases	bib-dbase@unisa.ac.za
Library information desk	bib-help@unisa.ac.za
Enquiries about training presented by the library	bib-oplei@unisa.ac.za
Send a question to the library staff	bibrefq@unisa.ac.za

SMS numbers:



Send an SMS to 32695 to obtain for more information on how to contact Unisa via SMS (only for students within the borders of South Africa). Students will receive an auto-response SMS with the various SMS options. Standard SMS rates apply.

Students can also SMS enquiries directly to:

43578 for applications and registrations*
 43584 for assignments*
 43584 for examinations*
 43579 for study material*
 31954 for student accounts*
 43582 for *myUnisa* and *myLife**

* The SMS number is only for students residing in South Africa. International students are urged to make use of the e-mail address info@unisa.ac.za.

Fax number:

Online address <http://my.unisa.ac.za>
 Unisa website <http://www.unisa.ac.za>

Other means of contacting the University are:

Physical address

University of South Africa
 Preller Street
 Muckleneuk
 Pretoria
 City of Tshwane

Postal address

University of South Africa
 PO Box 392
 Unisa
 0003

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

4 RESOURCES**4.1 Prescribed books**

The following is a list of the prescribed books for this module. NB: this book is essential for you to pass this module.

- Jackson, R.D.C. & Stent, W.J. *Auditing notes for South African Students 2016* (10th edition). Durban: LexisNexis

Please consult the list of official booksellers and their addresses listed in the brochure **Study @ Unisa** brochure.

Prescribed books are available at the university's official booksellers. If you have any difficulties in obtaining books from these bookshops, please contact the Prescribed Book Section **as soon as possible** at telephone number +27 12 429 4152 or e-mail address: vospresc@unisa.ac.za.

Information on the use of and the sources of information available in the Unisa library are detailed in the **Studies @ Unisa** brochure.

4.2 Recommended books

There are no recommended books for this module.

4.3 Electronic reserves (e-reserves)

There are no recommended electronic reserves for this module.

5 STUDENT SUPPORT SERVICES

For student support services you are referred to the **Study @ Unisa** brochure. Also visit *myUnisa* to access announcements and additional information resources.

Telecentres

Free computer and internet access

Unisa has entered into partnerships with establishments (referred to as Telecentres) in various locations across South Africa to enable you (as a Unisa student) free access to computers and the Internet. This access enables you to engage in e-tutoring activities and signature courses; etc. Note that any other activity outside of these are for your own costing e.g. printing, photocopying, etc. For more information on the Telecentre nearest to you, please visit www.unisa.ac.za/telecentres.

6 STUDY PLAN

Read the **preface** to your study guide. In particular, review the framework that provides you with a summary of the module content and the suggested timetable. The timetable is only a guideline, you are responsible for pacing yourself. Spread your studies evenly throughout the semester. In other words, work consistently throughout the semester.

Also, use the **Study @ Unisa** brochure for general time management and planning.

7 PRACTICAL WORK AND WORK-INTEGRATED LEARNING

There is no practical work for this module.

8 ASSESSMENT

8.1 Assessment criteria

Assignments

Assignments are seen as part of the learning material for this module. As you do the assignments, study the reading texts, consult other resources, discuss the work with fellow students or tutors or do research, you are actively engaged in learning.

NB: Do all your assignments with due care. Incorrect unique numbers, incomplete submissions, and attaching wrong assignments will result in a disqualification to the exam and/or a low semester mark. Make sure that you have proof of submission.

NB: When marking Assignment 02 we mark a sample namely, selected sections. Therefore, make sure that you answer all the questions. Leaving out a question or answering a question half-heartedly will cost you good semester marks if that question is selected for marking.

8.2 Assessment plan

Assignments and learning

Assignments assess your progress and learning. You must submit them before the due dates. As you do the assignments, study the reading texts, consult other resources, and discuss the work with fellow students or tutors.

Compulsory assignment

You are required to **submit the compulsory Assignment 01 or Assignment 02 before the due date** to obtain **admission to the examination**. You will obtain admission by submitting the Assignments 01 or 02 and not by the marks you obtain for it. **No admission will be considered if you did not submit one of these two assignments before the due date.**

The marks you obtained for Assignments 01 and 02 will contribute towards your year mark.

