

Oct/Nov 2013 Exam Memo references

Question 1

1.1: Requirements of sound corporate governance

Refer to King III Report Principle 2.16, principle 2.18 point 73, principle 2.19 point 80, principle 2.18, principle 2.21 point 98, principle 2.1 point 1, principle 2.23 point 129-130, principle 2.21 point 95

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

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

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

1.2: Functions of internal audit

Refer to King III Report pages 95/98

1.5 marks were awarded if your question was structured under the headings provided in the question. This is easy marks – if you receive 48.5% for your exam and did not present the answer in the format asked for, you’ll kick yourself.

Common mistakes: Students got confused with the functions of the internal auditors and the audit committee.

Remember: The audit committee is the “link between” the external auditors, internal auditors and the board of directors, whereas your internal audit committee would test whether the internal controls that was implemented were effective and if the employees comply with it. Therefore, the functions of the audit committee and the internal auditors are vastly different.

1.3: Internal controls over wage packet preparation and payout of wages

Refer to Jackson & Stent page 13/12

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

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

1.4: Alternative means of payment of wages

Refer to Jackson & Stent page 13/24 and Study Guide, Study Unit 7.1.1 Activity 1 Question 2

1.5: An example and advantage of biometric data in time keeping

Refer to Jackson & Stent page 13/19

Question 2

2.1: Weaknesses in system of internal controls over credit sales transactions

Function 1	Refer to Jackson & Stent page 10/10
Function 2	Refer to Jackson & Stent page 10/11
Function 3	Refer to Jackson & Stent page 10/12
Function 4	Refer to Jackson & Stent page 10/13
Function 5	Refer to Jackson & Stent page 10/14
Function 6	Refer to Jackson & Stent page 10/15

Common mistakes: Students overall did not do well in this question. Most students provided us with risks or internal controls, and consequently received no marks.

Remember: Please refer to the document “Weakness, risks and internal controls” for the difference between these activities.

2 marks awarded for correct formulation and presentation. This is easy marks – if you receive 48% for your exam and did not present the answer in the format asked for, you’ll kick yourself.

2.2: Controls over the debtor’s master file to ensure only authorized amendments are entered

Refer to Jackson & Stent page 10/23- 10/25

Important: regarding the screen aids and programme controls, give an example/explanation to show you know what it means for example: Screen formatting: the screen should be laid out like to hard copy master file amendment form (MAF)

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

2.3: Physical controls over inventory in the warehouse

Refer to Jackson & Stent page 12/7

Common mistakes: Students did not read the question carefully, and provided application controls. Students also tended to be too general i.e. “there should be security guards.” Where? Why? Can the security guard sit in a corner somewhere and read a lovely novel? “Security guards should be present at all entry and exit points to monitor the inventory movement through the gates.”

Remember: Please make sure you read the questions carefully, in order to answer what was asked, and not waste your precious exam time.