

APPENDIX

The Integrated Case Study and Simulation Assignment

Below is the actual case given to the students. Some of the words, phrases, and hidden ratios that should have triggered concerns of potential poor governance, ethics, fraud or similar risks are indicated in italicized text for illustrative purposes (i.e., the text was not italicized in the version given to students):

You are a group of financial advisors employed by Price Young and Touche ('PYT'), a professional services firm, and just received the following email from Mr van der Merwe¹, the Chief Executive Officer of African Manufacturers (Pty) Ltd ('AMPL'), which is one of your bigger clients.

One person in your group also serves on the Audit Committee of AMPL and another person serves on the Social and Ethics Committee. The other committee members are made up of independent non-executive directors.

You are extensively involved with giving advice to the company as it currently does not employ a financial manager due to a *disagreement between Mr van der Merwe and the previous financial manager about three years ago, which led to the resignation of the financial manager*. Since then, *Mr van der Merwe has been the only senior employee with day-to-day involvement in the finances of the company* as the other directors are mainly involved with the operational side of the business. *Your firm also holds 10% of the ordinary shares in the company.*

Email from Mr van der Merwe:

Dear Financial Advisors, PYT

Wow, it has been a long time since I last spoke to you. I've been enjoying my new *Ferrari* too much. I can tell you it looks fantastic next to my *Lamborghini!*

As you know it is almost time for the audit of our 30 June 2011 financial statements and there is still a lot that needs to be done and I was hoping that you could provide technical assistance in this regard. I also need your advice on a few business-related matters. Can we discuss my questions below at a meeting somewhere in October? I am available from 10 October and will arrange a specific date and time with you later.

Note: Where I refer to a specific year in my email, it is the financial year as opposed to the calendar year.

Diversification Into Electronic Devices Industry

As you know, the Apple company in the USA made an offer to purchase 40% of the shares in AMPL in exchange for the right for AMPL to produce Apple products because the Apple company wanted to expand their manufacturing operations to South Africa with its cheaper labor and raw materials. Our shareholders eventually accepted the offer because all other industries we have invested in have been performing very poorly in recent years.

On 1 July, 2010, we invested in a new Apple iPhone production plant consisting of various items of machinery (with an original production capacity of 500,000 units per annum) at a total cost of R² 30 million. An iPhone is a cell phone/Mp3 music player combination, if you didn't know. We should be able to use the plant for about 6 years before technological obsolescence would render it

¹ A common South African last name.

² Denotes the South African monetary currency (Rand).

useless for our purposes (although we will probably be able to sell it to another company for about R2 million at that stage based on today's prices, which is a bummer seeing as the plant was worth about R20 million on 30 June, 2011).

We are financing the plant in the exact same way as all our other sources of debt financing; i.e., a loan incurred on 1 July, 2010 from ABSA Bank, fixed at the South African prime interest rate + 100 basis points (which was market-related throughout the year and still is). The first of the equal annual repayments was made on 30 June, 2011 and the last one will be made at the end of the plant's useful life. We do not have any issued preference shares and do not intend on ever issuing preference shares.

We are exporting the iPhones to the USA at a rand equivalent price based on a 17.5% mark-up (ex VAT) on manufacturing cost.

Manufacturing costs and operating expenses (excluding depreciation) amounted to R1 350 per unit in 2011, made up as follows:

	R
Hard drives	500
Other electronic components	320
Plastics	180
Direct labor	200
Operating expenses	150

In 2011, we produced and sold 55,000 iPhones based on demand, but we do foresee a growth in demand from 2012 (I am not sure what a suitable growth rate for Apple iPhones would be; perhaps you can research this? I've seen phenomenal sales figures on the internet for the last few years).

From 2012, we are making use of my wife's electronics company to supply the hard drives in the iPhones. The hard drives are of a high quality and cost 20% more than what we paid the previous supplier in 2011. We already concluded a contract with the supplier and agreed that no inflationary increases will be imposed up until 2014.

Due to the company's increased use of temporary employees, we expect that direct labor cost will increase by about 15% in 2012 and after that, it will be linked to inflationary increases. Temporary labor in this industry is more expensive, but it is much more flexible because we pay them outside of the payroll system and can easily replace workers who are not performing or we can appoint new workers through the employment agency.

Due to my excellent relationship with suppliers, I managed to negotiate a 10% discount on purchases of plastics that will kick in from 2013.

All costs will go up with inflation except where mentioned otherwise.

I am sad to inform you that the new plant was struck by lightning toward the end of June 2011 and our on-site engineer is of the opinion that total annual production capacity will be down by about 200,000 units from 2012 onwards due to irreparable damage caused.

As a result of the above diversification, we no longer had the need for an old item of manufacturing plant (consisting of machinery) that was purchased for R11 million on 1 July, 2008. *It was sold for R8 million on 30 April, 2011 to one of our customers. This was an extremely good deal for us because the plant only had a 3-year remaining useful life at the time of sale.*

Note: All amounts given above include VAT.

Company Performance

On 30 June, 2011, the Board declared dividends of R8.2 million in total for the 2 million issued shares, which I regard as a fair return compared to the share price of R128.80 per share at that stage (we had a professional valuer do a valuation of our ordinary shares at the time, and he also said that the market value of our debt closely approximates the accounting book value). We expect that increased demand in iPhones will cause total earnings (together with other industries) to grow at least twice as fast as the expected South African GDP growth rate (thank goodness the recession is over!).

I always wondered how the new plant will affect the valuation of the company. *I want to increase my existing shareholding in the company* and was wondering how the company's share price might perform in future.

I have to confess that I just don't know enough about IFRS to know how the financials will change when the effect of the new plant is incorporated. I therefore present you with the draft and summarized key management accounts for 2011, excluding the effect of the new plant (and its financing) and also excluding taxation. All amounts are stated at accounting book values. Please tell me what you think!

	Rm 2011 Actual	Rm 2011 Budget	Rm 2010 Actual
Revenue	375	390	410
Cost of sales	275	270	280
Materials	130	136	140
Labor	125	105	110
Overheads	20	29	30
Operating expenses	25	25	29
Salaries and bonuses	32	24	22
Non-current assets	502	N/A	462
Current assets	44	N/A	54
Non-current liabilities	287	N/A	301
Current liabilities	102	N/A	81

I know sales are down, but I'm not worried because the *customers are very loyal to the company and will keep on supporting the business for as long as I stay CEO.*

Obviously, we foresee a phenomenal increase in company performance for the next few years following the acquisition of the right to produce Apple iPhones.

In Conclusion

I am *leaving for Mauritius tomorrow for my holiday. I am taking my whole family with me (it's nice to be the big boss of a large company, huh?!).* I won't be back before the date of our meeting, so you won't be able to reach me telephonically or by e-mail. However, you can post questions to me on my blog on [course website] and I will respond to them in between relaxing on the beach and enjoying cocktails in the bars.

I'm not looking forward to the audit when I return. I just want it over and done with. The auditors always hassle me about the fact that I am the *sole check signatory and EFT approver.* Surely, they must understand that one cannot trust any other employee with such an important responsibility! As you know, we are a bit short on senior staff at the moment. Hopefully, if we are well prepared for the audit, it will go quickly and smoothly and the *auditors can get out of my hair, ha ha!*

Please also address the tax consequences of everything to give me some advice in this regard. SARS³ and I are not best buddies due to a 'disagreement' we had regarding my personal tax return last year.

Where I have not provided you with specific information, you may make any assumptions you deem relevant, but try to be as realistic as possible given the industry and current market indicators.

Speak to you soon!

Regards,
Mr van der Merwe

Required

- (a) Use Microsoft Excel to prepare an annual budget in respect of the new iPhone manufacturing plant from 2012 onwards. Your spreadsheet model should contain a list of assumptions (inputs) that Mr van der Merwe may edit if he wishes to evaluate the effect that changes in assumptions will have on forecast profitability. You may utilize any of Excel's functionality to provide useful information for Mr van der Merwe in respect of the budget you prepared.
- (b) Write a formal report addressed to Mr van der Merwe (maximum 3,000 words) which contains the following:
1. A business risk assessment of African Manufacturers (Pty) Ltd that they can use as an input in the development of the company's business strategy.
 2. A brief discussion of the possible effect of the risk assessment on the valuation of company shares.
 3. Calculation and discussion of the cost of capital.
 4. A discussion of the external accounting implications (in terms of IFRS) of the new plant (not the consequences of production and sales) and the resulting calculation of the effects on the financial statements for the year ended 30 June, 2011 only.
 5. A discussion and calculation of the income tax implications of the sale of the old plant.
 6. A list of the main audit procedures the auditors will likely perform in respect of the new plant (PPE) for the year ended 30 June, 2011 (to allow Mr van der Merwe to prepare for the audit).
 7. Analyze and interpret the company performance based on the information given under the heading 'company performance' in Mr van der Merwe's email.

(Note: you may also submit any number of supporting calculations/schedules (e.g. in Excel) if you want and don't worry about the number of extra words.)

- (c) Prepare a 20-minute presentation where you will present the highlights of your findings in (a) and (b) above to Mr van der Merwe during your meeting with him.

(Note: You may use Microsoft PowerPoint for this purpose and every team member must participate in the presentation, e.g. team members may take turns to present different sections of the presentation).

- (d) Prepare a list of questions you would like to ask Mr van der Merwe regarding any possible concerns you may have based on the given information and your analysis under (b)(7). During your meeting with him, you will be given three minutes to ask these questions and, based on his response, you then have to write a report of a maximum of 500 words addressed to any/all of the board committees (refer to top of first page).

³ South African Revenue Service (tax authority)

Timing

Please e-mail your spreadsheet model (part (a)) and typed report (part (b)) to [email address] any time on/before [date]. Clearly indicate the student numbers of all team members. You do not need to submit a hard copy.

The meeting with Mr van der Merwe (and your presentation, part (c)) will occur on [date].

The report in terms of part (d) should be completed after the meeting and must also be e-mailed to the address stated above by [date] (500 words).

