

## AUE2602 MAY/JUNE 2016 EXAM SCOPE AND PREPARATION

The following table indicates the main topics of the MO, together with approximate percentage marks that will be allocated to each topic in the final exam paper.

TOPIC	Average percentage of marks allocated in the May 2016 exam
Topic 1: Corporate Governance and Statutory Matters	20% - 30%
Topic 2: Internal Controls	20% - 25%
Topic 3: Business Cycles	Theory applies to all cycles
Topic 4: Revenue and Receipts Cycle	10% - 15%
Topic 5: Acquisitions and Payments Cycle	5% - 10%
Topic 6: Inventory and Production Cycle	10% - 15%
Topic 7: Payroll and Personnel Cycle	15% - 20%
Topic 8: Finance and Investment Cycle	1% - 5%

### OVERALL:

- Do **ALL** the **activities** in the Learning Units.
- When you do the activities in Topics 4 – 8, see whether you can apply the same question to the various functions and/or cycles. For example:
  - LU 4.1.1 Activity 1 – Place the functions in the correct order – you should be able to do that for all the cycles.
  - LU 4.1.2 Activity 2 – Match the documents to the correct function – you should be able to do that for all the cycles.
  - LU 4.1.3 Activity 5 – Give a system description, documents and risks – you should be able to do that for all the functions in each cycle.
- Redo **Assignment 2** included in **Tutorial letter 101** and mark your answer against the solution (found in **Tutorial letter 202**).
- Make sure you do **ALL** the questions in **Tutorial letter 102** (questions selected from Graded Questions on Auditing 2016). Mark your answer against the solutions (found in **Tutorial letter 103**).
- Do **ALL** the **previous exam papers** which can be found under “Official Study Material” on myUnisa. The memo references can be found under “Additional Resources”.

We'll let you in on a **big secret** regarding auditing:

*“The more questions you do, the better your chances of passing!”*

*It's true, try it!!!*

**Please note: When we set the exams, we use the Study Guide, Assignments and Textbook, therefore, we cannot ask you anything that you have not been exposed to in some or other format during the semester.**

**Remember that if we ask you to provide your answer in a specific format – keep to that format, as presentation, communication, logic and structure” marks are awarded.**

**Do not use abbreviations that are not universally accepted or known. For example: CEO is universally known as the abbreviation for “Chief executive officer”. But INED is not an accepted abbreviation for “independent non-executive director” for examination purposes. If you do this, you could lose marks for “presentation, communication, logic and structure” as this is not professional. Remember you are training to be a professional in the workplace.**

## TOPIC 1 – CORPORATE GOVERNANCE

- When you study Topic 1, for the Board of Directors, the Audit Committee, the Risk Committee, the Nominations Committee and the Remuneration Committee, concentrate on:
  - Who may be the Chairman of the board / committee
  - Who may be members of the board / committee
  - How many members should the board / committee have
  - How many times should the board / committee meet
  - What are the functions of the board / committee
  - What is the appointment procedure (E.g. should the board appoint a member / the shareholder etc.)
  - The company secretary and his / her duties
- You **need not specify the principle**; however you need to **refer to the King III Report**.
- The table found under Learning Units 1.3.2, 1.3.3 and 1.3.4 is very important.
- ☺ Questions for you to do:
  - ☞ Do Learning Unit 1.3.2 Activity 1.
  - ☞ Do Learning Unit 1.3.3 Activity 7.
  - ☞ Do Learning Unit 1.3.7 Activity 12.

## TOPIC 2 – INTERNAL CONTROLS:

Internal controls → definition and characteristics

→ limitations

→ components

→ control environment

→ risk assessment

→ information system

→ monitoring of controls

→ control activities

→ approval, authorization

→ segregation of duties

→ isolation of responsibilities

→ access/custody

→ comparison and reconciliation

→ performance reviews

Internal controls in a computerized environment (components as above still apply)

→ General controls → think “outside the computer program / application”

