

## AUE2602 OCTOBER 2018 EXAM SCOPE AND PREPARATION

The following table indicates the main topics of the study guide, together with approximate percentage marks that will be allocated to each topic for the final exam paper:

Topic	An indication of percentage of marks allocated in the October 2018 exam
Topic 1: Corporate Governance and Statutory Matters	22% - 28%
Topic 2: Internal Controls	22% - 28%
Topic 3: Business Cycles	Theory applies to all cycles
Topic 4: Revenue and Receipts Cycle	5-10%
Topic 5: Acquisitions and Payments Cycle	10% - 15%
Topic 6: Inventory and Production Cycle	10% - 15%
Topic 7: Payroll and Personnel Cycle	10% - 15%
Topic 8: Finance and Investment Cycle	10% - 15%

### 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**). Link to TUT202: [https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Tutorial%20letters%20S2%202018/AUE2602\\_2018\\_TL\\_202\\_2\\_B.pdf](https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Tutorial%20letters%20S2%202018/AUE2602_2018_TL_202_2_B.pdf)
- Redo 8.7: Other assessment methods in your TUT101. The solutions is available in **Tutorial letter 202**. Please take note of how we are marking.
- Make sure you do **ALL** the questions in **Tutorial letter 103** (questions selected from Graded Questions on Auditing 2018). Mark your answer against the solutions (found in **Tutorial letter 102**).
- Please use the slides on myUnisa only for revision purposes.
- Links on myUnisa to the slides:

Topic	Links on myUnisa to slides
Topic 1: Corporate Governance and Statutory Matters	<a href="https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE2602_Topic%201.pdf">https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE2602_Topic%201.pdf</a>
Topic 2: Internal Controls	<a href="https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE2602_Topic%202.pdf">https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE2602_Topic%202.pdf</a>
Topic 3: Business Cycles	<a href="https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE%202602_Topic%203.pdf">https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE%202602_Topic%203.pdf</a>
Topic 4: Revenue and Receipts Cycle	<a href="https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE2602_Topic%204.pdf">https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE2602_Topic%204.pdf</a>
Topic 5: Acquisitions and Payments Cycle	<a href="https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/Topic%2B5.pdf">https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/Topic%2B5.pdf</a>
Topic 6: Inventory and Production Cycle	<a href="https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/Topic%2B6.pdf">https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/Topic%2B6.pdf</a>

Topic 7: Payroll and Personnel Cycle	<a href="https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/Topic%2B7.pdf">https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/Topic%2B7.pdf</a>
Topic 8: Finance and Investment Cycle	<a href="https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE%202602%20_Topic%208.pdf">https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Additional%20Notes/AUE%202602%20_Topic%208.pdf</a>

- Please refer to the videos on myUnisa under the “Additional Resources”.
  - <https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Live%20Broadcasts/portal.joininvideo20180306133130.URL>
  - <https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Live%20Broadcasts/portal.joininvideo20180316102650.URL>
  - <https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Live%20Broadcasts/portal.joininvideo20180323124200.URL>
  - <https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Live%20Broadcasts/portal.joininvideo20180406093954.URL>
  - <https://my.unisa.ac.za/access/content/group/AUE2602-18-S2/Live%20Broadcasts/portal.joininvideo20180510105601.URL>
- 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**