Important Notes

- This assignment is integrated across all modules and you may/must utilize principles from all modules covered during the 3-year CA degree course.
- You have to take all tax implications into account in every part of what is required.
- Please state and motivate (e.g. with reference to adequate sources on the internet) your assumptions clearly throughout your report.
- Tip: Delegating different sections of the assignment to different team members will reduce the work burden, as long as all team members are satisfied with the final product. However, all parts of what is required are inter-related and each section may use inputs from any other section(s).

Assessment Criteria

	<u>%</u>
<i>Marks Awarded By Lecturer:</i>	
• Technical and mathematical accuracy of discussions, calculations and conclusions	20
• Effective use of information technology	10
• Presentation and oral communication skills (part (c))	10
• Formal report writing skills and language usage	10
• Evidence of research (for example market indicators and knowledge of the industry)	5
• Depth and breadth of understanding and linking theory with practice	8
• Completeness (addressing all matters evident from the case study)	9
• Relevance of discussions, calculations, findings and conclusions	8
• Structure, sequencing and presentation	5
<i>Marks Awarded By Other Team Members:</i>	
• Teamwork: individual student's contribution and performance as evaluated by other team members	15
TOTAL	<u><u>100</u></u>

(Note: A suggested solution template is also available from the author for any party that may be interested.)

Planning Material Not Seen By Students

Q&A Role Play Responses

Role Play Attitude

- Cloud the issue by referring to unrelated facts.
- Put the blame on somebody else without being too defensive.
- First try to be more evasive and if students keep on asking and you are cornered, confess a little bit more; but never let it sound like you are doing something wrong and never blatantly confess to the serious things.
- “It’s just business.”
- “But everybody does it.”
- To put an end to the discussion of a particular matter, use phrases like:
 - “That’s your opinion.”
 - “Well, I have nothing more to say/I said what I had to say.”
 - “I have no further comments/answers for you./That’s just the way it is.”
 - “Let’s not waste time discussing this trivial matter further.”
 - “That question is not even worth a response./I’m not even going to dignify your question with a response.”
 - “Well, I wasn’t aware of that requirement. Now I know... let’s move on.”

Planned Responses

Possible Issues Students Could Raise	Possible Responses
Disagreement between Mr van der Merwe and the previous financial manager about three years ago, which led to the resignation of the financial manager. What was the disagreement?	<ul style="list-style-type: none"> • Our personalities clashed. • We did not have the same political views. • I had bigger aspirations for the company and he didn’t see the purpose of bending the rules just a little bit to get there.
Mr van der Merwe is the only senior employee with day-to-day involvement in the finances of the company (lack of segregation of duties).	<ul style="list-style-type: none"> • I am more than competent in running the business and believe I am doing a good job as the company is profitable and my role in securing the iPhone export contract was fundamental. • I would never do something to cause harm to the company! • OK, we need more people, but we haven’t yet managed to find a new financial manager suitable for the job. We need a visionary.
Lavish lifestyle: Ferrari, Lamborghini, Mauritius holiday.	<ul style="list-style-type: none"> • I don’t believe I am earning more than other CEOs of companies this size. • It’s my money and I work hard for it; I can do with it what I want.
From 2012, the company is making use of Mr van der Merwe’s wife’s electronics company to supply the hard drives in the iPhones. The hard drives cost 20% more than what the company paid the previous supplier in 2011.	<ul style="list-style-type: none"> • It is just coincidence that my wife’s company was the most suitable supplier. • The new hard drives are of a higher quality and therefore the price increase is justified. • No inflationary increases will be imposed up until 2014, so we will even save a lot over the longer term. • No, I haven’t disclosed my interest in the contract to the other board members; I’m sure they know anyway and nobody appeared to have a problem with it. • My wife is very strict with her money; she won’t give me a cent!

<p>Company's increased use of temporary employees. Pay temporary employees outside of the payroll system. Ratio analysis: increased labor costs. <i>(All these are indicative of a fraud risk as Mr van der Merwe may be creating fictional temporary employees and pay the amounts to himself outside the payroll system because he is the sole check signatory and his lavish lifestyle is probably not justified)</i></p>	<ul style="list-style-type: none"> • Temporary labor in this industry is more expensive, but it is much more flexible because we can easily replace workers who are not performing or appoint new workers through the employment agency. • It is common for any business to use temporary employees. • I would never defraud the company! I also have something to lose because I'm a shareholder. • No, nobody else approves the payments.
<p>Ratio analysis: increased salaries & bonuses (negative effect on profitability) <i>(Fiduciary risk as Mr van der Merwe could be paying/influence the payment of excessive bonuses to himself)</i></p>	<ul style="list-style-type: none"> • But the company is still profitable, so what's the problem? • Revenue is down due to poor performance of other industries and this is the main reason for decreased profitability. • We foresee a phenomenal increase in company performance for the next few years following the acquisition of the right to produce Apple iPhones. • The spike in labor costs is only temporary. • The amount of my salary & bonus is confidential, but I can assure you it is market-related for a CEO of this type and size of company. • A special resolution by the shareholders approved the basis of remuneration for all directors. No, not the actual amounts, but the basis on which the bonuses are calculated as per new Companies Act requirements. • No the other directors or board committees are not involved in authorizing my bonus because the shareholders already authorized the basis.
<p>Mr van der Merwe is the sole check signatory and EFT approver. What about the other directors; why are they not also check signatories?</p>	<ul style="list-style-type: none"> • We are short on senior staff and don't have a financial manager at the moment. • Surely you must understand that one cannot trust just any employee with such an important responsibility! • Other directors are too busy and they don't have a background in finance.
<p>Mr van der Merwe's apparent close relationship with both suppliers and customers (could receive kick-backs, etc.)</p>	<ul style="list-style-type: none"> • I have been the CEO for a long time and have built up good relationships with the customers and suppliers, but I can assure you they are strictly professional. • I am loyal to them and they are loyal to me; one hand washes the other... • I would never defraud the company!
<p>Mr van der Merwe's existing shareholding in the company (10% as per forum on blog)</p>	<ul style="list-style-type: none"> • It is very common for directors to hold shares in their companies and this is only a small percentage. • No, it wasn't approved by special resolution in terms of the Companies Act requirements because I bought these shares before the new Act became effective.
<p>Mr van der Merwe does not know a lot about IFRS (and perhaps tax) – lack of competence</p>	<ul style="list-style-type: none"> • That's why I have you guys to give me advice.

<p>Whole family going to Mauritius on company's expense? Declared fringe benefit to SARS?</p>	<ul style="list-style-type: none"> • I work very hard for this company; they owe me! • The cost of this holiday was small change for the company. • My personal tax affairs are of no interest to you or the company.
<p>Negative attitude towards audit/auditors.</p>	<ul style="list-style-type: none"> • Everybody dislikes auditors; they are a nuisance and we tolerate them only because of the legal audit requirement. You can ask anybody; they will agree with me. • What the auditors don't pick up won't hurt them.
<p>Negative attitude toward SARS; what exactly was the 'disagreement' Mr van der Merwe had with SARS regarding his personal tax return?</p>	<ul style="list-style-type: none"> • My personal tax affairs are of no interest to you or the company.

Examples Of Technical Questions The CEO May Ask The Groups During Their Presentations

- "What is this 'deferred tax' you're talking about; is tax not just tax?"
- "What do you mean with 'discounting to present value'?"
- "What is a recoupment and why does SARS tax me on it?"
- "Why is residual value deducted to calculate depreciation?"
- "Why didn't you choose the revaluation model for the plant? Would it be appropriate to use the revaluation model for the plant if you had fair value information available?"

CHAPTER 8:
REFLECTION, CONCLUSIONS AND RECOMMENDATIONS

8.1. Introduction

“If you think in terms of a year, plant a seed; if in terms of ten years, plant trees; if in terms of 100 years, teach the people”. Looking back at these wise words of Confucius quoted in chapter 1, and after having uncovered so many areas for improvement in the CA programme of the NWU, the value of accounting education research is undeniable. Even if each study in this field is just one drop in a large bucket, after the proverbial 100 years the bucket will become full and overflow with the economic and social gains brought about by an expanded body of accountants, each of whom will be equipped with all the tools and means to really make a difference in this nation and beyond. Accountants are the stewards of the interests of so many different stakeholders (Chen, 1975; Drymiotis & Hemmer, 2013; Gjesdal, 1981; Heinle & Hofmann, 2011), and it is a privilege to be involved in research that can make even a remote contribution to enhancing the competence of just a few of these stewards through pedagogy.

This thesis aimed, in broad terms, to shed light on the extent of the barriers to success of the CA programme at the NWU and to recommend appropriate interventions to address such issues. To make a practical contribution, a prototype integrated case study and business simulation assignment was also developed and tested as an educational intervention for the university to refine and implement this tool in future. The study was approached from a variety of angles to obtain a complete picture of the issues the university can address to improve the successes of its CA students. This involved a cross-national comparison of the NWU’s pedagogical practices with another respectable institution, a quantitative survey-based study with statistical analyses, including but not limited to a specific focus on factors affecting black students, as well as a less structured qualitative investigation where the floor was opened to the failed students to share their views on the reasons for their failure.

Although the studies in this thesis were conducted under the umbrella of ameliorating the CA programme of the NWU, its implications are by no means limited to this institution. SAICA-accredited universities undergo the same accreditation processes and have to satisfy the same set of regulations and requirements from both SAICA and government. It is further submitted that the nature of students, institutional challenges and educational barriers are not that different between institutions (a notion supported by institutional theory). The results of the studies forming part of this thesis, therefore, contribute to scientific literature in the accounting education field. It is hoped also that some of the findings will help other institutions spot weaknesses in their own practices and that the ideas will prompt them to explore innovative and creative ways to augment their students’ achievement in the midst of limited resources which will, ultimately, contribute to the public good as suggested by McLean and Walker (2012). The citizens of the Rainbow Nation are quick to criticise, but apparently not always that willing to make their own small contribution towards uplifting the economy, in whichever form that may be.

8.2. Recapitulation of the research methods

As highlighted in the previous section, a variety of different research methods were employed in this thesis being commensurate with the idea of mixed methods research advocated by the likes of Grafton *et al.* (2011), Kavanagh and Drennan (2008), Laughlin (1995) and Modell (2010). Consequently, a range of theoretical frameworks applied to the various projects in this thesis (refer to chapter 2). The research methods employed in each of the five projects were described in detail in chapter 1 and further illuminated in the individual chapters on each project. The following table summarises the main features of each method.