General remarks

- (a) Assignments 01 and 02 are included in this tutorial letter, but is also available on *myUnisa*.
- (b) The **compulsory assignment** (number 01 and/or 02), must be submitted on or before the due date to obtain admission to the examination. Make sure that it is marked as "01" or "02".
- (c) It is in your own interest to **retain a copy of proof that the compulsory assignment (number 01 and/or 02) was submitted** so that you can produce it if there should be any dispute afterwards concerning whether or not the assignment was received.
- (d) A **year-mark** of 20% will contribute to your final mark. The marks that you obtain for Assignments 01 and 02 will contribute towards your year mark for the module. The final mark is calculated as follows:

5% x mark obtained for compulsory Assignment 01, plus

15% x mark obtained for Assignment 02 (may also be seen as a compulsory assignment)

80% x mark obtained in the examination (sub-minimum of 40%)

The sub-minimum of 40% implies that if you obtain a mark of less than 40% in the examination, your year mark will not be considered.

IMPORTANT:

TO GET ADMISSION TO THE EXAMINATION, YOU MUST SUBMIT ASSIGNMENT 01 OR ASSIGNMENT 02 BEFORE THE DUE DATE.

YOUR MARKS FOR BOTH ASSIGNMENTS 01 AND 02 WILL BE USED TO DETERMINE YOUR YEAR MARK.

Plagiarism

Plagiarism: Plagiarism is the act of taking the words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities.

Studies @ Unisa Disciplinary Codes (2018) is given to all students at registration. Students are advised to study the Code, especially Chapter 3: 1.18 and 1.19. Also please read the University's Copyright Infringement and Plagiarism Policy.

All your assignments must be your own work. You will receive 0% for your whole assignment if it's deemed that plagiarism was committed in any part of the assignment and you may also be subject to disciplinary proceedings by the University.

Everyone must obtain the required skills to ensure that you will be able to make a valuable contribution in the workplace.

PLAGIARISM DECLARATION:

By submitting any Auditing assignment, I declare that:

- I have read the Unisa Students' Disciplinary Code;
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism;
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used;
- I have not allowed any other student to copy my work;
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved.

Please note: You do not have to submit the declaration. By submitting any Auditing assignment, you automatically declare that you adhere to all the above with regard to the specific assignment.

PLEASE NOTE: Student must address enquiries about assignments to assign@unisa.ac.za.

8.3 Assignment numbers

8.3.1 General assignment numbers

Assignments are numbered consecutively per module, starting from 01.

8.3.2 Unique assignment numbers

In addition to the general assignment number (such as 01), each assignment has its **own unique assignment number** (such as 102717). Students must write this number on the mark-reading sheet or assignment cover page in the designated area.

8.4 Assignment due dates

Refer to the following table for the unique assignment numbers and due dates applicable to the assignments that you have to submit:

Assignment	FIRST SEMESTER Due date if you are registered for the first semester	SECOND SEMESTER Due date if you are registered for the second semester
01 (Compulsory) (5 % of year mark)	14 March 2018 Unique assignment number: 679763 Multiple choice questions.	21 August 2018 Unique assignment number: 726192 Multiple choice questions.
02: (May also be used as the compulsory assignment) (15 % of year mark)	10 April 2018 Unique assignment number: 831319 Written assessment.	11 September 2018 Unique assignment number: 876893 Written assessment.

8.5 Submission of assignments

You may submit written assignments and assignments done on mark-reading sheets either by post or electronically via *myUnisa*. We **recommend** that students **should submit the assignments electronically via myUnisa** (in a **PDF** format) instead of posting them. The onus is on you to prove submission if an assignment is lost.

Assignments posted should be addressed to: (If you are unable to submit it electronically)

The Registrar
PO Box 392
Unisa
0003

To submit assignments using *myUnisa*:

- Go to <http://my.unisa.ac.za>
- Enter your student number and password
- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

---X---

8.6 The assignments

8.6.1 Semester 1: Compulsory Assignment 01

NB: This assignment is due at the beginning of the semester.

