



University of Fort Hare
Together in Excellence

**NKUHLU DEPARTMENT OF ACCOUNTING
GOVERNANCE & AUDITING 3
AUD300E**

**TUTORIAL TEST 3
15 May 2023**

ASSESSOR: Ms. Lieketseng Motalingoane
MODERATOR: Ms. Thuliswa Dlokova (Internal)
TIME: 1 hours (plus 10 minutes reading time)
MARKS: 40
PAGES: 5 pages (including front page and required)

INSTRUCTIONS:

1. Answer **all** the questions.
2. Start each question on a new page.
3. Show all workings clearly – marks are allocated to workings.
4. Only answers in ink will be marked (including workings). Pages where pencil or tippex were used will not qualify for remarking.
5. Only silent, non-programmable calculators are allowed.
6. Calculate the time that you should spend on each question by multiplying the number of marks for each question by 1.5 to determine the time, in minutes, available for each question. Adhere to these time constraints in order to finish the paper in the given time.
7. Delete all open spaces on your answer sheets with pen. Pages on your answer sheets that contain open spaces will not be eligible for a remark.
8. Students that contravene the rules in the General Prospectus of the University of Fort Hare will be disciplined in accordance with said rules.

Question	Topics covered	Marks	Minutes
1 (i)	King IV	16	24
1 (ii)	Companies Act	14	21
1 (iii)	Ethics	10	15
Total		40	60

QUESTION ONE**(40 MARKS: 60 MINUTES)**Background information

You are a director at Just Vibes (Pty) Ltd (“Just Vibes”). Just Vibes is a sophisticated nightclub in a contemporary-styled venue to enjoy a night out in East London. This black-owned lifestyle space was officially launched in March 2015 by two brothers, Senzo and Mshayi Mlandu. Just Vibes has a 28 February year-end.

Just Vibes holds a fully stocked bar, that is the perfect self-contained space for a highly exclusive entertainment experience. The venue has become a celebrities’ oasis and personalities such as world-renowned Aunt Waffles, DJ Mapholisa, Kabza De Big, DJ Zee and many more.

In terms of the Memorandum of Incorporation the company has elected to comply with the King IV Report principles, to enhance its transparency and accountability.

Governance structure

Just Vibes prides itself on being a wholly black-owned and governed company. The following are the board members of Just Vibes:

Name	Qualifications/ Experience	Shareholding	Position	Additional details
Mr. Senzo Mlandu (30)	Bachelor of Music	35%	Chairman and Co-CEO	N/A
Mr. Mshayi Mlandu (32)	Bachelor in Entertainment business ¹	35%	Co-CEO	N/A
Mr. Mangaliso Mali (29)	Diploma in Human Resources	N/A	Financial Director	Studying 1 st year Diploma in Accounting
You	Studying 3 rd year BCom Accounting	4% Material to your personal wealth	Chief Financial Officer Company secretary	N/A
Mr. Zola Kale (34)	10 years’ experience as a waiter	6%	Human resource and marketing director	He has no other assets besides the shares.
Mr. Liso Mlandu (65)	Owens ten night clubs and sits on eleven boards.	N/A	Independent, non-executive director	Father of Senzo and Mshayi
Mr. Andile Ndletyana (29)	BCom Accounting, PGDA and ITC Aspiring CA(SA)	5% Material to his personal wealth	Independent, non-executive Lead Independent Director	Full-time employee at ABSA bank and part-time at the University of

¹ This course teaches students the operational, financial and marketing aspects of the entertainment industry.

				Fort Hare
Mr. Thimba Sekowe (36)	DJ, record producer, singer and song writer All which are time demanding.	15%	Non-executive	Professionally known as DJ Mapholisa.

Members of the Remuneration Committee:

Mr. Senzo Mlandu	Chairperson
Mr. Andile Ndletyana	Member
Mr. Thimba Sekowe	Member

There are no other directors and Just Vibes does not intend on making changes to its current governance structure. Just Vibes has its annual general meeting in the first week of March annually.

Matters arising from the minutes of the board of directors.

The board of directors held a meeting on 31 March 2023, in preparation for the company's annual New Years' Eve party. The following two matters were discussed:

Matter 1

Just Vibes has never been audited. Mr. Andile Ndletyana raised a concern that the company should have appointed an external auditor for the year ended 2022 and still believes that the company should appoint the auditor for the current financial year. Mr. Liso Mlandu was of the opinion that auditors are only required for JSE listed companies. Anele requested an extract from the financial statements from the Financial Manager and gave it to his friend to help him prove he is right.

Extract from the financial statements

	28 February 2023	28 February 2022	28 February 2021
Number of employees	320	316	284
Revenue	31 710 500	28 410 500	25 214 900
Mortgage and bank overdraft	23 714 900	13 214 900	10 780 900
Loans from shareholders	10 000 000	10 000 000	10 000 000

You attended SAICA's corporate governance, statutory and ethics training held on 14 May 2023. You were advised to identify concerns and provide recommendations in the next board meeting. Matter 1 discussed above has since not been resolved.

Matter 2

Mr. Liso Mlandu said he had a very excellent idea to pitch to the board on how the company can make a lot of money in the New Years' Eve party. He pitched the following:

T A B L E M I N I M U M S P E N D		
TABLE 1	TABLE 2	TABLE 3
R1000 000	R750 000	R500 000
TABLE 4	TABLE 5	TABLE 6
R250 000	R150 000	R100 000
TABLE 7	TABLE 8	TABLE 9
R75 000	R50 000	R25 000
	TABLE 10	
	R10 000	

The minimum spending amounts for tables will range from R10 000 at Table 10 to R1 million at the exclusive 50-seater Table 1. The space is bigger, more luxurious and the minimum spend is inclusive of the entire VIP experience which cannot be found anywhere else in East London.

Our target market will be the affluent and the venue attracts people who are extremely successful and enjoy the VIP nightlife experience, including business owners, international superstars, politicians, tourists, and royalty.

Table 1 seats up to 50 people with six dedicated security guards, four personal waitresses, two personal photographers, and two personal videographers to capture all the moments. There will also be platters throughout the evening with a surprise gift package and guests will automatically become Just Vibes Club members.

The menu will range from R2 000 to R200 000 per bottle with a selection of premium brands such as Moet, Dom Perignon, Azul, Hennessy Paradis 75, Hennessy XO, Don Julio 1942, Avion Reserve 44, Clase Azul Ultra, Bisquit XO, and may more.

All the directors loved the idea and were excited to implement it. Mr. Liso Mlandu said he would love to bring to the board's attention that Just Vibes does not hold sufficient stock to meet the demand for the party.

Mr. Zola Kale said with his many years of experience as a waiter he knows a way around meeting the demand. He said he will order a lot of the cheaper alcohol brands from suppliers and replace the labels with the premium brands and as the majority of the customer will be drunk, they will not taste the difference.

All the directors said it was a good idea, except for Anele who mentioned that this could

ruin Just Vibes reputation if word got out. Zola said in order not to attract a lot of attention, Liso would need to order for his ten-night clubs and deliver the bottles at night to Just Vibes. Liso would be paid cost plus 20% mark-up. All directors were convinced and voted for the decision to implement Zola's idea.

QUESTION ONE – REQUIRED		Marks	
		Sub-Total	Total
	Discuss any corporate governance, statutory and ethical concerns you have based on the information provided.		40
	Include in your discussion considerations relating to:		
	(i) King IV	16	
	(ii) Companies Act	14	
	(iii) Ethics	8	
	<i>Communication – Layout and clarity of expression.</i>	2	
TOTAL			40

*** End of assessment ***