



ACCOUNTING

SCHOOL BASED ASSESSMENT

GRADE 12

WRITTEN REPORT
TERM 1: 2021

MARKS	: 50
DURATION	: 1 Hour
TOPICS	: Corporate Governance Business Rescue Plan Auditing and Corporate Governance

NOTE

- The task should be administered in class under the supervision of the educator.
- Learners **MUST NOT** be complete at home.
- **ALL** the Sections should be researched, learners should be given the attached rubric to guide them on sections to research.

ACCOUNTING GRADE 12
TASK 1: WRITTEN REPORT: QUESTION PAPER

MARKS: 50

DURATION: 1 HOUR

CRITERIA			
SECTION A	Distribution of marks		MARKS
			Total
Explain the role of the Board of Directors in a public company? Provide FOUR points.	Allocate one mark for each valid point		4
Members of the committees and explain the role they play in the company: (a) Audit Committee (b) Remuneration Committee (c) Social and Ethics Committee (d) Risk Committee	Members of committees 1 mark x 4	Role of each committee 1 mark x 4	8
Role of directors	Executive directors 3 marks	Non-executive directors 3 marks	6
Role of auditors	Internal auditors 3 marks	Independent auditors 3 marks	6
Explain what information is included in the directors' report?	Two points 1 mark	Four points 2 marks	2
TOTAL MARKS		26	
SECTION B			
Business Rescue Plan			
Purpose of business rescue plan	1 mark , for 2 points	2 marks for 4 points	2
Information included in the plan	1 mark , for 2 points	2 marks for 4 points	2
How to identify insolvency problems and solutions	1 mark – problem 1 mark – solution	2 marks – problems 2 marks – solutions	4
Parties affected by rescue plan	1 mark - 2 parties	2 marks - 4 parties	2
TOTAL MARKS		10	
SECTION C			
Auditing and Corporate Governance	ALLOCATE MARKS AS INDICATED IN THE MARKING GUIDELINE		14
TOTAL MARKS			
TOTAL MARKS: A + B +C (26 + 10 + 14)		50	

SECTION A

- Allow learners to bring information researched in class
- Plagiarism is not allowed (copy information from the source as it is).

CORPORATE GOVERNANCE

(26 MARKS)

Tugela Brothers is owned by eight partners, they are in the process of registering their business as "Tugela Limited". Their business supplies cleaning equipment and PPE's (Personal protective equipment) to businesses and government departments. The partners have done research on the registering of companies but are areas that need clarity. They approached you to prepare a report that will explain the information:

- Board of Directors
- Different Committees
- Roles and responsibilities of directors and auditors
- Annual Report

The following aspects should be included in the report

	CONCEPTS	QUESTIONS	MARKS												
1	Board of directors-the minimum number of directors required in a public company is two directors.	Explain the role of the Board of Directors in a public company? Provide FOUR points.	(4)												
2	The board of directors is responsible for appointment of members of committees.	Who must be members of the committees indicated below and explain the role of each committee. (e) Audit Committee (f) Remuneration committee (g) Social and Ethics Committee (h) Risk Committee	(8)												
3	The roles of directors of the company and the roles of auditors.	Explain the roles of directors of the company and the roles of auditors using the categories provided, explain in THREE points. <table border="1"> <tr> <td colspan="2">Roles of directors</td> </tr> <tr> <td>Executive</td> <td>Non-Executive</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td colspan="2">Roles of Auditors</td> </tr> <tr> <td>Internal</td> <td>External /Independent</td> </tr> <tr> <td></td> <td></td> </tr> </table>	Roles of directors		Executive	Non-Executive			Roles of Auditors		Internal	External /Independent			(12)
Roles of directors															
Executive	Non-Executive														
Roles of Auditors															
Internal	External /Independent														
4	The Annual report include the following reports and more depending on the structure of the company: <ul style="list-style-type: none"> Financial reports Auditor report Directors Report 	Explain what information is included in the directors' report? Provide at least FOUR points or examples.	(2)												

SECTION B

BUSINESS RESCUE PLAN

(10 Marks)

Hlanganani Limited is a medium size company that trades in locally produced clothes, their sales figures have been affected by the Covid 19 pandemic. The company was established 5 years ago and their revenue had been growing at an average of 20% per annum, before the country was affected by the first wave of the pandemic.

