



University of Fort Hare
Together in Excellence

**NKUHLU DEPARTMENT OF ACCOUNTING
ADVANCED DIPLOMA IN ACCOUNTING
GOVERNANCE & AUDITING
AAU301E**

**FINAL ASSESSMENT OPPORTUNITY
NOVEMBER 2019**

***** REQUIRED INFORMATION *****

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 ONE – REQUIRED		Marks	
		Sub-total	Total
(a)	Based on the information in Appendix A , discuss whether Leather-4-Africa would be able to make a statement in its annual report indicating full application of the recommended practices contained in the King IV Report of Corporate Governance. <i><u>Exclude</u> from your discussion any reference to the <u>nomination and audit committees</u>.</i>	15	15
(b)	Indicate, with full motivation, whether each of the individuals recommended for membership of the audit committee in Appendix A , are eligible for appointment on this committee to comply with the highest standards of corporate governance.	15	15
(c)	For each of the matters provided in Appendix B , discuss if the advice provided by Mr Expert is correct and discuss any non-compliance with the Companies Act 71 of 2008 with regard to the actions taken. <i>NOTE: You can assume that Mr Moon and Leather-4-Africa Ltd acted in accordance with the advice provided by Mr Expert.</i> <i>Communication skills: Logical argument</i>	12 1	13
(d)	With reference to work paper G110 , discuss the audit procedures to verify the accuracy, valuation and completeness of the provision for obsolete stock.	12	12
(e)	With reference to work paper G110 , what controls would Mr Thando Nnadi want to put in place to ensure that the input of the standard costs onto the system at the beginning of the year is valid, accurate and complete?	8	8
(f)	With reference to N3 on work paper P100 , discuss the effect that the subsequent event might have on the financial statements of Leather-4-Africa Ltd for the year ended 30 June 2019.	3	3
(g)	Based on the information in work paper P100 , evaluate each of the uncorrected misstatements and the effect of these matters on the audit opinion of Leather-4-Africa Limited for the year ended 30 June 2019. <i>Communication skills: Clarity of expression</i>	9 1	10
(h)	Draft a memo to your audit trainee outlining the mistakes he has made in the draft audit report on work paper Y100 and explain what he should have done. For this section you may assume that the client is unwilling to make any changes to the financial statements. <i>Communication skills: Layout</i>	16 2	18
TOTAL			94

QUESTION TWO – REQUIRED		Marks	
		Sub-total	Total
(a)	Identify the significant risks of material misstatement at Daily Laundry Ltd which are evident from the purchase of the new washing machines and dryers. For each risk identified, name the appropriate assertion.	12	12
(b)	For each significant risk identified in (a) above, detail the KEY audit procedures to ensure that the risk of material misstatement in the financial statements is reduced to an acceptable level. <i>NOTE that lists of detailed audit procedures are not required.</i>	12	12
	Present your answer to (a) and (b) in a tabular format. <i>Communication skills: Logical argument</i>	2	2
	TOTAL		26

Sources: Rhodes / University of Free State (adapted extracts)