

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL FOUR

INTEGRATION OF KNOWLEDGE – PAPER 16

COMPREHENSIVE CASE STUDY QUESTIONS

AFTERNOON SESSION MATERIAL

FRIDAY, 22 JUNE 2012

INSTRUCTIONS TO CANDIDATES

1. Time allowed: **3 hours 30 minutes**.
12.30 p.m. – 4.00 p.m. (3 hours 30 minutes).
2. The following pages contain a compulsory case study question carrying 100 marks.
3. The completed answers and any working papers, clearly labeled working papers must be handed in at the end of the afternoon session. Where working papers form part of your answer, ensure that they are appropriately cross referenced.
4. It is in your interest that you hand in all written materials prepared during the examination.

Following the emergency board meeting held earlier today, the board has decided to immediately engage you as a management consultant to assist them in sorting out the business challenges they are facing in order to avert a crisis. The chairperson has indicated that he expects you to assist his team in prioritising the action points on the way forward into urgent priorities, things for consideration in the medium term and other issues to be considered in the long term. He also expressed confidence that amid all these challenges, HBZL's share price performance would rebound in the next few weeks. He said, ".....this is just some temporary turbulence. The public will soon realise how financially stable and undervalued this company is. The board is committed to better performance and will never be satisfied with a stock price. It should always go higher and higher. I see this happening especially now that we are going to bring this turbulence under control."

Referring to a recent inspection report from the central bank of Ziram he added, " I absolutely have no doubt in my mind that the situation will be brought under control, after all we are in the good books of the regulator."

According to the draft terms of reference, your input is required on the following matters.

Section A: Finance and Accounting Issues

- A1: An evaluation of the immediate financing options.
- A2: HBZL's compliance with International Accounting Standard (IAS) 24: Related Party Disclosures
- A3: Key provisions of International Accounting Standard (IAS) 34: Interim Financial Reporting, regarding comparatives.
- A4: How the accounting profession may combat creative accounting.

Section B: Audit and Governance Matters

- B1: Potential threats to auditor independence and how they may be guarded against.
- B2: The balance between business and professional decisions in accepting audit engagements.
- B3: Audit quality control mechanisms to be considered by Vuyo & Co..
- B4: The value added by full time presence of external auditors at their client's premises.
- B5: The need for regulation of executive compensation.

Section C: General Strategic and Economic Aspects

- C1: The key causes of the present challenges at HBZL.
- C2: The impact of monetary policy decisions by the central bank of Ziram on the operations of HBZL.
- C3: How the Euro Zone debt crisis may affect the economy of Ziram.
- C4: Potential legal and regulatory reforms in the Ziram financial sector.