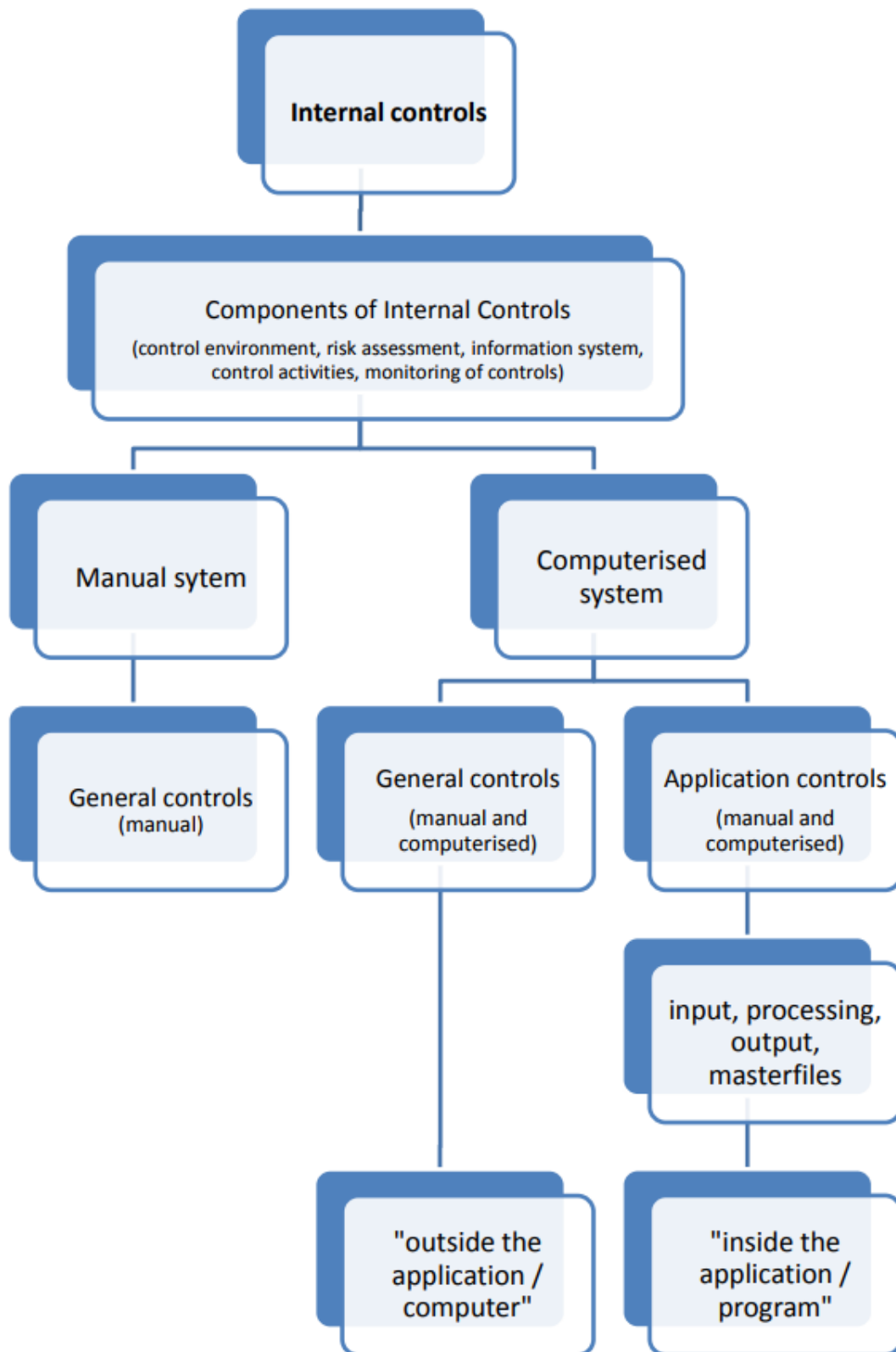
- **Remember that you will be tested on the King IV Report in the exam.**
- When you study Topic 1, for the Board of Directors, the Audit Committee, the Risk Committee, the Nominations Committee and the Remuneration Committee, concentrate on:
  - Who may be the Chairman of the board / committee?
  - Who may be members of the board / committee?
  - How many members should the board / committee have?
  - 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 IV Report.
- The tables found under Learning Units 1.3.3 is very important.
- Also know what the ethical values are.