Table 8.1: Summary of research methods used for each project

Project	Design and instrument	Participants	Timing	Data gathering and analysis
Project 1: Balancing academic and professional pedagogies: A comparative study of two accounting departments in South Africa and the United Kingdom (chapter 3)	Comparative case study of two specific accounting degrees; themes selected are curriculum, teaching and learning, and assessment	NWU compared to a UK university	Shortly before NWU adopted the SAICA CF and before revised HEQF requirements became effective	Comparison of quality assurance frameworks; inspection of documentation and policies; staff interviewed; focus groups which were recorded, transcribed and analysed
Project 2: Barriers to academic performance of accountancy students at a South African university (chapter 4)	Written survey on student perceptions; 7 demographical questions; 66 questions on achievement barriers; 5-point Likert scale; concluded with open-ended question	790 CA students (all 3 campuses, first-years through to third-years); 80% coverage of population	Near the end of the academic year	Completed surveys captured in a spreadsheet; analysed using statistics software; data reduction using principal components analysis; descriptive statistics; comparison of means; summary of qualitative remarks
Project 3: Transforming the accountancy profession: Educational challenges at a historically white South African university (chapter 5)				
Project 4: A qualitative investigation into student failure in accountancy at a multi-cultural South African university (chapter 6)	Focus group interviews	29 randomly selected failed CA students; 4 focus groups of 6-8 students each; saturation achieved; 45% coverage of population	Early in the year following the year that the students failed	Interviews independently transcribed; multiple readings; student quotes extracted and each categorised into a possible theme; judgement applied in retention of themes

Table 8.1 Continued

Project	Design and instrument	Participants	Timing	Data gathering and analysis
Project 5: An evaluation of an integrated case study and business simulation to develop professional skills in South African accountancy students (chapter 7)	Complex, integrated case study and business simulation was developed and given to students; field notes kept by researcher; student experiences tested with survey; 5-point Likert scale and qualitative questions	56 third-year black CA students	Near the end of their third academic year	Completed surveys captured in a spreadsheet; analysed using statistics software; descriptive statistics; summary of qualitative responses

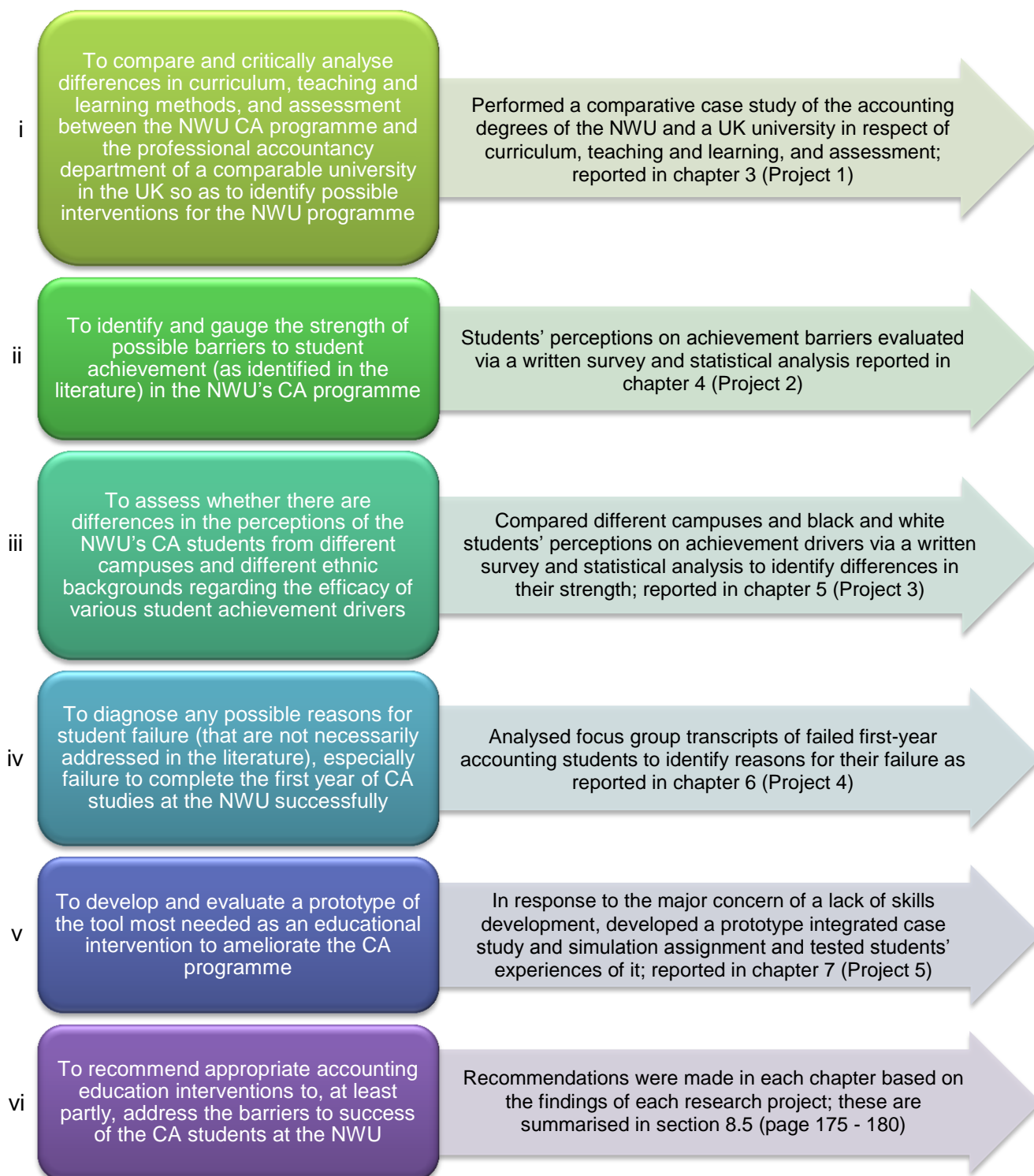
8.3. Research objectives and hypotheses revisited

Figure 8.1 on the next page shows how the primary research objectives stated in section 1.4 of chapter 1 (page 11 - 12) have been addressed.

The hypotheses that were formulated in section 1.3 of chapter 1 (page 10) were proven as follows:

1. Project 1 revealed that the NWU's approach to scholarship and pedagogy falls short when benchmarked internationally, particularly in respect of the development of academic, research and/or intellectual skills and the assessment of professional skills.
2. The results from Projects 1 through 4 (and especially Project 2) highlighted a number of influenceable barriers and weaknesses that prevent the NWU's CA students from achieving optimal success in their studies. These have been reported separately in the various chapters and are summarised in section 8.4 (page 172).
3. Project 3 specifically uncovered some possible operational and policy limitations at the NWU that could constrain the university's transformation goals.
4. Project 4 confirmed that, apart from the general achievement barriers identified in the literature, there are additional factors that cause the NWU's first-year CA students to fail or drop out.
5. In Project 5 it was demonstrated that the NWU's students positively experienced greater efforts to develop their professional skills through the introduction of an integrated case study and business simulation assignment.

Figure 8.1: Research objectives addressed



(Source of objectives: chapter 1, section 1.4, page 11-12)

8.4. The main results and conclusions summarised

The most noteworthy results of each of the five projects are summarised in figure 8.2 on the next page:

Figure 8.2: Summary of main results and conclusions by project

The comparison of the NWU CA programme with the accountancy programme of a UK university (Project 1; refer to chapter 3) was immensely valuable. The South African accountancy programmes and that of the NWU, in particular, have some unique strengths, especially in regard to the extremely high focus on complex technical and problem-solving skills designed to equip students with the ability to be leaders in business. However, the cross-national comparison revealed two fundamental flaws in the CA programme of the NWU. Firstly, as also suggested by the results of Project 2, the NWU is not creative in its ways of assessment, offering far too little opportunities for the development and assessment of soft skills. Secondly, the NWU programme contains almost no elements of academic skills and true conceptual and critical thinking skills. The latter should not be confused with the ability to apply professional judgement and solve complex problems; instead, critical thinking in this context refers to the ability to criticise the status quo and to challenge the rules. The UK accounting department appears to follow a more constructivist educational approach compared to the NWU, and the catalysts for changes in curricular, teaching and learning, and assessment approach of the NWU appear to be rooted in coercive and competitive isomorphism, as staff feels “forced” to conform to SAICA requirements and competes with other SA universities regarding the qualifying examination results. The UK department are more influenced by what is done by other institutions (mimetic isomorphism) and general norms in the academic community (normative isomorphism).



Project 2 (refer to chapter 4) revealed room for improvement in respect of all 10 possible barrier areas as identified in the literature review, as none of the means on the five-point Likert scale were perfect. Areas requiring special attention are career-oriented and similar communication, motivation, SI and, quite noticeably, soft skills development. From the qualitative comments it appears that a contributing factor to low levels of motivation is negative lecturers who create the perception that the CA qualification is near impossible to obtain. Other areas in need of improvement are the standard of homework assignments and the apparent disconnect between homework standard and examination standard. Many students were also not that satisfied with the effectiveness and variability of teaching methods, and many did not view the study guides as optimal for learning. First-year student participants, in general, held more positive views than other year groups which, amongst other things, may signal a harsh transition between study years with a particularly big “jump” in standard of difficulty between years one and two. This seems to be supported by the qualitative comments of some students calling for more difficult and core content at first-year level. A surprisingly high number of students viewed understanding the work as not so important to pass modules; this is a grave finding which goes against the most fundamental principles of accounting education, especially in South African CA programmes. Lecturers should caution against “spoon-feeding” students. Congested test and/or examination timetables and the rapid pace of work (“syllabus overload”) also worried many participants.