Instructions:

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

Special instruction for the answering of Assignment 01

- (1) This assignment consists of 12 multiple-choice questions.
- (2) This assignment covers topics 1-6 of the study guide (as indicated in brackets next to each question).
- (3) If you honestly do the assignment **after** first studying the prescribed study material, you will reap the benefits. If you copy the solution with the aim to obtain a high year mark, do not be surprised if you fail the examination despite an excellent year mark.

**ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS
(Compulsory)**

**UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:
679763**

DATE OF SUBMISSION

First semester: 14 March 2018

QUESTION 1**REQUIRED**

For each question, select only **ONE** alternative that you consider to be the most correct and then mark on *myUnisa* or on the mark-reading sheet the number that corresponds to the number of the alternative, which you have selected as your answer. Answer the sub-sections of this question in numerical sequence as follows:

1. 1
2. 3

(1 mark per question)

1. Company names end with an abbreviation, which conveys their category. Select the alternative that would indicate an example of a public company.
 1. Eskom SOE Ltd.
 2. Anglovaal Ltd.
 3. Moale (Pty) Ltd.
 4. Educate NPC.
2. In the foreword to the King IV Report, the King committee pointed out that the 21st Century is characterised by fundamental changes in both business and the new global realities. Select the alternative that is **not** an example of the referred realities.
 1. Climate change.
 2. Geographical tensions.
 3. Stable financial systems.
 4. A growing societal inequality.
3. Select the alternative that is **not** a main objective of the King IV Report.
 1. Promote corporate governance as integral to running the company and delivering governance outcomes.
 2. Increase the acceptance of King IV by making it accessible and versatile across various sectors.
 3. Reinforce corporate governance as a holistic and interrelated set of arrangements to be understood and implemented in an integrated manner.
 4. Relieve poverty and social inequalities.
4. Select the alternative that is **not** an example of a type of control activity.
 1. Isolation of responsibility.

2. Comparisons and reconciliation.
 3. Access restrictions.
 4. Potential of human error.
5. Which one of the following alternatives **best** completes the following sentence?
- is an unbiased mental attitude that allows auditors to perform engagements in such a manner that others do not exert undue influence.
1. Confidentiality
 2. Objectivity
 3. Integrity
 4. Due care.
6. Internal auditors fulfil a certain function in organisations. Select the statement that is **true**.
1. The Chief Audit Executive functions at executive level.
 2. All companies must have internal auditors.
 3. To contribute at executive level an internal auditor must be registered with SAICA.
 4. There should be no interaction between the internal auditor, external auditor and the audit committee for independence purposes.
7. Which **one** of the following statements is **correct** when considering whether or not a private company is subject to an audit?
1. A private company that has a public interest score of more than 350 is not subject to an audit.
 2. A private company that has a public interest score of less than 100 but had its annual financial statements for that year compiled internally, is subject to an audit.
 3. A private company that has a public interest score of more than 350 is subject to an independent review.
 4. A private company that has a public interest score of more than 350 is subject to an audit.
8. Select the **correct** assertion to complete the following statement. If the auditor recalculates the sales invoice details, then the auditor is focussing on ...
1. existence.
 2. completeness.

3. cut-off.
 4. accuracy.
9. Select the **correct** assertion to complete the following statement. If the auditor compares the date on the last sales invoice for the financial year with the date of recording the transaction in the sales journal, then the auditor is focussing on ...
1. cut-off.
 2. classification.
 3. presentation.
 4. occurrence.
10. Audit risk has three components. Which one of the following is **not** a component of audit risk?
1. Control risk.
 2. Materiality risk.
 3. Inherent risk.
 4. Detection risk.
11. The following statements relate to the term “materiality” in an auditing context. Select the **correct** alternative.
1. If an amount is left out in the annual financial statements and if you knew about that amount, then you would have reacted differently when granting a loan, based on the annual financial statements.
 2. If you are the external auditor and you rely on the client’s internal controls, then you would reduce the materiality figure.
 3. If you are the external auditor and you are assessing the risk assessment procedures, then the concept of materiality does not feature in your assessment procedures.
 4. Materiality is a key foundation stone of the King IV Report on Governance.
12. Indicate the most **correct** alternative to complete the following sentence. relates to the quantity of audit evidence.
1. Reliability
 2. Appropriateness
 3. Sufficiency
 4. Relevance.