## TOPIC 2 – INTERNAL CONTROLS:

- Internal controls:
- ➔ Definition and characteristics
  - ➔ Limitations
  - ➔ Components:
    - ➔ Control environment
    - ➔ Risk assessment
    - ➔ Information systems
    - ➔ Monitoring of controls
    - ➔ Control activities:
      - ➔ Approval/ authorisation
      - ➔ Segregation of duties
      - ➔ Isolation of responsibilities
      - ➔ Access/Custody
      - ➔ Comparison and reconciliation
      - ➔ Performance reviews

*Internal controls in a computerised environment (components as per the above summary still apply!)*

- ➔ General controls: Controls in general, that are not specific to an application. These controls would cover a variety of applications, for example:
  - 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 (computerised).
- ➔ Application controls: Controls implemented over/in a specific application, for example:
  - Username and password to log into the banking application (computerised); and
  - 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 (computerised).
- ➔ Questions for you to do from your study guide:
  - Auditing Notes for SA Students (Jackson & Stent) pages 8/16 – 8/22 makes for some interesting reading 😊
  - Auditing Notes for SA Students (Jackson & Stent) pages 8/26 – 8/41 makes for some interesting reading 😊
  - Do Learning Unit 2.2.4.1 Activity 1 (p39)
  - Do Learning Unit 2.2.4.1 Activity 2 (p39)
  - Do Learning Unit 2.3.1 Activity 1 (p44)
  - Do Learning Unit 2.3.2 Activity 2 (p46)



## TOPIC 3 – BUSINESS CYCLES

You will not be specifically examined on this topic.

## TOPICS 4 – 8 BUSINESS CYCLES

- It is very important to go through all the work in your Jackson & Stent.
- 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**
    - 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. (**Who, what, on what and why**)

For example:

“The document should be signed by two senior personnel”. This will not earn you a mark.

**BUT**

“The debtors’ master file amendment form (MAF) (**on what**) should be signed (**what**) by two senior personnel for example, the credit controller and senior assistant (**who**), to acknowledge that they checked for accuracy (**why**)” will earn the maximum allocated marks.

- **Remember** that we can ask you to identify risks and controls mitigating those risks.
- **Remember** that we can also ask you what the documents in the cycles are used for.

✓ Questions for you to do from your study guide:

- ! Do Learning Unit 4.1.1 Activity 1 (p59)
- ! Do Learning Unit 4.1.2 Activity 2 (p60)
- ! Do Learning Unit 4.1.2 Activity 3 (p61)
- ! Do Learning Unit 4.1.2 Activity 4 (p62)
- ! Do Learning Unit 4.1.4 Activity 7 (p67)
- ! Do Learning Unit 4.1.4 Activity 8 (p68)
- ! Do Learning Unit 4.2.1 Activity 1 (p71)
- ! Do Learning Unit 5.1.1 Activity 1 (p77)
- ! Do Learning Unit 5.1.2 Activity 2 (p79)
- ! Do Learning Unit 5.1.2 Activity 3 (p80)
- ! Do Learning Unit 5.1.3 Activity 4 (p81)
- ! Do Learning Unit 5.1.4 Activity 7 (p85)
- ! Do Learning Unit 5.1.4 Activity 8 (p86)

- ! Do Learning Unit 6.1.2 Activity 2 (p92)
- ! Do Learning Unit 6.1.3 Activity 3 (p92)
- ! Do Learning Unit 6.1.5 Activity 5 (p94)
- ! Do Learning Unit 6.1.7 Activity 6 (p96)
- ! Do Learning Unit 7.1.2 Activity 2 (p102)
- ! Auditing Notes for SA Students (Jackson & Stent) pages 13/9 – 13/13 makes for some interesting reading ☺
- ! Do Learning Unit 7.1.3 Activity 3 (p104)
- ! Do Learning Unit 7.1.3 Activity 4 (p104)
- ! Do Learning Unit 7.1.4 Activity 5 (p109)
- ! Auditing Notes for SA Students (Jackson & Stent) pages 14/2 – 14/5 makes for some interesting reading ☺
- ! Do Learning Unit 8.1.2 Activity 1 (p113)
- ! Do Learning Unit 8.1.2 Activity 2 (p114)

## IMPORTANT EXAM TECHNIQUES

### • **MANAGE YOUR TIME:**

Never spend so much time on one question that you don't get around to all the questions in the paper. A good average mark for all questions is better than 100% for one question and a fail for the rest.