The results of Project 3 (refer to chapter 5) indicated that participating black students, in general, held more negative perceptions of the university's efforts to help them achieve success in their studies compared to their white counterparts. These differences were significant especially in respect of the university's efforts to motivate them, financial difficulties, adequacy of supplemental instruction and homework assignments, the students' self-reported language proficiency, the quality of study material and lecturers, as well as soft skills development. Proper accommodation and assistance in the language of their choice were also significant concerns for black students. In general, students from the less-resourced campuses, which traditionally attracted more black students (i.e. the Mafikeng campus and the Vaal campus), also felt that they do not get acceptable education compared to students at other NWU campuses. The comparison of campuses seemed to indicate that, to some degree, perceptions were shaped by circumstances at the campus where a student was enrolled regardless of his/her ethnicity. This was confirmed by an inspection of the qualitative comments raised by participants, which appeared to be of a more general nature and unrelated to issues of ethnicity. Of concern was the view of many participants that lecturers demotivate students or have a negative attitude towards students and create a view that the CA course is impossible to pass or that students are not clever enough.



The focus group interviews employed in Project 4 (refer to chapter 6) uncovered some interesting facts. The themes that emerged as reasons for failure by the participating first-year CA students are the high workload, a lack of effort and motivation, emotional wellbeing, uncertainty as to qualification choice, coping with the transition from school to university, social temptations, poor self-management, underestimation of the demands of the course, problems with the university and its lecturers, the level of difficulty, and particular financial and logistical challenges experienced by black students. This indicates clearly that problems of both an academic and a personal and/or social nature are drivers of student failure.



With Project 5 (refer to chapter 7) it was endeavoured to find a creative intervention in order to, at least in part, make a contribution towards one of the main concerns identified in this thesis, namely the lack of professional skills (including soft skills) development opportunities in the NWU programme. Consequently, an inter-subject, integrated, complex case study and business simulation assignment was developed and students' experiences in this regard were tested. The project found a generally positive response to the introduction of the assignment, especially in relation to the development of a variety of professional skills. It was clear that the participating students experienced the project as a great learning opportunity and an eye-opener regarding real-life accountancy practice. The students also perceived their soft skills to have been enhanced by the project, most noticeably skills in teamwork, research, communication, computer usage, presentation and report writing. The majority of students did, however, report serious time constraints in completing the assignment. Also, the actual level of skill demonstrated by the students in completing the assignment was rather disappointing, especially in relation to their presentation skills. This in itself highlights the need for more such types of assignments in CA programmes.

8.5. Recommendations: The way forward for NWU

Although the implications of the results of the studies described in chapters 3 to 7 are not limited to the NWU, the studies were specifically conducted with the aim of ameliorating the CA programme of this university, as the title of this thesis suggests. Although the various chapters and articles filled a number of gaps in the literature and made other unique contributions (refer to section 8.6, page 180), one of its most valuable contributions might be that the variety of studies provide the CA programme of the NWU with specific and comprehensive information on what it can do to improve and be true to its ultimate reason for existing, namely to successfully deliver as many as possible CAs of the highest quality which will make a difference in society. In this sense, the results of this thesis have definite and significant practical value for at least one institution. This is worth mentioning, because it is sometimes alleged that, in general, academic research in the accounting field does not make a significant contribution as most articles are read only by a few other academics. With this in mind, the recommendations stated in the previous chapters are reiterated below, and specifically to suggest to the NWU what actions it can take to ameliorate and reform its CA programme and achieve better results. As the thesis includes various studies that were conducted over approximately two years and the author is affiliated with the university, some of the suggestions have already been implemented after, amongst other things, considering the results of the research conducted in this thesis.

8.5.1. The promotion of scholarship

The comparison with the UK university made it clear that the NWU CA programme has too limited a focus on academic and/or intellectual skills. The HEQF clearly defines outcomes regarding these skills, especially at the honours level. The revised HEQF now also requires at least 30 credits of supervised academic research to award an honours degree.

The programme has, subsequently, embarked on a process to develop a research module for the honours year. Care should be taken not to simply add hours on top of an already full year, but to design the module in such a way as to complement the skills gained and enhance the technical skills of the other modules which will, consequently, reduce the amount of time students have to spend on mastering those modules. It is, however, crucial that the research module is academic and conceptual in nature and not just another technical case study. Students must be required to criticise the rules and come up with new ideas.

The institutional programme leader began a research study to recommend the best way this should be done. Other than a research module in the honours year, a great deal more can be done to incorporate such conceptual activities in undergraduate curricula, for example, critical essays on issues students will not find in the textbooks, even on the lower year levels.

8.5.2. Interventions related to motivation of CA students

As a lack of career-oriented and other communication was identified as one of the barriers, the NWU should put interventions in place to ensure CA students know exactly what to expect from each new study year and the challenges they might face. Following this study, the NWU expanded its first-year orientation programme to include four days of qualification-specific orientation. A big feature of this is informing the students about what to expect from their CA studies and to provide them with an understanding of what exactly CA as a career choice entails. The orientation programme also includes a motivational talk by a contracted life coach, as well as a session on study techniques in accounting sciences and a session on time management using their actual first-semester timetable as the basis for discussion. The CA programme also introduced more briefly structured orientation sessions for second- and third-year students at the start of each semester. In addition to discussing what to expect of the semester, these sessions attempt to motivate students for the semester to come.

Career-oriented communication and motivation can also be enhanced by arranging more visits by potential employers and motivational speakers, etc. This is a big feature at the Potchefstroom campus with its annual career fair, but such opportunities are still fairly limited at the other two campuses. One solution could be to transport the students of these campuses to the career fair on the Potchefstroom campus, or to arrange career fairs on the same scale at those campuses.

As many participating students felt that lecturers project a negative energy and create the impression that it is impossible to achieve the qualification, it is recommended that the NWU takes a more positive stance in motivating students, for instance, by creating a pleasant learning environment where hard work is rewarded and by developing a sense of proud and camaraderie among CA students. The need for this culture shift has been debated in CA programme meetings at the NWU and most lecturers recognise that their attitude towards students can have a profound impact on their levels of motivation and have, thus, opted for a positive reinforcement approach instead of constant “preaching”. One way to achieve this is to set a first test that is “doable”, as students are likely to be motivated to work hard for the remainder of the semester if their first test went well. Based on the research results, this positive motivation can be beneficial especially to black students.

Another suggestion is to regularly present workshops to students on issues such as study approach and time management skills. Apart from the orientation programme mentioned earlier, the services of a life coach can also be utilised in this regard, which is exactly what the NWU has done following this research. The university contracted a professional life coach to regularly present structured sessions to students over and above the one-on-one consultations. The life

coach also pays attention to the emotional wellbeing of the students and helps them with stress management.

8.5.3. Interventions related to curriculum, teaching and learning

The students should be constantly reminded of what they will be doing in practice by, for example, exposing them to more practical, real-world assignments and case studies. Recently, the NWU School of Accounting Sciences introduced annual in-house “mini conferences” of which the main aim is for lecturers within the School (across campuses) to share ideas regarding teaching, learning and assessment approach. Such platforms are excellent opportunities for lecturers to grow and to obtain ideas on how to link theory to practice so that students can truly grasp the principles and get a sense of what a CA does in practice.

Various online tools also exist that can help with identifying preferred learning styles and weaknesses in learning and study strategies, for example, the Visual, Aural, Read/write and Kinaesthetic (VARK) inventory (Fleming & Mills, 1992:137-146). The School’s life coach has, for example, analysed the Myers-Briggs Type Indicator (MBTI) (Myers & Briggs Foundation, 1962) personality profiles of the CTA students to help them identify the weaknesses that could have an impact on their study success.

The NWU needs to enhance its efforts in ensuring that teaching methods are exciting, effective and varied. The planned “mini conferences” referred to earlier can be a valuable opportunity to share ideas in this regard.

The NWU also needs to put more resources into SI, especially in later years of the degree, as participating senior students expressed a greater need to more frequent and effective SI sessions. This remains a challenge at the NWU, because SI facilitators are more difficult to find in later year levels as senior students that could potentially be recruited as facilitators are often more concerned about having more time available for their own studies. Attempts have been made to utilise the academic clerks employed in the programme as much as possible to facilitate SI sessions and group tutorials especially at third-year level. This is, however, not feasible at all campuses as the Mafikeng campus has so far failed to employ academic clerks due to the fact that it does not offer the CTA. However, the Vaal campus has employed its first academic clerks from 2012. The lecturers from other campuses present additional sessions to the Mafikeng campus students as often as they can, but it is recommended that the university continue to look for a more permanent solution in this regard.

Staff should also ensure that their study guides are optimal for learning. Study guides should not be a mere repetition of the textbooks, but must create opportunities for interactive learning.

Students must find this an indispensable foundation of the learning environment. A specific drive is needed to revisit all study guides with a view to standardisation and ensuring that best practices are incorporated in each guide. The NWU's School of Accounting Sciences is currently exploring the possibility of introducing e-guides and a 'flipped learning' approach.

The NWU must ensure that it delivers independent and lifelong learners and, therefore, "spoon-feeding" should not be tolerated. At the time of writing this thesis, the School was planning a specific brainstorming session to identify any possible spoon-feeding practices and look at ways to replace them with practices that will create independent students. Without a doubt, the focus on independent learning must be increased. This was also evident from the comparison of the NWU with the UK university.

So-called syllabus overload is the buzz word in South African accounting education circles. The NWU needs to investigate more creative ways to assess students with a reduced quantity of assessments and to teach universal principles with a lesser focus on technical intricacies. One possibility to explore in financial accounting specifically is "framework-based teaching" (IASB, 2013).

8.5.4. Interventions related to assessment

Many of the findings throughout the thesis pointed to a serious lack of efforts by the NWU to help students develop their soft and other professional skills. It is suggested that the university use more non-traditional assessment modes (e.g. group work assignments, case studies, practice simulations and role plays) to expose students to circumstances where their soft skills can be enhanced, especially as Project 5 confirmed a generally positive reception of such assignments by students. This is especially important given the renewed focus on pervasive skills brought about by the adoption of the new SAICA competency framework. Following this research, the NWU introduced two new semester modules with the exclusive aim to develop professional skills (in fact, one of the modules is titled "professional skills development"). The other module incorporates a case study assignment similar to the one developed in this thesis, but which runs over the full semester. The author is, however, of the view that the university can and should do a great deal more to embed the pervasive skills in the delivery of core syllabi. At the time of submission of the thesis, the School was planning to have various brainstorming sessions with staff to devise a strategy in this regard.