8.6.2 Semester 1: Compulsory Assignment 02 (if student did not submit Assignment 01)

Instructions

(1) Consult **Study @ Unisa** brochure for instructions on how to submit written assignments.

Special instructions for the answering of this assignment

- (1) This assignment covers the whole syllabus.
- (2) Answer all questions.
- (3) **Only selected questions will be marked.**
- (4) Where discussion is required, structure your answer in point format, limiting each paragraph to one statement.
- (5) Do not copy and paste directly from the Companies Act. Information copied directly from the Act will not be marked.

**ASSIGNMENT 02: ESSAY-TYPE QUESTIONS
(Compulsory assignment if student did not submit Assignment 01)**

**UNIQUE ASSIGNMENT NUMBER FOR THE FIRST SEMESTER:
831319**

DATE OF SUBMISSION

First semester: 10 April 2018

QUESTION 1

10 marks

This question requires you to identify the correct document to fit the purpose descriptions for issuing or initiating a particular document.

The following **ten** items are brief descriptions of the purpose of various documents used in the ordinary course of business.

Item Number	Purpose
Acquisitions and payments cycle	
1.	This document is issued by the buying department of a company to order goods from the supplier. The document records the detail and price of the goods and is addressed to the supplier.
2.	This document is issued by the receiving department to record the actual goods that were received from the supplier.
3.	This document is issued by the supplier to obtain acknowledgement from the purchasing company that they have received the goods.
4.	This document is initiated by the supplier to record the transaction and to inform the purchasing company of the goods for which it is being charged.
5.	This document is initiated by the supplier and is produced on a monthly basis. The document summarises the transactions between the supplier and purchasing company for the month.
6.	This document is issued by the supplier to acknowledge that a payment of Rx has been received from the purchasing company

Revenue and receipts cycle	
7.	This document is the instruction by the customer indicating goods required.
8.	This document is issued by the company's own sales order clerk and records the goods ordered by the customer. It is used for sales authorisation.
9.	This document lists all the items that the customer has ordered. It is used by the stores to select the goods needed to fill the order.
10.	This document is completed by the prospective customer so that the customer's credit worthiness can be evaluated.

REQUIRED

For each of the above **ten** items, select the correct document name from the document list below.

Document list:

A. Internal sales order	B. Receipt	C. Picking slip
D. Supplier delivery note	E. Credit note	F. Creditors statement
G. Customer order	H. Purchase order form	I. Credit application form
J. Purchase invoice	K. Remittance advice	M. Goods received note

Your answer should include only the appropriate alphabetical letter representing the document in the document list. In other words, set out your answer in the following format:

1. A
2. B
3. C and so on.

QUESTION 2

30 marks

You are employed at Tau Stationery (Pty) Ltd. You are part of the accounts receivable department. The internal auditors have identified risks in the revenue cycle, affecting your division. You are assigned to assist the internal auditors in formulating controls to reduce the identified risks.

When the warehouse picks goods for the despatch department, the goods are accompanied with copies of the picking slip and copies of the delivery notes. From despatch, the goods are delivered to the customers. The despatch clerk prepares a list of deliveries for the driver. Tau Stationery (Pty) Ltd has delivery staff, trucks and gate security.

The risks identified by the internal auditors are:

1. Credit sales are made to customers who are not creditworthy.
2. Customers often deny receiving goods and/or wrong goods are received.

REQUIRED

Marks

Formulate **controls** that will ensure that:

- | | | |
|-----|---|------|
| 2.1 | Credit sales are made only to customers who are creditworthy. | (15) |
| 2.2 | Goods received by despatch from the warehouse and that are then delivered to customers are the correct goods. | (15) |

QUESTION 3

27 marks

The acquisition cycle involves the acquiring of goods by a business for resale. Within the cycle there is the *ordering of goods function* to initiate orders; the *receiving of goods function* to accept and acknowledge deliveries, and the *payment preparation and actual payment function* for paying creditors.

REQUIRED

Marks

- | | | |
|-----|--|-----|
| 3.1 | Describe the risks involved in the <i>ordering of goods function</i> . | (9) |
| 3.2 | Describe the risks involved in the <i>receiving of goods function</i> . | (9) |
| 3.3 | Describe the risks involved in the <i>payment preparation and actual payment function</i> | (9) |

---X---

8.6.3 Semester 2: Compulsory Assignment 01

NB: This assignment is due at the beginning of the second semester.

