



Part B	Grade		Coverage	Depth
Audience				
		Appropriate for Travis Jagger		
		Clarity of expression of arguments		
Context				
		Appropriate tone		
		Refers to the fact that fair value estimate should not be used to unduly inflate to boost MHG's financial position		
Technical				
Primary level application				
		Discusses the accounting implications		
		Refers to relevant guidance from IFRS13 re valuation of right-of-use asset		
		Refers to the various approaches that could be used to value the property (income, market and cost approaches)		
		Refers to the different levels of observable inputs (Level 1,2 & 3)		
		Questions whether it is appropriate/feasible to revalue right of use assets given no similar class of assets on MHG's SFP		
		Reviews the appropriateness of the valuation performed		
		Discusses the revenue forecasts (room rate increases, occupancy forecasts)		
		Discusses reasonability of forecast gross profit margin/COS		
		Questions appropriateness of allocating expenses to the Sandton property based on size		
		Debates the declining employee costs used in the forecasts		
		Identifies that depreciation should be excluded from forecasts (non-cash flow item)		
		Recommends that interest expense be excluded from forecasts – rather incorporate into WACC		
		Debates whether taxation should be included in forecasts		
		Evidence of calculating MHG average ratios and comparison to Sandton hotel		
		Suggests using a valuation expert to review/perform valuation		
		Questions the appropriateness of discount rate used		
		High level application		
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Self-assessment (what went wrong in this task? ; how would I approach a similar task in the future?)

Did I picked up on possible unduly inflation of fair value figures? If not, state why this may have happened.

Did I systematically question the valuation provided? If not, why? If not, how do I approach this in the future?

Did I sufficiently question the assumptions used in the valuation provided? If not, how do I achieve this in the future?



Part D Grade

Coverage	Depth
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Audience

- Appropriate for Tshepo Umculi
- Communication is clear
- Communication is understandable

Context

- Identifies procedures to identify possible irregularities to provide substance to the allegations
- Avoid unnecessary audit procedures

Technical

Primary level application

Deals with procedures relating to check in's

- Requests and reviews a copy of the whistleblowers email to Travis Umculi
- Obtains and reviews any work done by internal audit on MHG's revenue system and the effectiveness of internal controls
- Explains reviewing and testing the operation of internal controls over check in procedures, room access and revenue recording
- Discusses how room access controls could be overridden/circumvented
- Evidence that candidate absorbed pre-released information regarding check in and room access procedures
- Recommends useful reports that will identify incidences where rooms were accessed by guests with no revenue recognition
- Suggests comparing data from various reports to identify discrepancies

Deals with the process of awarding complimentary nights

- Identifies and evaluates the application of the company's policy for the awarding of complimentary room nights
- Recommends extracting reports regarding historical complimentary room nights per travel agent and review for unusual items
- Highlights the areas on internal control that should be evaluated for weaknesses regarding complimentary room nights

High level application

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Self-assessment (what went wrong in this task? ; how would I approach a similar task in the future?)

Did I realise that this task was to develop procedures to investigate the credibility of the allegations? If not, what are the reasons for not identifying this?

If unnecessary and generic audit procedures were provided, what thinking lead to this?

What could I have done in the pre-release or on the day of the APC to improve my attempt on the task?



Part E	Grade		Coverage	Depth
Audience				
		Appropriate for Travis Jagger		
		Slide format (concise)		
		Appropriate explanations to the content included in the speaker notes		
Context				
		Incorporates the changes on the day		
		Completes all the slides necessary		
Technical				
Primary level application				
Pro's and con's				
		Discusses the benefits of an additional R10m of loan capital		
		Recognises that the new loan of R10m will result in higher interest charges and debt ratios for the next 3 years		
		Completes the pros and cons slides with valid points		
		Adopts a balanced approach to the 6CVCF proposal – consider all parties' interests		
Accounting Implications				
		Identifies that the convertible portion (R15m) is a compound instrument for accounting purposes - classification		
		Recognises that convertible portion of the loan continues to be recognised as a liability in AFS - measurement		
		Discusses accounting treatment of the transaction costs (attorney's fee) - capitalises		
Tax Implications				
		Identifies income tax consequences in the hands of MHG if debt value > value of shares (section19/para12A 8th Schedule)		
		Identifies the appropriate tax consequences for 6CVCF upon conversion		
High level application				
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Self-assessment (what went wrong in this task? ; how would I approach a similar task in the future?)