A substantial complaint by many participating students related to a disconnect between homework standard and examination standard. One way the NWU can bridge this is to adapt a sufficient quantity of integrated questions from prior examination papers to supplement easier homework questions taken from "standard" question books. Lecturers are encouraged to do this, but the extent differs between modules.

It is further recommended that the NWU soften the transition between study years and lessen the “jump” in standard of difficulty, especially between years one and two. The easiest way to do this is to increase the standard at first-year level. This is not an easy task, because the majority of first-year modules are outsourced to other schools. Following this research, however, the NWU revamped its first-year accounting for CAs module. This has seen a significant drop in first-year results, but it is believed that this will better prepare first-year students for subsequent years and, ultimately, lead to a more even distribution of throughput between study years. In addition, the university should ensure that it puts in the same efforts and gives the same level of guidance for second- and third-years as it does for first-years.

8.5.5. Interventions to promote transformation

To make a positive contribution to transformation, four main drives are needed. Firstly, it is recommended that the NWU makes every effort to build capacity at the historically black campuses (Mafikeng and, to a lesser extent, Vaal) and to ensure resources are comparable across the whole institution. The CA programme will only be aligned across the three campuses once the level of resources available to the students is the same, especially in regard to matters such as quantity of staff, staff qualifications and student support such as academic trainees, tutors and student markers. However, this is an issue of management and not something that can be fixed overnight. In 2013 the university appointed an institutional accountancy programme leader with the task of, amongst other things, searching for ways to build capacity at these campuses and lobbying with management in this regard.

Secondly, the NWU should engage with cultural differences between its campuses through collaborative pedagogical approaches which will strengthen the delivery of modules on all campuses and enhance efficiency as well as equality. In other words, the three campuses should work together to benefit from institutional synergy. Although the institution constantly improves in this respect, standardisation should be increased further and the institutional programme leader must manage the working relationships of staff across campuses.

Thirdly, the Potchefstroom campus of the university must, undeniably, find ways to further widen access for black students. Since this is predominantly a language issue, the campus management may need to revisit its language policy. The campus does offer an effective and free simultaneous (real-time) interpreting service for English students, but other avenues should also be explored. After considering the results from this study together with other indicators, the campus has introduced English CTA classes to provide a home for the black graduates of the university (especially from the Mafikeng campus). Since a few years ago, the campus has started to appoint

an academic clerk annually with the specific responsibility of presenting SI and tutorial sessions for English students and be available for one-on-one consultations with them.

Fourthly, the university (across all campuses) should consider increased financial aid for needy students, especially black students. Although various bursary schemes exist, a number of years ago the Potchefstroom campus specifically recruited black students by offering attractive bursaries to them. Although it was a once-off drive, it has caused substantial growth in the number of passes of black CA students on the campus. It is suggested that this intervention be repeated.

Interventions to develop the language proficiency of non-English first-language students may also need to be put in place. It is suggested that the NWU School of Accounting Sciences explore possible avenues in this regard, for example, by having discussions with language schools within the university or by utilising external solutions if they exist.

8.5.6. Managing social distractions

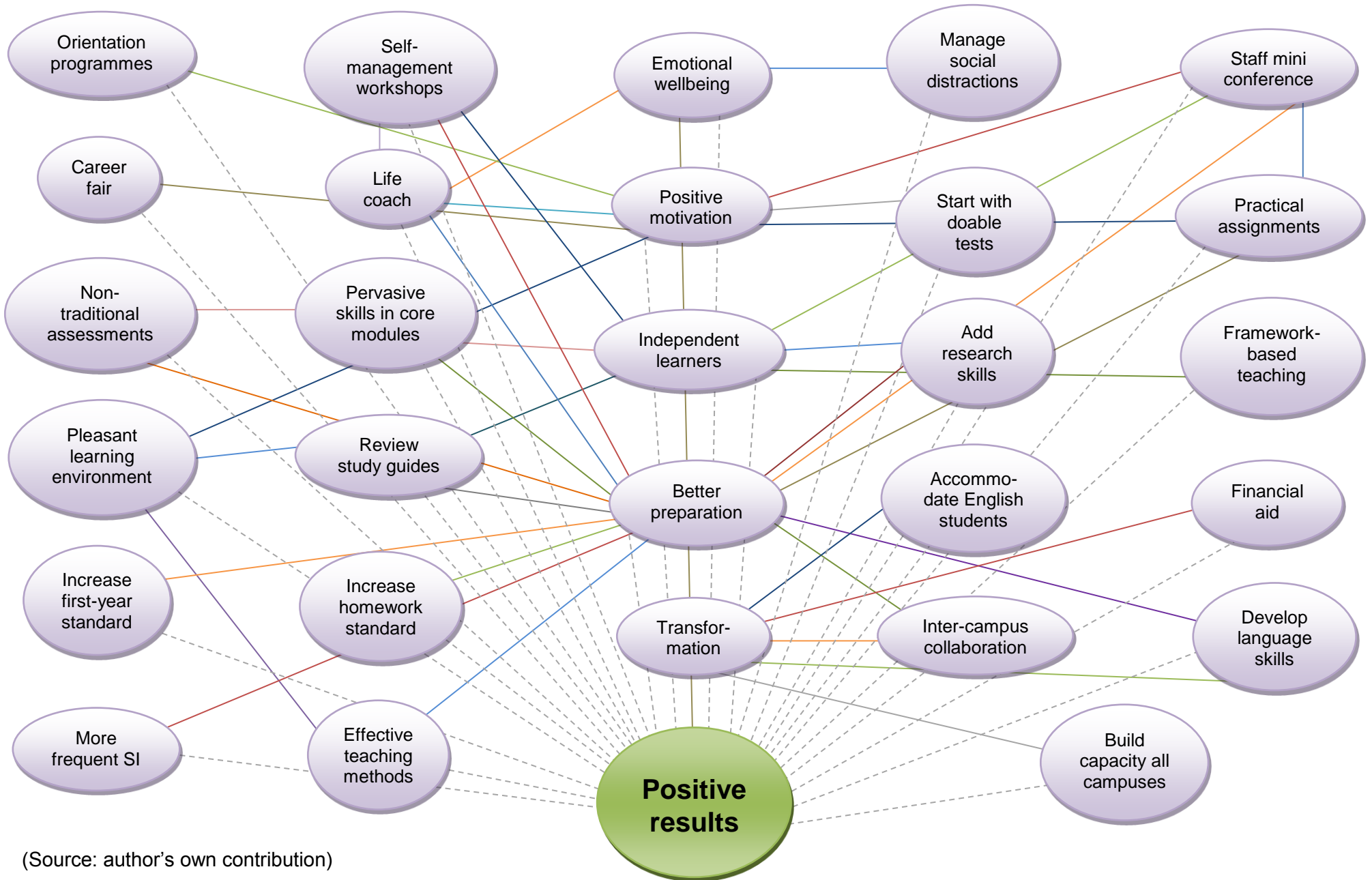
The student focus groups revealed issues that can be addressed largely through the recommendations discussed above; however, the extent of social distractions is concerning and appears to be a particularly large problem on the Potchefstroom campus. Although the campus prides itself on its student life, which is used as a marketing ploy, social activities seem to interfere unreasonably with academic studies. Many of these activities are arranged by residences and student bodies. It is suggested that the School has talks with management and the various student bodies to search for solutions that will be in the best interest of all stakeholders.

Figure 8.3 on the next page offers a visual representation of some of the interventions discussed above and examples of the interconnectedness between them, represented by the connecting lines between the bubbles in the figure. This shows that the interventions can have an impact on one another, which can drive positive results synergistically.

8.6. Concluding reflection and contribution

Given the financial skills shortage crisis in South Africa and numerous calls from a variety of sources to improve accounting education world-wide, it can be argued that research on how to improve the training of accountants can never reach a point of saturation. The study approached this problem mainly from the viewpoint of a single institution, but utilised a comprehensive approach to explore it from many perspectives. The projects within the thesis exposed various areas for improvement in the NWU CA programme. It is likely that, in at least some respects, similar conditions exist in the accountancy programmes of a variety of institutions. Therefore, the recommendations made are not limited to only improving the NWU's programme, but may give pointers to other institutions as well.

Figure 8.3: Needed interventions for NWU



(Source: author's own contribution)

In summary, the thesis benchmarked the NWU CA programme to that of a respectable institution in a developed country, and also identified the controllable barriers to student achievement, transformation constraints and the reasons for student failure. It further described how, in response to the weaknesses identified, an educational tool was developed to partly address at least some of the concerns while, at the same time, providing insight from the perspective of participating students on its usefulness.

From the findings it can be concluded that the university should do more to communicate the challenges of the degree to students and they should constantly endeavour to keep them motivated using a positive reinforcement approach. In addition to offering the highest quality of academic support, the university can no longer deny the need for incorporating soft skills development as a substantial feature in its curriculum, and some evidence has been provided of students' positive experiences of assignments designed to focus on these and other professional skills. Another main finding is the realisation that the NWU has considerable work to do to ensure that its students become independent thinkers; this requires a focus on scholarship and independent learning where "spoon-feeding" practices are not supported.

The study further found that some of the practices and policies of the institution could hamper the pace of transformation of student demographics, most noticeably the lesser resources at some of its campuses and the possibly restrictive language policy of a particular campus. It also supported existing literature suggesting that lower levels of language competence and financial difficulties are of greater concern among black students compared to their white peers. The study further provided evidence that students fail not just as a result of these academic issues, but also because of personal and/or social issues such as peer pressure.