When the country was locked in March 2020 they experienced huge losses and they have not fully recovered, they are struggling to repay their creditors. They have requested you as a senior Accountant to present a report that will assist them in avoiding liquidation or insolvency.

REQUIRED

The report should address the following information / Questions.

	CONCEPTS	QUESTIONS	MARKS
1.	Purpose of the business rescue plan.	Explain the purpose of the business rescue plan, provide TWO points	(2)
2.	The business rescue practitioner must be an experienced and qualified Chartered Accountant who will work in collaboration with the CEO of the company and legal practitioner(s)	(a) Provide information that must be included in the rescue plan, FOUR points. (b) Provide TWO common insolvency problems and options/solutions that can be applied by the business.	(2) (4)
3	Parties affected by the business rescue plan.	Provide FOUR parties affected by the business rescue plan.	(2)

AUDITING AND CORPORATE GOVERNANCE

Tugela Brothers requested you to engage them further on the Audit reports and the ethical responsibility of auditors, use the information provided below to present the requested report.

INFORMATION A

To Shareholders

We have audited the financial statements set out on pages 12 to 32 ...

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 28 February 2020 ...

... in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act (Act 71 of 2008) of South Africa.

Basis for Opinion

We are independent of the company ...

We have fulfilled our ethical responsibilities, which are consistent with international standards ...

... and the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

(a) Provide a brief explanation of the words / statements underlined on the extract above. (9)

(b) Comment on the type of Audit Report illustrated above and support your answer. (2)

INFORMATION B

A shareholder with close ties with the external audit company has decided to sell his shares back to the company at a price that is lower than the current market price. This shareholder owns 40% of the shares in the business.

(c) Discuss the actions of this shareholder by providing **THREE** points. Your answer should include the relationship between the shareholder and the independent auditor as well as the market price and his percentage shareholding. (3)

TOTAL MARKS: 50

TASK 1: WRITTEN REPORT: ANSWER SHEET

NAME:	MARKS: 50
DATE:	DURATION: 1 HOUR

CRITERIA			MARKS	
SECTION A	Distribution of marks		Total	Learner
Explain the role of the Board of Directors in a public company? Provide FOUR points.	Allocate one mark for each valid point		4	
Members of the committees and explain the role they play in the company: (a) Audit Committee (b) Remuneration Committee (c) Social and Ethics Committee (d) Risk Committee	Members of committees 1 mark x 4	Role of each committee 1 mark x 4	8	
Role of directors	Executive directors 3 marks	Non-executive directors 3 marks	6	
Role of auditors	Internal auditors 3 marks	Independent auditors 3 marks	6	
Explain what information is included in the directors' report?	Two points 1 mark	Four points 2 marks	2	
TOTAL MARKS			26	

SECTION B

Business Rescue Plan			
Purpose of business rescue plan	1 mark , for 2 points	2 marks for 4 points	2
Information included in the plan	1 mark , for 2 points	2 marks for 4 points	2
How to identify insolvency problems and solutions	1 mark – problem 1 mark – solution	2 marks – problems 2 marks – solutions	4
Parties affected by rescue plan	1 mark - 2 parties	2 marks - 4 parties	2
TOTAL MARKS			10

SECTION C

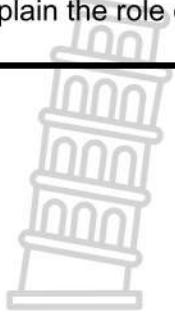
Auditing and Corporate Governance	ALLOCATE MARKS AS INDICATED IN THE MARKING GUIDELINE	14

TOTAL MARKS: A + B +C (26 + 10 + 14)

50

SECTION A : CORPORATE GOVERNANCE

1. Explain the role of the Board of Directors in a public company? Provide **FOUR** points.



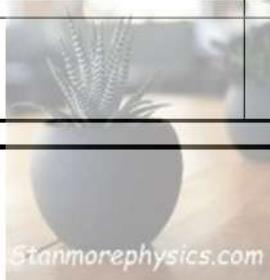
4

2. Who must be members of the committees indicated below and explain the role of each committee.

Committees	Members of committee	Role of committee
(a) Audit Committee		
(b) Remuneration committee		
(c) Social and Ethics Committee		
(d) Risk Committee		

8

3. Explain the roles of directors of the company and the roles of auditors using the categories provided, explain in **THREE** points.