Instructions

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

Special instruction for the answering of this Assignment 01

- (1) This assignment consists of 12 multiple-choice questions.
- (2) This assignment covers the topics of the study guide as indicated in brackets next to each question.
- (3) If you honestly do the assignment **after** first studying the prescribed study material, you will reap the benefits. If you copied the solution with the aim to obtain a high year mark, do not be surprised if you fail the examination despite an excellent year mark.

**ASSIGNMENT 01: MULTIPLE-CHOICE QUESTIONS
(Compulsory)**

**UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:
726192**

DATE OF SUBMISSION

Second semester: 21 August 2018

1. You wish to start your own business to repair cellphones. You are considering starting up as a sole proprietor. Also you are considering all the advantages and disadvantages of being a sole proprietor.

Select the statement that would be considered an **advantage** of being a sole proprietor as a type of business.

1. A sole proprietor's skills may be limited.
2. A sole proprietor may be held personally liable for all debts.

3. There are few legal requirements for setting up as a sole proprietor.
 4. To obtain business capital for a sole proprietorship you will have to obtain limited business capital as an individual.
2. One of the key concepts of corporate governance is sustainability. Select the alternative that may be regarded as **promoting** sustainability in a large business.
1. The business does not uplift the community through community projects.
 2. The manufacturing process of the business pollutes rivers.
 3. Only the interests of management and shareholders of the business are important.
 4. Future sales are dependent on continuous innovation through research and development.
3. Integrity is a fundamental principle applicable to both internal and external auditors. Select the alternative that is a practical example of integrity.
1. Being straightforward, honest, fair and truthful in business relationships.
 2. Improving your skills and competence before undertaking a task.
 3. Disallowing bias or undue influence when executing a task.
 4. Refraining from discussing confidential information with friends.
4. An entity's public interest score must be calculated to determine whether its annual financial statements are subject to an external audit or not. Which one of the following alternatives is **not** a factor in the calculation of a company's public interest score?
1. The entity's turnover.
 2. The average number of employees employed by the entity.
 3. The entity's black economic empowerment (BEE) score.
 4. The entity's third-party liability at year end.
5. The control environment as a component of internal control refers to the control consciousness of an entity. Select the **correct** alternative that best illustrates a control environment activity.
1. Focusing on integrity and ethical values.
 2. Making use of accounting programmes to contribute towards valid, accurate and complete capturing of transactions.
 3. Responding to risk through appropriate control activities.
 4. Implementing segregation of duties as a policy development requirement.

6. Which one of the following alternatives does **not** apply to the definition of internal control?
1. Internal control is not the sole responsibility of management.
 2. Internal control is not foolproof.
 3. Internal control is not static.
 4. Internal control is not a process.
7. Which one of the following alternatives **best** completes the following sentence?
- is an unbiased mental attitude that allows auditors to perform engagements in such a manner that others do not exert undue influence.
1. Confidentiality
 2. Objectivity
 3. Integrity
 4. Due care.
8. Audit risk has three components. Which one of the following is not a component of audit risk?
1. Control risk.
 2. Materiality risk.
 3. Inherent risk.
 4. Detection risk.
9. Indicate the most **correct** alternative to complete the following sentence.
- audit evidence relates to the quantity of audit evidence.
1. Reliable
 2. Appropriate
 3. Sufficient.
 4. Relevant.
10. When capturing an invoice for accounting purposes, the date and invoice number plays an important role when considering financial statement assertions. Which assertion is date and number related?
1. Occurrence.

2. Classification.
 3. Completeness.
 4. Valuation and allocation.
11. Select the **correct** alternative to complete the following sentence. Before a person can sign off on the audit of the annual financial statements as an external auditor, he/she has to be registered with the
1. Independent Regulatory Board of Auditors (IRBA).
 2. South African Institute of Chartered accountants (SAICA).
 3. Institute of Internal Auditors (IIA).
 4. Chartered Institute of Management Accountants (CIMA).
12. When reading an audit report, you have to make certain deductions about the fairness of the annual financial statements. Select the opinion that implies that the annual financial statements are fairly presented.
1. An “except for” opinion.
 2. An unmodified opinion.
 3. An adverse opinion.
 4. A disclaimer of opinion.