A further revelation was that the South African training model for CAs neglect intellectual skills such as academic research compared to some other countries in the developed world. Anecdotal evidence does, however, seem to suggest that South African CAs are some of the best qualified in the world. Ed Nusbaum, global CEO of audit, tax and advisory firm, Grant Thornton International, is of the view that "professionally if you want to get something done, you speak to someone from South Africa" (Shevel, 2013). When one looks at South Africa's performance in the World Economic Forum's Global Competitiveness Report in areas such as accounting and auditing standards, corporate board efficacy and financial markets, which are held in very high esteem globally (WEF, 2012:325), Nusbaum's statement is not a farfetched notion. However, one cannot help wondering whether South African CAs would not be even greater if the training model made provision for the development of more of the academic skills that are embedded in the accounting programmes in the UK (and many other countries). Chartered accountants should not be able to

only solve technical and business problems, but to also criticise rules and tradition and conceptualise the radical ideas that will move the profession forward. On the assumption that South African CAs are better in solving highly complex technical problems than any developed country, it could be interesting to philosophise about the reasons why the developed societies and economies remain to be much more advanced than those of South Africa.

The originality and contributions of this thesis to the accounting education field are manifold and it is worthy to summarise a few of them. Firstly, chapter 2 provides a useful overview of philosophical questions, sociological paradigms and grounding theories of relevance to the accounting and education sciences, particularly the field of accounting education. This is not necessarily a requirement of a thesis, but the author, being a CA himself, sought a thorough understanding of at least some of the foundational premises of research and scholarship as this is not a feature of CAs' training – a fact pointed out by the cross-national comparative study. Secondly, the study made a practical and comprehensive contribution in its identification of a variety of areas for improvement in accounting education practices. Thirdly, it was attempted to benchmark South African accounting education to that of at least one developed country; such international comparisons are scarce in the accounting education field, especially involving Africa. Fourthly, it offers explanations for the drivers of pedagogical approaches in accounting education with reference to various forces rooted in institutional theory and education theory. In fifth place, it is one of very few comprehensive studies that investigated many achievement barriers holistically. Sixth, it shed new light on some themes that have not yet been sufficiently researched in prior literature, including the value of career-oriented communication, transformation in accounting education, student failure in South African accounting education and the usage of inter-disciplinary integrated case studies or simulations in accounting, to name but a few. Seventh, a new empirical questionnaire was developed and its reliability confirmed, making further research possible in various other settings. In eighth place, a significant contribution of this thesis is the arduous task of producing an actual case study and business simulation assignment that can be used or adapted by accounting educators to develop and assess professional skills; this is a contribution of practical value. Ninth, it provides some evidence of students' experiences of such an assignment which can inform the development of future assignments. In tenth place, the assignment offers a tool to assess the newly added “strategy, risk management and governance” competency area of the SAICA CF.

Lastly, the thesis is of managerial value for the NWU and already contributed to informing new policies, practices and strategies, and will hopefully continue to do so in the foreseeable future. This in itself is a contribution to South African society, as delivering more and better qualified CAs, especially from the designated population groups, are to the benefit of the whole country. The suggestions for the NWU do however have implications of a much more general nature and should therefore provide useful insight for other institutions and accounting educators, as well as

government(s) and professional bodies as the guardians of the profession. Many of the issues experienced by the NWU are probably not unique to this institution, and sharing the results of the research should spark dialogue and change. The author already shared some of the research results at conferences, which, amongst other things, caused one other SAICA-accredited university to utilise the case study and business simulation assignment with their students, as well as requests for research collaboration from another university.

Most of all, this thesis provides evidence of efforts to make a difference in education and, therefore, to “think in terms of 100 years”, as the great Chinese philosopher Confucius suggested we do.

8.7. Limitations of the study

Like any other, the various studies within this thesis are not without limitations. The comparison of only two accounting departments and their degrees (Project 1) can be seen as limiting with regard to generalisability. However, it was attempted to do a rigorous comparison by not only looking at documentation and policies of the institutions, but also to root the comparison within the respective quality assurance frameworks, of both government and the dominating professional bodies. Such frameworks apply to all institutions in the respective countries and this approach, thus, enhances the extent to which results can be generalised. Moreover, the study included focus group interviews of the staff of both departments, which added a further dimension to the comparison. Therefore, although the comparison involved only two institutions, its breadth ensured that a deep understanding of the pedagogical practices of the two institutions was obtained, which typifies the apposite way of applying the case study methodology and qualitative research, in general.

The questionnaire used for Project 2 and Project 3 was developed for the purpose of the specific study and offers opportunities for improvement. The use of a structured survey instrument can be criticised for being rigid and the questionnaire used in this study focused on ten possible barriers identified in the literature, but there could be many others. The open-ended question, however, mitigated this limitation. Owing to the non-random sample, the results were also not fully generalisable, although the large coverage percentage of 80% compensates for this to a large degree. Results are also not directly generalisable to other universities, although it does provide useful insight into the general achievement barriers that could affect successful accounting education across a variety of institutions.

Using focus groups (Project 4) as a research method has many advantages, but also some limitations. Some participating students could have been reluctant to admit their own lack of intellectual ability, their lack of effort or any other similar issue that put them in a bad light. Out of all the focus groups, just one comment hinted to inadequate intellectual ability. Also, because of the

judgemental nature of the analysis of focus group transcripts, it can never be guaranteed that replication of the analysis will yield the exact same conclusions. Having studied the book of Davies (2007), the author was fully aware of this risk and approached the analysis cautiously. Moreover, the author attempted to achieve the highest level of rigour and diligence in the analysis of the data by independently transcribing the recordings and through multiple readings of the transcripts, coupled with meticulous categorisation of quotes and several revisions. Another limitation of qualitative research (as opposed to inferential statistical analysis), in general, is the inability to fully generalise to the total population.

The limitations of the method used in Project 5 again relate to a lack of generalisability based on the selection of a particular group of student participants (as a case study) and the general disadvantages of using a questionnaire with fixed responses (which preclude respondents from giving more comprehensive views). Also, the study measured skills development through the perceptions of participating students, as it is challenging to objectively measure immediate skills improvement. This observation is especially relevant in the context of what appears to be an exceptionally positive evaluation by students of the assignment.

8.8. Areas for further research

Project 1 revealed a potential clash or imbalance between academic and professional epistemologies and highlighted the dangers this can hold. Further research into the needs of society regarding intellectual and/or academic skills of professional accounting graduates might shed some light on what the focus should be and help correct imbalances evidenced at both participating institutions. In other words, future research should endeavour to answer the question of what society (or a specific nation) at large wants from accounting graduates and not what a single professional body or government department wants. There is also a great deal more scope for such inter-institutional comparative studies, and the involvement of more institutions and more countries should, in all likelihood, produce constructive input in furthering this debate and, ultimately, discover the best pedagogical approaches.

In future studies the reliability of the questionnaire used for Project 2 and Project 3 can be further confirmed and the instrument refined. A longitudinal study approach can be adopted to better understand how and why perceptions on achievement barriers change over time and to investigate the problem through different avenues, i.e. to confirm the results without relying on the perceptions of students. Possibilities in this regard include, but are not limited to, interviewing lecturers instead of or in addition to students or analysing the relationship (e.g. correlation coefficients or more complex regression analysis) between achievement (e.g. examination results) and identified barriers (e.g. lower language competence which could, for instance, be identified through a

language test). Studies like these seem to be common enough in international accounting education literature, but limited in South Africa.

Investigating the transformation constraints in the rest of Southern Africa, or even the continent, may also be warranted, as these may be different from the situation in South Africa. A further possibility is to include more institutions and/or to investigate social issues in more detail, for example, cultural influences, financial difficulties, family problems and the effects of HIV/AIDS. A deeper investigation into the exact reasons for black students' negative perceptions is also needed, because these may not necessarily depend only on circumstances on campus. For such an important issue in South Africa, studies aimed at promoting black economic empowerment in accounting education specifically seem to be surprisingly few. The possibilities are endless, for instance, intense focus group sessions with black accounting students may yield valuable results, especially if information on the more obscure social, cultural and financial issues can be extricated.

It is further suggested that future research specifically attempt to explore the interactions between intellectual ability and the other reasons for student failure identified in Project 4. It should be fairly simple to analyse statistically the relationship between some measures of ability (e.g. entrance scores) and failure, or measurable causes of failure, but qualitative studies can help to obtain a deep understanding of this and similar issues. Repeating similar focus group interviews at other institutions or other settings may help confirm the reasons for student failure and will most probably uncover more reasons for failure or dropout.

It is further recommended that future studies on the efficacy of educational interventions such as the case study and business simulation assignment (Project 5) be conducted with greater breadth and also investigate student experiences using more interpretive approaches such as interviews and focus groups. Also, further research may seek to investigate whether the positive perceptions found in this and other studies correlate with actual skills improvement, especially in light of the very positive responses by participating students. Furthermore, this recommended tool is just one of many to help students develop their professional and other skills. Similar studies can be conducted on a variety of different tools. It might also be interesting to compare the efficacy of various tools in one study, as such comparisons do not really seem to exist in accounting education literature.

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ANNEXURES

ANNEXURE A:
SURVEY FOR CHARTERED ACCOUNTANCY STUDENTS
AT THE NORTH-WEST UNIVERSITY
(utilised in chapters 4 and 5)



Survey for chartered accountancy students at the North-West University
(Afrikaans volg op bladsy 2...)

Dear chartered accountancy student,

The University is conducting research on your experiences of the chartered accountancy programme at the North-West University. The results of this study will allow the University to increase your chances of success in your studies to the maximum extent possible.

You are hereby kindly requested to complete the survey that starts on page 3, by using the multiple choice cards provided.

The survey is interested in studying the requirements for success in the chartered accountancy course and your experiences with the chartered accountancy course at the campus of the North-West University where you are studying. All first-year to third-year chartered accountancy students at all campuses of the North-West University have been selected as participants to this study.

By completing this survey you agree that the information you provide may be used for research purposes. Know that you are free to decide not to participate and complete the survey, or withdraw at any time, although your data cannot be replaced by anyone else's. The survey is however completed anonymously, and we as researchers will have no way of connecting the information you provide to you personally. Even so, the researchers undertake to keep the individual information provided herein confidential, not to let it out of their possession, and to analyse results only at the group level.

We value the time that you take to complete this survey and are extremely grateful for the contribution that you are making in this regard.

IMPORTANT DEFINITIONS OF TERMINOLOGY USED IN THIS SURVEY

“**NWU**” refers to the North-West University.

“**Course**” refers to the whole chartered accountancy programme/curriculum, i.e. all the modules/subjects that you enrol for to obtain your degree over the three year degree period.