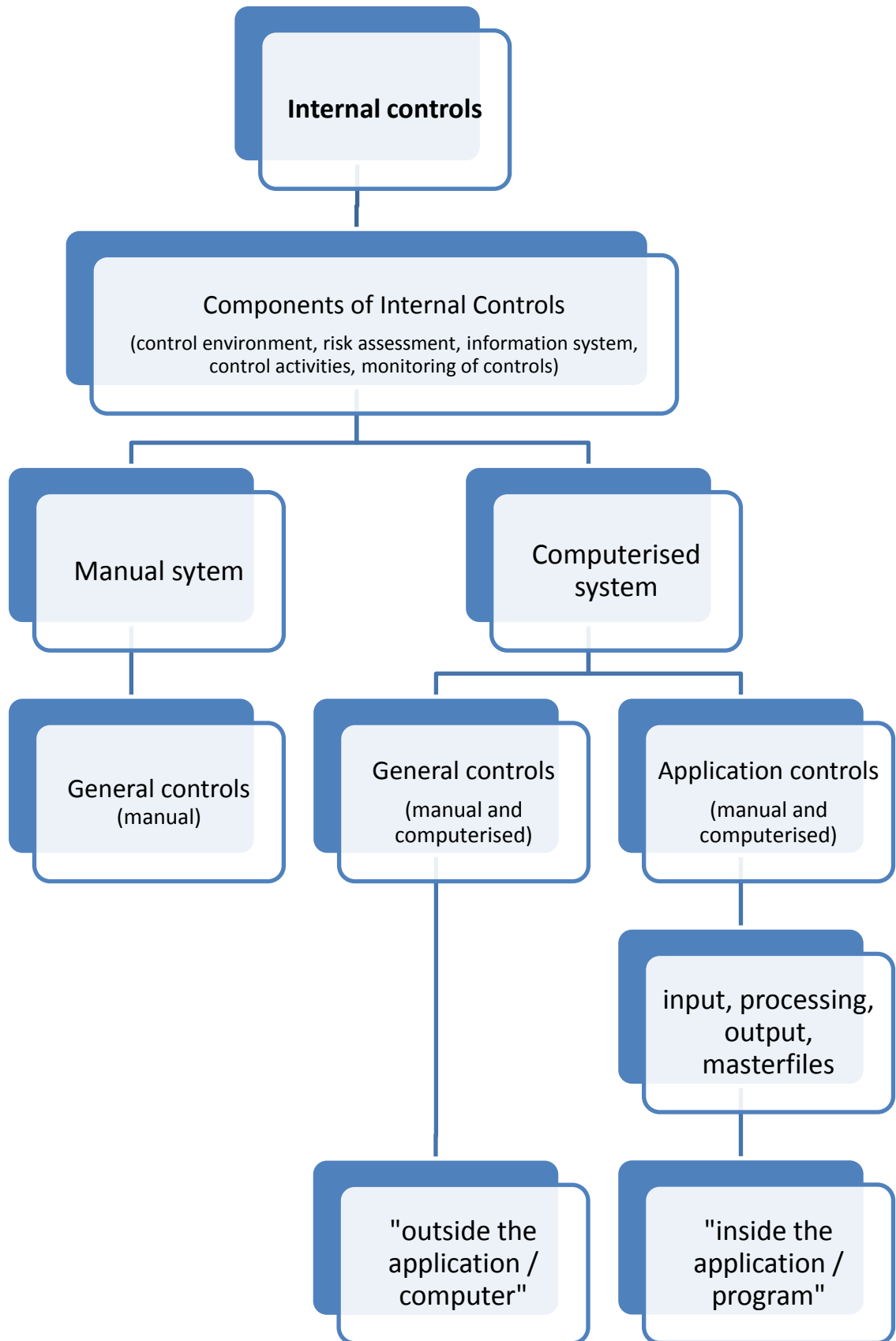
- e.g. lock the door of the room where the computer with the banking application is loaded (manual); and username and password to log onto the computer where the banking application is loaded (computerized).

→ Application controls → think “inside the application / computer program”

- e.g. username and password to log into the banking application (computerized)
- e.g. the onscreen page where changes to the masterfile is made looks exactly the same as the hardcopy MAF (manual); and an access table only allows authorized personnel (by using usernames and passwords) to make changes to the masterfile (computerized).

☺ Questions for you to do:

- ☞ Do Learning Unit 2.2.4 Activity 1
- ☞ Do Learning Unit 2.2.5 Activity 3
- ☞ Do Learning Unit 2.3.1 Activity 1



## TOPIC 3 – BUSINESS CYCLES

You will not be specifically examined on this topic.

## TOPICS 4 – 8 BUSINESS CYCLES

- Whenever you answer a question in the exam regarding risks, weaknesses and internal controls:
  1. Determine in which **cycle** you are in:
    - Revenue or Receipts (Topic 4)
    - Acquisitions and payments (Topic 5)
    - Inventory and Production (Topic 6)
    - Payroll and Personnel (Topic 7)
    - Finance and investment (Topic 8)
  2. Determine in which **function** you are in (if applicable):  
This can be found in the first section of each of these topics. (Activities and functions)
  3. Determine **what is asked** – weakness / risk / internal controls  
Refer to the document “Weakness, Risk and Internal Controls” under the Additional resources tab on myUnisa.  
You should be able to identify weaknesses from a system description, explain the risks, and provide internal controls/recommendations to mitigate risks.
- **Remember** that you need to be specific.  
*For example:*  
*“The document should be signed by two senior personnel.” will not earn you a mark.*  
*“The **debtors’ master file amendment form (MAF)** should be signed by two senior personnel for example, **the credit controller and senior assistant**” will earn the maximum allocated marks.*
- ☺ Questions for you to do:
  - ☞ Do Learning Unit 4.1.3 Activity 5
  - ☞ Do Learning Unit 4.1.4 Activity 7
  - ☞ Do Learning Unit 4.1.4 Activity 9
  - ☞ Do Learning Unit 5.1.1 Activity 1
  - ☞ Do Learning Unit 5.1.3 Activity 4
  - ☞ Do Learning Unit 5.1.4 Activity 5
  - ☞ Do Learning Unit 6.1.2 Activity 2
  - ☞ Do Learning Unit 6.1.3 Activity 3
  - ☞ Do Learning Unit 6.1.7 Activity 6
  - ☞ Do Learning Unit 7.1.2 Activity 2
  - ☞ Do Learning Unit 7.1.3 Activity 3
  - ☞ Do Learning Unit 7.1.3 Activity 4

***“You’ve worked hard, you’re almost there.  
Do not give up now!”***