---X---

8.6.4 Semester 2: Compulsory Assignment 02 (if student did not submit Assignment 01)

Instructions

- (1) Consult **Study @ Unisa** brochure for instructions on how to submit written assignments.

Special instructions for the answering of this assignment

- (1) This assignment covers the whole syllabus.
- (2) Answer all questions.
- (3) **Only selected questions will be marked.**
- (4) Where discussion is required, structure your answer in point format, limiting each paragraph to one statement.

ASSIGNMENT 02: ESSAY-TYPE QUESTIONS
(Compulsory assignment if student did not submit Assignment 01)

UNIQUE ASSIGNMENT NUMBER FOR THE SECOND SEMESTER:
876893

DATE OF SUBMISSION

Second semester: 11 September 2018

QUESTION 1**30 marks**

Your friend has a business, Free Hot Water (Pty) Ltd, employing six people. He is a retailer of solar geysers and he sells his products on credit to various customers in South Africa. He is worried about the profitability of the business because he has an overdraft bank account. The business has a separate ordering department for the sales of geysers to customers, using sequentially numbered, internal sales orders, and it has a credit controller. Your friend seeks your advice on some of the risks and internal controls of the ordering department.

He also wants you to tell him how a bank reconciliation works. An employee performs bank reconciliations on a monthly basis and there is a cash receipts and payments journal (cashbook), bank statements, deposits and cheques.

REQUIRED**Marks**

- | | | |
|------------|---|-------------|
| 1.1 | Describe four (4) risks that could exist in the ordering department. | (6) |
| 1.2 | Describe the internal controls that could be implemented to ensure that credit sales are made to authorised customers who are creditworthy. | (9) |
| 1.3 | Explain the steps performed for a bank reconciliation. | (15) |

QUESTION 2**34 marks**

Free Hot Water (Pty) Ltd purchases solar geysers from a black economic empowerment (BEE) company in Cape Town. The source documents that Free Hot Water (Pty) Ltd itself generates include a requisition form, order form, goods received note (GRN), cheque requisition and receipts. From the supplier, the company receives a delivery note and a purchase invoice.

REQUIRED**Marks**

- | | | |
|------------|--|-------------|
| 2.1 | For each of the following source documents listed below, identify the initiator of the document, the main purpose of the document, and the critical information that should appear on the document. | (19) |
|------------|--|-------------|

Set out your answer in table format as indicated below:

Document	Initiated by	Purpose	Information
<i>Example:</i> Requisition form	The buying department (1 mark)	To request goods to be ordered (1 mark)	Product description and quantities (2 marks)
Order form	(1 mark)	(1 mark)	(3 marks)
Goods received note	(1 mark)	(1 mark)	(2 marks)
Supplier delivery note	(1 mark)	(1 mark)	(2 marks)
Purchase invoice	(1 mark)	(1 mark)	(4 marks)

2.2 List **ten (10)** risks associated with the **payment** for goods. **(15)**

8.7 Other assessment methods

An examination paper which serves as a self-evaluation assessment is provided below as part of this tutorial letter.

Special instructions and remarks regarding the answering of this assessment opportunity

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

After having completed this self assessment assignment, you should compare your answers with the key in Tutorial letter 202. This assessment opportunity must not be sent to the university. Just remember mind that you will receive/access Tutorial Letter 202 shortly after Assignment 02's due date.

Tutorial material for this assessment opportunity

This assessment opportunity deals with the entire contents of this module.

Purpose of this assessment opportunity

The purpose of this assessment opportunity is to serve as a revision of the study material as a whole and at the same time it indicates of the standard which can be expected in the examination.

Below, find extracts of questions from previous examination papers that serve as a self-assessment assignment. The formal exam may also include multiple choice questions.

QUESTION 1

10 marks

REQUIRED

Indicate whether the following statements are true or false and provide a reason for your answer. Write down the number of the subsection and the word "True" or "False" next to it and provide a reason for your answer. Answer the questions in a numerical sequence. For example,

provide your answer as follows:

1.1 True. Reason: ...

1.2 False. Reason: ...

Each subsection counts **two (2)** marks.