“**Degree**” is the qualification that you obtain after successfully completing the “course” by passing all the modules.

“**Academic study year**” refers to the study year for which you are registered (e.g. if you are **mostly** registered for second year modules, your academic study year is second year). This is not necessarily the same as the number of years you have been a registered student at the University.

Prof. N. van der Merwe
Researcher

Prof. Dr. S.S. Visser
Promoter

Vraelys vir geoktrooieerde rekenmeesterskapstudente by die Noordwes-Universiteit

Geagte geoktrooieerde rekenmeesterskapstudent,

Die Universiteit is besig om navorsing te doen oor u ervarings van die geoktrooieerde rekenmeesterskapsprogram by die Noordwes-Universiteit. Die resultate van hierdie studie sal die Universiteit in staat stel om u kanse tot sukses in u studies te verhoog tot die maksimum moontlike vlak.

U word hiermee vriendelik versoek om die vraelys te voltooi wat op bladsy 3 begin, deur die multikeusekaarte te gebruik wat voorsien is.

Daar word deur die vraelys gepoog om 'n studie te doen van die vereistes vir sukses in die geoktrooieerde rekenmeesterskapskursus en u ervarings met die geoktrooieerde rekenmeesterskapskursus by die kampus van die Noordwes-Universiteit waar u studeer. Alle eerstejaar- tot derdejaar geoktrooieerde rekenmeesterskapstudente is as deelnemers tot hierdie studie geselekteer.

Deur die vraelys in te vul stem u in dat die inligting wat u verskaf vir navorsingsdoeleindes gebruik mag word. Weet dat dit u vry staan om te besluit om nie deel te neem en die vraelys te voltooi nie, of dat u enige tyd mag onttrek, alhoewel u data nie deur enigiemand anders s'n vervang kan word nie. Die vraelys word egter anoniem voltooi en die navorsers sal geen manier hê om die inligting wat u verskaf met u persoonlik te verbind nie. Selfs met dit inaggenome, onderneem die navorsers om die individuele inligting wat hierin verskaf word vertroulik te hou, om dit nie uit hul besit te laat gaan nie, en om die resultate slegs op groepsvlak te analiseer.

Ons waardeer die tyd wat u neem om die vraelys te voltooi en is uiters dankbaar vir die bydrae wat u in hierdie verband maak.

BELANGRIKE DEFINISIES VAN TERMINOLOGIE WAT IN DIE VRAELYS GEBRUIK WORD

“**NWU**” verwys na die Noordwes-Universiteit.

“**Kursus**” verwys na die hele geoktrooieerde rekenmeesterskapsprogram/-kurrikulum, m.a.w. al die modules/vakke waarvoor u inskryf om u graad oor die drie-jaar graadperiode te behaal.

“**Graad**” is die kwalifikasie wat u behaal nadat u die “kursus” suksesvol voltooi het deur al die modules te slaag.

“**Akademiese studiejaar**” verwys na die studiejaar waarvoor u geregistreer is (bv. as u **meesal** geregistreer is vir tweedejaar-modules, is u akademiese studiejaar die tweedejaar). Dit is nie noodwendig dieselfde as die aantal jare waarvoor u al 'n geregistreerde student by die Universiteit is nie.

Prof. N. van der Merwe
Navorser

Prof. Dr. S.S. Visser
Promotor

Please note that all answers must be completed in an HB pencil on the multiple choice cards provided.

The survey consists of 8 pages.

Let wel dat alle antwoorde in 'n HB potlood op die multikeusekaarte wat voorsien is, beantwoord moet word.

Die vraelys bestaan uit 8 bladsye.

PART A: DEMOGRAPHICAL INFORMATION ABOUT MYSELF / DEEL A: DEMOGRAFIESE INLIGTING OOR MYSELF

Answer the following questions (for statistical purposes only) on the multiple choice cards provided / Beantwoord die volgende vrae (vir statistiese doeleindes alleenlik) op die multikeusekaarte wat verskaf is:

1. My gender is / *My geslag is*:
 1. Female / *Vroulik*
 2. Male / *Manlik*
2. My race/ethnicity is / *My ras/etnisiteit is*:
 1. African/black / *Afrikaan/swart*
 2. Coloured/brown / *Kleurling/bruin*
 3. Indian/Asian / *Indiër/Asiaat*
 4. White / *Blank*
 5. Other / *Ander*
3. I am studying on the following campus of the NWU / *Ek studeer op die volgende kampus van die NWU*:
 1. Mafikeng
 2. Potchefstroom
 3. Vaal
4. I am studying / *Ek studeer*:
 1. Full time / *Voltyds*
 2. Part time / *Deeltyds*
5. My **academic** study year is / *My akademiese studiejaar is*:
 1. First year / *Eerstejaar*
 2. Second year / *Tweedejaar*
 3. Third year / *Derdejaar*
6. My **home** language is / *My huistaal is*:
 1. Afrikaans
 2. English
 3. Sesotho
 4. Setswana
 5. IsiXhosa or IsiZulu
 6. IsiNdebele, Sepedi, SiSwati, Tshivenda or Xitsonga
 7. Other (no need to specify) / *Ander (nie nodig om te spesifiseer nie)*
7. My **study** language is / *My studietaal is*:
 1. Afrikaans
 2. English

PART B: MY EXPERIENCES AT THE CAMPUS OF THE NWU WHERE I AM STUDYING / DEEL B: MY ERVARINGS BY DIE KAMPUS VAN DIE NWU WAAR EK STUDEER

Answer the following questions about your **general experiences of the course (all modules/subjects)** at the NWU. Answer on the multiple choice cards provided by using the following scale / *Beantwoord die volgende vrae aangaande u algemene ervarings van die kursus (alle modules/vakke)* by die NWU. *Antwoord op die multikeusekaarte wat verskaf is, deur die volgende skaal te gebruik.*

1. You strongly disagree / *U stem glad nie saam nie*
2. You disagree / *U stem nie saam nie*
3. You are undecided / *U is besluitloos*
4. You agree / *U stem saam*
5. You strongly agree / *U stem volkome saam*

8. When I first enrolled for the course, I understood its demands / *Toe ek aanvanklik vir die kursus ingeskryf het, het ek die eise daarvan verstaan.*
9. The NWU motivates me to be committed to my studies / *Die NWU motiveer my om toegewyd te wees aan my studies.*
10. I do not have sufficient access to text books due to financial difficulties / *Ek het nie voldoende toegang tot handboeke nie weens finansiële moeilikheid.*
11. The NWU encourages me to work hard / *Die NWU moedig my aan om hard te werk.*
12. I have a need for **more effective** practical tutorials/facilitation at my campus / *Ek het 'n behoefte aan **meer doeltreffende** praktiese tutoriale/fasilitering by my kampus.*
13. I cannot afford a financial calculator as prescribed by the NWU / *Ek kan nie 'n finansiële sakrekenaar soos wat deur die NWU voorgeskryf word, bekostig nie.*
14. Homework assignments are generally on an appropriate standard / *Die huiswerkopdragte is oor die algemeen op 'n geskikte standaard.*
15. I have a good comprehension of the language in which I am studying / *Ek het 'n goeie begrip van die taal waarin ek studeer.*
16. The teaching media in the lecture rooms are generally in a good working order (for example overhead projectors, data projectors, sound systems, etc.) / *Die onderrigmedia in die lesinglokale is oor die algemeen in 'n goeie werkende toestand (byvoorbeeld truprojektors, dataprojektors, klankstelsels, ens.).*
17. In general I learn a lot from the homework assignments I get / *Oor die algemeen leer ek baie uit die huiswerkopdragte wat ek kry.*
18. I am competent in the language in which I write tests and examinations / *Ek is vaardig in die taal waarin ek toetse en eksamens skryf.*
19. The NWU develops my communication skills / *Die NWU ontwikkel my kommunikasievaardighede.*
20. In general, solutions to homework assignments are made available to me or are marked in class / *Oor die algemeen word die oplossings van huiswerkopdragte aan my beskikbaar gestel of word gemerk in die klas.*
21. The lecture rooms are adequate for learning / *Die lesinglokale is geskik vir leer.*
22. The campus library is a place where I can study effectively / *Die kampusbiblioteek is 'n plek waar ek doeltreffend kan studeer.*
23. In general, homework assignments adequately prepare me for the final examination / *Oor die algemeen berei huiswerkopdragte my voldoende voor vir die finale eksamen.*
24. I am excited about the course I am studying / *Ek is opgewonde oor die kursus wat ek studeer.*
25. I am comfortable with the language in which my lectures take place / *Ek is gemaklik met die taal waarin my lesings plaasvind.*
26. The quality of the tutorials/facilitation sessions at my campus should be improved / *Die kwaliteit van die tutoriale/fasiliteringsessies by my kampus behoort verbeter te word.*
27. I had a good idea of what to expect when I started each new study year / *Ek het 'n goeie idee gehad van wat om te verwag toe ek elke nuwe studiejaar begin het.*
28. The teaching methods generally used by my lecturers are boring / *Die onderrigmetodes wat oor die algemeen deur my dosente gebruik word, is vervelig.*
29. In general, my lecturers put in a lot of effort / *Oor die algemeen doen my dosente baie moeite.*
30. I believe that I get acceptable education compared to students at the other campuses of the NWU / *Ek glo dat ek aanvaarbare onderrig kry in vergelyking met studente by die ander kampusse van die NWU.*
31. I struggle to pay my class fees / *Ek sukkel om my klasfooie te betaal.*
32. Lecturers make it clear what is expected from me in this course / *Dosente maak dit duidelik wat van my verwag word in hierdie kursus.*
33. In general, my lecturers have the ability to explain difficult work to me / *Oor die algemeen het my dosente die vermoë om moeilike werk aan my te verduidelik.*