The exam paper counts 100 marks and will be written over two hours. This means that you have 1.2 minutes per mark (120mins / 100marks).

Calculate how much time you have for a question before you start answering it. Keep track of time and move to the next question when your time is up, even if you haven't finished your answer.

Do this when you answer questions during your exam preparations. If you have a tendency to run out of time, focus on writing faster or more concise.

### • **PAGE THROUGH THE EXAM PAPER:**

This is to ensure that you see how many questions there are, and how where questions continue on the following page, to ensure that you do not leave out questions, or answer questions partially.

Note the number of questions and how many marks each is worth. Quickly reading over the questions will assist in activating your memory. Decide which questions will be easier to do and which ones will take longer and budget your time accordingly. Allocate time to review the examination and make corrections. If you think of something while you are previewing the examination, write it down immediately.

### • **READ YOUR QUESTIONS CAREFULLY AND TACKLE EACH QUESTION SYSTEMATICALLY:**

ALWAYS read the instructions carefully. Many students do not take the time to do this and then discover that they did not answer what was required. By misinterpreting the question, students earn no marks for their effort.

It is important to underline the key words in the question. Is it a one-part or two-part question? What are you being asked to do? Identify what you have and what you need. Decide how you plan to get to the answer and make a few notes on the steps you will take. This will also assist you with finding and correcting mistakes.

THEY SAY IN AUDITING THE ANSWER IS IN THE QUESTION! The following example illustrates this point:

**Question:**

Identify the weaknesses in the payments system described above. For each weakness you identify, explain briefly why you consider it to be a weakness.

**Answer:**

Identify the weaknesses in the payments system described above. For each weakness you identify, explain briefly why you consider it to be a weakness.

- **WHO, WHAT, ON WHAT, WHY...**

Try to address the three constructs of WHO, WHAT, ON WHAT and WHY when formulating an internal control.

For example (from Revenue and Receipts Cycle):

The order clerk should sign all internal sales orders before sending them to the warehouse for picking, to ensure isolation of responsibility.

- **WHO:** The order clerk
- **WHAT:** should sign before sending to the warehouse
- **ON WHAT:** internal sales orders
- **WHY:** to ensure isolation of responsibility (or to indicate that he did check the order against the approved customer list).

This isn't a rule and is not always applicable to all controls, but this will help you to ensure that you properly formulate your internal controls and get maximum marks in the exam.

"The order clerk should sign the ISO" or "There should be isolation of responsibility in sales" won't get you far in the exam.

- **WRITE SOMETHING DOWN FOR EVERY QUESTION**

Write down anything you know that is related to the question, especially if you do not know the answer. Do not leave a question unanswered. Try to answer it.

- **WRITE 1.5 TIMES:**

None of us are perfect and you can't expect to get 100% for what you have written in your answer. So, rule of thumb: where possible, write 1.5 times for the number of marks that was asked.

For example if the question counts 10 marks, write 15 answers. That way if you expect to get 50% for what you have written (to be safe) you will have 7.5 out of ten.

Remember, we're on your side. Help us to 'find' valid answers to award marks to by writing enough.

- **IF YOU "DRAW A BLANK":**

First, do not panic and allow anxiety to take control of how you are going to do on the examination. Ask yourself, "What do I need to know to answer this question?" and start writing down your thoughts. Avoid negative self-talk – focus on the task instead of on yourself.



- **REVIEW AND MAKE CORRECTIONS:**

Take the time to go over the examination and check your answers. Do not change anything unless you are 100% sure it is correct.

- **REMAIN IN THE VENUE**

Do not leave the venue until the examination invigilators throw you out! Sometimes, it takes a little more time for information in your memory to “surface”, so use all the time you are given.

**REMEMBER THAT:**

CORPORATE GOVERNANCE WILL MAKE UP **MORE OR LESS 25%** OF THE EXAM PAPER.

Do not spend so much time on topic 1 that you don't have time left to study the other 75% (topics 2-8).

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