Roles of directors	
Executive	Non-Executive
Roles of Auditors	
Internal	External /Independent
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12	

4. Explain what information is included in the directors' report? Provide at least **FOUR** points or examples.

2

TOTAL MARKS
26

SECTION B: BUSINESS RESCUE PLAN

1. Explain the purpose of the business rescue plan, provide **TWO** points.

2	

2 (a) Provide information that must be included in the rescue plan, **FOUR** points.

(b) Provide **TWO** common insolvency problems and options/solutions that can be applied by the business.

Common insolvency problems	Possible solutions

6	

3. Provide **FOUR** parties affected by the business rescue plan.

2	

TOTAL MARKS
10

SECTION C : AUDITING AND CORPORATE GOVERNANCE

(a) Provide a brief explanation of the words / statements underlined on the extract above.

- (i) Pages 12 to 32
- (ii) In our opinion
- (iii) Present fairly, in all material respects -
- (iv) IFRS
- (v) Companies Act (Act 71 of 2008)
- (vi) Independent
- (vii) Ethical responsibilities
- (viii) Audit evidence
- (ix) Sufficient and appropriate

(b) Comment on the type of Audit Report illustrated above and support your answer

11

(c) Discuss the actions of this shareholder by providing **THREE** points. Your answer should include the relationship between the shareholder and the independent auditor as well as the market price and his percentage shareholding.

3

TOTAL MARKS
14

TASK 1: WRITTEN REPORT: MARKING GUIDELINES

MARKS: 50

DURATION: 1 HOUR

CRITERIA		MARKS	
SECTION A	Distribution of marks	Total	
Explain the role of the Board of Directors in a public company? Provide FOUR points.	Allocate one mark for each valid point	4	
Members of the committees and explain the role they play in the company: (a) Audit Committee (b) Remuneration Committee (c) Social and Ethics Committee (d) Risk Committee	Members of committees 1 mark x 4	Role of each committee 1 mark x 4	8
Role of directors	Executive directors 3 marks	Non-executive directors 3 marks	6
Role of auditors	Internal auditors 3 marks	Independent auditors 3 marks	6
Explain what information is included in the directors' report?	Two points 1 mark	Four points 2 marks	2
TOTAL MARKS		26	
SECTION B			
Business Rescue Plan			
Purpose of business rescue plan	1 mark , for 1 point	2 marks for 2 points	2
Information included in the plan	1 mark , for 2 points	2 marks for 4 points	2
How to identify insolvency problems and solutions	1 mark – problem 1 mark – solution	2 marks – problems 2 marks – solutions	4
Parties affected by rescue plan	1 mark - 2 parties	2 marks - 4 parties	2
TOTAL MARKS		10	
SECTION C			
Auditing and Corporate Governance	ALLOCATE MARKS AS INDICATED IN THE MARKING GUIDELINE		14
TOTAL MARKS: A + B +C (26 + 10 + 14)		50	

SECTION A : CORPORATE GOVERNANCE

1. Explain the role of the Board of Directors in a public company? Provide **FOUR** points.

Allocate one mark for each valid point ✓ ✓ ✓ ✓ (1 x 4)

- The board provides direction for the organization, the board has the strategic function of providing the vision, mission and goals of the organisation.
- The board has the responsibility of developing the governance system or the policies that will guide their actions and the actions of managers.
- Provide effective and ethical leadership that is built on four pillars such as responsibility, transparency, honesty and accountability.
- The board should ensure that the company is a responsible corporate citizen, it should not only be concerned about the financial aspects but also the impact of the operations on the environment and the society within which it operates.
- Ensure that the company has effective and independent audit committee.
- The board is responsible for the risk management within the organisation.
- The board is responsible for the governance of information and technology, this will give an indication of how the company's current and future objectives are affected by digital development.
- The board should ensure that the company complies with applicable laws, they should ensure that awareness is raised about the rules, laws, codes and standards that should be implemented throughout the business.
- The board must commence business rescue proceedings as soon as the company is financially distressed/struggle to generate profits.
- The board must elect a chairman of the board that should be an independent non-executive director.
- Any valid answer(s)