1.1 A sale made with the buyer paying at a date later than the sale date is known as a credit sale.

1.2 Occurrence is an assertion used by the auditor to consider the different types of potential misstatements that could occur about account balances at the period end.

1.3 The major difference between wages and salaries is that wages are expressed as a fixed monthly amount, while salaries are calculated based on the hours worked per employee.

1.4 A credit note reflects information about goods being ordered by the customer.

1.5 All inventories that should have been recorded have been recorded. This refers to the existence assertion. SSung Ltd., an unlisted technology company registered in South Africa, manufactures and distributes tablet computers to various retailers all over the world. SSung Ltd.'s biggest competitor is Apple Corporation.

QUESTION 2

27 marks

2.1 The relationship between internal audit and external audit is extremely important as certain parts of internal audit work may be useful to the external auditor. At a recent client meeting between your audit firm and the audit client, your audit partner requested you to explain to the chief audit executive the main differences between internal and external audit.

REQUIRED

Marks

2.1.1 **Tabulate five differences** between internal and external auditors as indicated below:

(16)

Present your answer using the format below:

Internal audit	External audit
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

(1 mark will be allocated for presentation)

2.2 Your audit partner recently attended an accounting update seminar and heard the term public interest score. The audit partner was curious as to what the public interest score would be used for and how it is calculated:

2.2.1 Explain what the public interest score is used for, in terms of the Companies Act, 2008. (2)

2.3 You are part of the audit team engaged on the financial statement audit of RUBY Limited. At a recent client planning meeting, your audit senior requested that you clarify the following concepts for the client:

- **Detection risk**, being a component of audit risk
- **Inherent limitations**, as every internal control system has inherent limitations.

2.3.1 Define the term **detection risk**. (3)

2.3.2 Describe **four** inherent limitations of an internal control system. (6)

QUESTION 3 25 marks

The revenue and receipts cycle involves the selling of goods at a profit and collecting money owed to a business after the sale. Within the cycle there is the receiving of customer orders function (order department) to record orders from customers and initiate action to fill them.

REQUIRED Marks

3.1 List the three **documents** and or records used in the order department (3)

3.2 Describe the **risks** involved in the order department (7)

3.3 Describe the **control activities** to mitigate the risks you identified in 3.2 (15)

QUESTION 4 19 marks

An important control activity is to perform a bank reconciliation whereby the cash purchases and payments journal (cashbook) is reconciled with the bank statement. You are responsible to teach a junior employee how to perform a bank reconciliation.

REQUIRED

Describe the steps in performing a bank reconciliation.

---X---

8.8 The examination

Requirements for admission to the examination

Submission of the **compulsory Assignment 01 OR Assignment 02** by its due date will give you *admission* to the examination in this module. You will obtain admission by submitting this assignment **in time** and not the marks you obtain for it. Please ensure that this assignment reaches the University **before or on the due date**. **Late submission of a compulsory assignment will result in you not being admitted to the examination. No extension will be given for the late submission of Assignments.**

The examination period

This module is offered in both semesters. This means that if you are registered for the first semester, you will write the examination in May/June 2018 and the supplementary examination will be written in October/November 2018. If you are registered for the second semester you will write the examination in October/November 2018 and the supplementary examination will be written in May/June 2019.

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

Previous examination papers

Previous examination papers are available to students on *myUnisa*. **Suggested solutions are not provided.** Please do not request these from us, as it is a departmental policy that we are not allowed to supply you with the memorandums. However, you may accept that the type of questions that will be asked in the examination will be similar to those found in your study material.

Use the *Study @ Unisa* brochure for general guidance for the examination as well as for your preparation for the examination.

9 FREQUENTLY ASKED QUESTIONS

The *Study @ Unisa* brochure contains an A–Z guide of the most relevant study information. We also posted a number of frequently asked questions on *myUnisa*.

10 SOURCES CONSULTED

Only the prescribed textbook has been consulted.

11 CONCLUSION

Wishing you every success with your auditing studies! We are here to assist you with the content of the module. Please make the most of your opportunity to learn about this module.

12 ADDENDUM

There are no addendums to this tutorial letter.