Was I able to think of additional valid pro's and con's of the new debt structure? If not, what avoided me?

Did I see that the loan terms changed to convertible at the option of the holder on the day of the exam? If not, why?

Did I manage to identify the appropriate tax consequences for both MHG and 6CVCF? If not, what in my process can be improved to be able to identify the appropriate issues?



Part F Grade

Coverage	Depth
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Audience

Appropriate for Tshepo Umculi
Clear expression
Understandable (logically set out)

Context

Reaches appropriate conclusion(s) on how the each class of share should be valued.

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Technical

Primary level application

Discusses the rights and benefits of shares generally (voting rights, dividends etc.)
Recognises that Class B shareholders currently have significant veto rights (have 33% of total vote)
Recommends reviewing the MOI to establish rights of Class A and B shareholders
Discusses how split could occur between class A and B shareholders if the class B are entitled to a share of the residual value
Suggests consulting a valuation expert

High level application

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Self-assessment (what went wrong in this task? ; how would I approach a similar task in the future?)

Did I provide a valuation when not required? What information in the information on the day scopes this out of the task?

Did I provide the factors and considerations to do the allocation between class A and class B shares? What in my process (on the day) could have been improved to achieve this?



Part G Grade

Coverage	Depth
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Audience

Appropriate for Sarah Naidoo
Responds tactfully and with clear thinking

Context

Issues raised relates to the implementation of corporate 10-year packages

Technical

Primary level application

Identifies at least 3 valid factors
Links proposed 10-year packages to MHG's strategy and market positioning
Discusses the tax implications of the proposal for MHG
Restricts response to 5 key factors

High level application

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Self-assessment (what went wrong in this task? ; how would I approach a similar task in the future?)

Did I provide information about 'Guest for Life' for individuals instead of focusing on the corporate packages? Why did this happen?

Did I pick up on certain talking points on the information on the day? For example, the price and the income tax benefit? If not, why not?

Did I have a good integrated understanding of the business strategy of MHG and risks involved with these packages? If not, what in my process can be improved to be able to answer strategy related questions?



Part H	Grade		Coverage	Depth
Audience				
		Appropriate for Eileen Barkingmad		
		Clear arguments that flows logically		
Context				
		Responds tactfully to issues raised		
		Addresses confidentiality, but understands the context of mentor relationship on the day		
Technical				
Primary level application				
		Raises concerns regarding Tshepo Umculi's loan account (section 45, interest free etc.)		
		Raises concerns about the potential income tax issues in the case study		
		Discusses the attempt to inflate the fair value of the Sandton hotel		
		Identifies that Umculi is both Chairman and CEO, which is a conflict and not in MHG's best interests		
		Discusses the lack of independent non-executive directors		
		Raises the anonymous allegations of MHG staff stealing		
High level application				
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Self-assessment (what went wrong in this task? ; how would I approach a similar task in the future?)

Did I mention that no issues were identified at MHG? If so, what lead me to believe that there are no issues to report on?

Did I use a balanced (considered) response to Eileen? Did I do more than just address confidentiality? If not, why?



OVERALL

PART	A	B	C	D	E	F	G	H	Overall
GRADING									

Before Assessment (Pre-release period)

Did I understand the problem (key issues) of each trigger identified?

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Did I link the key issues per trigger to the context of the case study?

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What role did my group play in obtaining a deeper understanding? Were they effective?

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Did I utilise the industry research to understand triggers?

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How did I manage a methodical approach in anticipating scenarios on the day of the exam?

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Did I question or evaluate the case study information enough in applying a critical thought process?

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How did you manage to achieve deeper understanding in this case study?

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