2. Who must be members of the committees indicated below and explain the role of each committee.

Allocate one mark for members ✓ and one mark for the role of committee✓

Committees	Members of committee	Role of committee
(a) Audit Committee	<ul style="list-style-type: none"> At least three non-executive directors of the company must be members of the committee 	<ul style="list-style-type: none"> Make submissions to the board regarding the accounting policies, financial controls, accounting records and reporting. Nominate the independent auditor. Ensure that the appointment of an auditor complies with Companies Act and other relevant legislation.
(b) Remuneration committee	<ul style="list-style-type: none"> Majority of members should be non-executive directors. The chairperson of the committee should be an independent, non-executive director. 	<ul style="list-style-type: none"> Review salaries, bonuses and other earnings To prevent directors from paying themselves very high salaries They must approve and give advice on the proposed fees, bonuses etc.
(c) Social and Ethics Committee	<ul style="list-style-type: none"> A minimum of three members, who are directors or prescribed officers of the company, one of them should be a non-executive director. 	<ul style="list-style-type: none"> Have to monitor the company's social and economic development. Monitor good corporate citizenship, including contribution to development of communities in which services/products are provided or marketed. Monitor the impact of the public activities and its products or services to the environment, health and public safety. Monitor consumer relationships, the company's policies and record relating to advertising, public relations and compliance with consumer protection laws.
(d) Risk Committee	<ul style="list-style-type: none"> A minimum of three members, who are executive directors, non-executive directors and even non-directors. This committee must be chaired by a non-executive director. 	<ul style="list-style-type: none"> The committee is responsible for the risk policy and plan, they must monitor and review policies and plans. Responsible for performing risk assessment on regular basis Determine the company's risk appetite and risk tolerance <u>Monitor the whole risk management process</u>, the internal and external assurance providers will provide feedback on the effectiveness of this process.

Any valid answer(s)

3. Explain the roles of directors of the company and the roles of auditors using the categories provided, explain in **THREE** points.

Roles of directors	
Executive	Non-Executive
<ul style="list-style-type: none"> They are involved in the <u>day-to-day management of the company</u> and they are full-time salaried employees of the company. Developing and directing organizational strategy. Preparing comprehensive budgets. Reporting on revenue and expenditure. They review performance of the company. Engaging with community groups. Creating sound business plans. Coaching department heads. 	<ul style="list-style-type: none"> They provide an objective judgement that is independent of management on issues facing the company. Monitor the performance of executive management, especially with regard to the progress made towards achieving the determined company strategy and objectives. They connect the business and board with networks of potentially useful people and organisations. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. Accept the role they play particularly in the remuneration and audit committees
Roles of Auditors	
Internal	External /Independent
<ul style="list-style-type: none"> Internal auditors generally do not perform a single comprehensive annual audit, but rather conduct a number of smaller focused internal audits throughout the year. Internal auditors generate reports for the use of management. They are also responsible for the internal control procedures of an organization and prevention of fraud. They assess a company's IT (Information Technology) and/or business processes. Assess the company's risks and the efficiency of its risk management efforts. Ensure that the organization is complying with relevant laws and policies. Evaluate internal control processes and make recommendations on how to improve. 	<ul style="list-style-type: none"> Responsible for investigating financial statements for errors and fraud, performing audits on operations, and reporting on findings, and providing recommendations. They are responsible for auditing the company's financial statements and providing reasonable assurance that they are presented fairly and in compliance with GAAP and IFRS.(International Financial Reporting Standards) They protect the interests of shareholders, external audits are conducted independent of the company's influence. Express an opinion on whether an entity's financial statements are free of material misstatements. External audit reports are prepared for use by external entities (e.g., investors, clients, lenders, and other stakeholders).
Any valid answer(s)	

4. Explain what information is included in the directors' report? Provide at least **FOUR** points or examples.

Allocate one mark for each valid point ✓ ✓ ✓ ✓ (1 x 4)

- The names of each director who served during the reporting year
- A summary of the company's trading activities
- A summary of future prospects
- The principle activities of the company and, if relevant, the principle activities of its subsidiaries;
- Recommendations for dividends for the current year
- Any financial events that occurred after the date on the balance sheet, if these events could affect the company's finances;
- Significant changes to the company's fixed assets.
- Appointment of the independent auditor
- Audit committee and its function
- Directors interest in shares
- Directors contractual benefits
- Loans to directors /borrowing limitations
- *Any valid point*

2

TOTAL MARKS

26

SECTION B: BUSINESS RESCUE PLAN

1. Explain the purpose of the business rescue plan, provide **TWO** points.

One mark for each valid point ✓ ✓ (1 x 2)

- To provide a company with temporary supervision and protection against its creditors, just to give them a "breathing space" to reorganise and restructure their financial affairs.
- It is to provide better return to the creditors of the company than what they could have received if the company was to be immediately liquidated.
- To restructure the affairs of the company in an attempt to ensure that the company continues in existence on a solvent basis.

2

2 (a) Provide information that must be included in the rescue plan, **FOUR** points.

Section 150 of the Act provides a framework for what the business rescue plan must contain :

- A list of assets and secured assets
- A list of creditors and secured creditors
- Possible dividends
- It must have enough detail to help affected persons in deciding whether to accept or reject the plan.
- It also includes information relating to creditors, assets, company securities, and more.
- A copy of the written agreement concerning the business rescue practitioner's remuneration

(b) Provide **TWO** common insolvency problems and options/solutions that can be applied by the business.

Common insolvency problems	Possible solutions
Poor cash-flow can be a sign of something critically wrong with your business.	Restructure the debt and arrange the payment plan with creditors or debtors.
Delayed payments from debtors.	Outsource the collection of overdue amounts and also indicate how this can be funded.
High interest paid to creditors for overdue amounts.	
If the liabilities of the business exceed the assets	Use the assets of the business to raise funds.

Solutions do not necessarily have to match the problems

6

3. Provide **FOUR** parties affected by the business rescue plan.

• Creditors	• Shareholders
• Employees	• Directors
• Trade Union	

2

TOTAL MARKS
10

SECTION C : AUDITING AND CORPORATE GOVERNANCE

(a) Provide a brief explanation of the words / statements underlined on the extract above.

(i) **Pages 12 to 32**

- These are the pages (Financial Statements) extracted from the Annual report, the auditors are only responsible for the information obtained from these pages, and they cover the scope (extent) of their audit. ✓

(ii) **In our opinion**

- Based on findings (could be random sample) ✓

(iii) **Present fairly, in all material respects**

- The fair presentation of financial statements is judged according to the uniform standards or generally accepted accounting principles. ✓

(iv) **IFRS**

- Business operates on the international markets; policies are consistent and comparable ✓
- The company is influenced by the global economy/exchange rates

(v) **Companies Act (Act 71 of 2008)**

- Policies are consistent and comparable ✓
- Abides by the laws of the country in terms of disclosure, taxes and ethics.
- Financial statements are prepared according to applicable Accounting framework and meet the requirements of the Companies Act.

(vi) **Independent**

- Unbiased / no vested interest in the company ✓

(vii) **Ethical responsibilities**

Not influenced by bribery / corruption ✓

(viii) **Audit evidence**

- Audit evidence: Records, external source documents etc. inspected by auditors in coming to the conclusion as expressed as an opinion. ✓

(ix) **Sufficient and appropriate**

- The evidence was relevant and they have seen enough to come to their decision ✓

(b) Comment on the type of Audit Report illustrated above and support your answer

Unqualified report ✓

Financial statements that have been audited are fairly and correctly presented on their records and it complies with the accounting standards. ✓

(c). Discuss the actions of this shareholder by providing **THREE** points. Your answer should include the relationship between the shareholder and the independent auditor as well as the market price and his percentage shareholding.

Three valid points ✓ ✓ ✓

- Close ties with external auditor – could be receiving privileged information about the company / possible collapse in the future (insider trading)
- External auditor is expected to be unbiased and impartial
- He owns a large percentage of shares / someone else could end up being a majority shareholder / share capital will be deflated (reduced) – may result in unrealistic financial indicators in the future (smaller share capital) /
- Market price is a reflection of the image of the company and the demand for shares – it does not make sense to accept a lower price if he could sell his shares on the JSE.
- This shareholder is trying to cut his losses and get out before a disaster
- He has 40% of shares so his losses would be greater.

3

TOTAL MARKS
14



ACCOUNTING GRADE 12
TASK 1: WRITTEN REPORT: QUESTION PAPER

MARKS: 50

DURATION: 1 HOUR

RUBRIC

CRITERIA

SECTION A	Distribution of marks	MARKS	
		Total	Learner
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SECTION B

Business Rescue Plan			
Purpose of business rescue plan	1 mark , for 2 points	2 marks for 4 points	2
Information included in the plan	1 mark , for 2 points	2 marks for 4 points	2
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SECTION C

Auditing and Corporate Governance	ALLOCATE MARKS AS INDICATED IN THE MARKING GUIDELINE	14
TOTAL MARKS		
TOTAL MARKS: A + B +C (26 + 10 + 14)		50