34. The NWU informs me about the challenges of the course / *Die NWU lig my in aangaande die uitdagings van die kursus.*
35. The NWU equips me with study skills (for example time management, study technique and examination technique) / *Die NWU rus my toe met studievaardighede (byvoorbeeld tydsbestuur, studietegniek en eksamentegniek).*
36. I have a need for **more frequent** practical tutorials/facilitation at my campus / *Ek het 'n behoefte aan **meer gereelde** praktiese tutoriale/fasilitering by my kampus.*
37. If I study hard I can generally pass without really understanding the work / *As ek hard studeer kan ek oor die algemeen deurkom sonder om regtig die werk te verstaan.*
38. In general, the teaching methods used by my lecturers are effective / *Oor die algemeen is die onderrigmetodes wat deur my dosente gebruik word doeltreffend.*
39. The NWU teaches me how to manage my studies / *Die NWU leer my hoe om my studies te bestuur.*
40. I have a good understanding of the type of work I will be doing in practice / *Ek het 'n goeie begrip van die tipe werk wat ek in die praktyk gaan doen.*
41. In general, the course develops my technical subject skills (**for example** being able to argue what the correct accounting treatment of an unfamiliar transaction should be) / *Oor die algemeen ontwikkel die kursus my tegniese vakvaardighede (**byvoorbeeld** om te kan argumenteer wat die korrekte rekeningkundige hantering van 'n onbekende transaksie behoort te wees).*
42. I have access to proper accommodation during my studies / *Ek het toegang tot behoorlike akkommodasie tydens my studies.*
43. In general, my lecturers vary their teaching methods appropriately / *Oor die algemeen wissel my dosente hul onderrigmetodes op toepaslike wyse af.*
44. In general, there is enough study material available for this course / *Oor die algemeen is daar genoeg studiemateriaal beskikbaar vir hierdie kursus.*
45. In general, the course develops my analytical skills (for example being able to critically evaluate information and distinguish important information from unimportant information) / *Oor die algemeen ontwikkel die kursus my analitiese vaardighede (byvoorbeeld om inligting krities te kan analiseer en belangrike inligting van onbelangrike inligting te kan onderskei).*
46. I can get assistance in a language of my choice (for example when talking to lecturers, facilitators or academic clerks) / *Ek kan bystand kry in 'n taal van my keuse (byvoorbeeld wanneer ek met dosente, fasiliteerders of akademiese klerke praat).*
47. I feel part of the group of chartered accountancy students at the NWU / *Ek voel deel van die groep van geoktrooieerde rekenmeesterskapstudente by die NWU.*
48. The NWU provides me with enough tutorials/facilitation sessions / *Die NWU voorsien my van genoeg tutoriale/fasiliteringsessies.*
49. Modern teaching media is generally used during lectures (for example overhead projectors, PowerPoint presentations, videos, etc.) / *Moderne onderrigmedia word oor die algemeen tydens lesings gebruik (byvoorbeeld truprojektors, PowerPoint aanbiedings, video's, ens.).*
50. The NWU communicates the requirements of the course to me / *Die NWU kommunikeer die vereistes van die kursus aan my.*
51. In general, I have access to my lecturers / *Oor die algemeen het ek toegang tot my dosente.*
52. In general, the course develops my problem solving skills / *Oor die algemeen ontwikkel die kursus my probleemoplossingsvaardighede.*
53. The NWU creates opportunities for me to develop my study skills (for example ability to plan ahead, stress management, time management, etc.) / *Die NWU skep geleenthede vir my om my studievaardighede te ontwikkel (byvoorbeeld die vermoë om vooruit te beplan, stresbestuur, tydsbestuur, ens.).*
54. In general, the study guides are helpful / *Oor die algemeen is die studiegidse behulpzaam.*
55. I find the terminology used in the course generally complex to understand / *Ek vind oor die algemeen dat die terminologie wat in die kursus gebruik word kompleks is om te verstaan.*
56. I understand the language used in the study material / *Ek verstaan die taal wat in die studiemateriaal gebruik word.*
57. In general, my lecturers have a good knowledge of the subject that they teach / *Oor die algemeen het my dosente 'n goeie kennis van die vak wat hulle onderrig.*

58. The campus library provides me with adequate material (e.g. books, magazines, etc.) where needed for my studies / *Die kampusbiblioteek voorsien my van geskikte materiaal (bv. boeke, tydskrifte, ens.) waar nodig vir my studies.*
59. In general, the tutorials/facilitation offered by the NWU is a waste of time / *Oor die algemeen is die tutoriale/fasilitering wat deur die NWU verskaf word 'n mors van tyd.*
60. The prescribed text books are generally of a high quality / *Die voorgeskrewe handboeke is oor die algemeen van 'n hoë gehalte.*
61. The NWU develops my interpersonal skills (for example having good relationships with people and being able to deal with conflict) / *Die NWU ontwikkel my interpersoonlike vaardighede (byvoorbeeld om goeie verhoudings met mense te hê en konflik te kan hanteer).*
62. In general, the homework assignments that I get are a waste of time / *Oor die algemeen is die huiswerkopdragte wat ek kry 'n mors van tyd.*
63. The notes/handouts that I receive are useful / *Die notas/uitdeelstukke wat ek ontvang is nuttig.*
64. The NWU provides me with life skills coaching (for example developing self-confidence, leadership ability, etc.) / *Die NWU voorsien my van lewensvaardighede-afrigting (byvoorbeeld ontwikkeling van selfvertroue, leierskapsvermoë, ens.).*
65. The NWU creates a passion in me for the course / *Die NWU skep 'n passie in my vir die kursus.*
66. Lectures are interactive (i.e. students have the opportunity to communicate with the lecturer and other students during lectures) / *Lesings is interaktief (m.a.w. studente het die geleentheid om te kommunikeer met die dosent en ander studente tydens lesings).*
67. In general, I find that the lectures are worth while / *Oor die algemeen ondervind ek dat die lesings die moeite werd is.*
68. The computer facilities at my campus are adequate for my learning needs / *Die rekenaarfasiliteite by my kampus is geskik vir my leerbehoefes.*
69. In general, I get enough homework assignments / *Oor die algemeen kry ek genoeg huiswerkopdragte.*
70. In general, my lecturers **motivate** me to put in a lot of effort in my studies / *Oor die algemeen motiveer my dosente my om baie moeite met my studies te doen.*
71. My financial situation has a negative impact on my studies / *My finansiële situasie het 'n negatiewe uitwerking op my studies.*
72. In general, the study material available for this course is valuable / *Oor die algemeen is die studiemateriaal wat vir hierdie kursus beskikbaar is waardevol.*
73. On the **back** of the multiple choice card, please list any other problems you are experiencing that are limiting the success in your studies which are not addressed above. **Please use “Question 73” as a heading** / *Op die **agterkant** van die multikeusekaart, lys asb. enige ander probleme wat u ervaar wat u sukses in u studies beperk, wat nie hierbo aangespreek is nie. **Gebruik asb. “Vraag 73” as opskrif.***

ANNEXURE B:
SURVEY FOR THIRD-YEAR CHARTERED ACCOUNTANCY STUDENTS TO OBTAIN
FEEDBACK ON THE INTEGRATED SIMULATION ASSIGNMENT
(utilised in chapter 7)

Questionnaire on your experience of the group assignment (African Manufacturers)

Note: your voluntary responses to this questionnaire will be used for research purposes. Rest assured that the information will be kept confidential and analysed only at a total group level.

Please provide the following details about yourself:

Your name and student number:	
The number of your group/team:	

Part A

Answer the following questions about your **overall experience of the group assignment**. Indicate your answers with an "X" under the relevant column by using the following scale:

1. You strongly disagree
2. You disagree
3. You are neutral
4. You agree
5. You strongly agree

Question	Answer 1 to 5				
1. My interest in chartered accountancy has been enhanced by the assignment.					
2. Participating in the assignment enhanced my technical competencies.					
3. Participating in the assignment broadened my view of the role of an accountant.					
4. The assignment tested my ability to think for myself.					
5. Participating in the assignment developed/enhanced my soft skills in general.					
6. Participating in the assignment developed/enhanced my computer skills.					
7. Participating in the assignment developed/enhanced my presentation skills.					
8. Participating in the assignment developed/enhanced my communication skills.					
9. Participating in the assignment developed/enhanced my teamwork skills.					
10. Participating in the assignment developed/enhanced my report writing skills.					
11. Participating in the assignment developed/enhanced my language skills.					
12. Participating in the assignment developed/enhanced my research skills.					
13. Participating in the assignment developed/enhanced my time management skills.					
14. Participating in the assignment developed/enhanced my stress management skills.					
15. Participating in the assignment broadened my understanding of real-life practice.					
16. The assignment was an effective learning experience.					
17. What I have learned during the assignment will stay with me in the long run.					
18. The assignment increased my insight into the relationship between theory and practice.					
19. I am now more motivated to become a qualified accountant because of this assignment.					
20. I prefer such assignments instead of lectures.					
21. I enjoyed the social aspects of the assignment.					
22. I took the assignment seriously.					
23. I was motivated by the assignment.					
24. The assignment demanded insight/application from me and not only knowledge replication.					
25. The assignment increased my knowledge.					

Part B

Rate your attitude towards the assignment with an "X" in the relevant columns below on a scale of 1 to 5 where:

1 = an extremely **negative** feeling and 5 = an extremely **positive** feeling towards each question:

My feelings towards the assignment:	(Mark with an "X" where 1 = most negative and 5 = most positive)				
	<i>Negative</i> ----- <i>Positive</i>	1	2	3	4
26. Bad/Good					
27. Unhappy/Happy					
28. Dislike/Like					
29. Uncomfortable/Comfortable					
30. Tense/Calm					
31. Unsatisfied/Satisfied					
32. Artificial/Natural					
33. Boring/Exciting					
34. Stressed/Relaxed					
35. Unpleasant/Pleasant					

Part C

36. Use one word to describe/summarise the assignment:	
37. Write down one positive remark in respect of the assignment:	
38. Write down one negative remark in respect of the assignment:	

Part D

Rate the performance/contribution made by your other team members (excluding yourself) in completing this assignment to a satisfactory level. Indicate your response with an "X" in the relevant columns below where 1 = an extremely **low** level of contribution and 10 = an extremely **high** level of contribution.

Student name	(Mark with an "X")											
	<i>Low contribution</i> ----- <i>High contribution</i>	Nothing	1	2	3	4	5	6	7	8	9	10

You are welcome to write down any other comments you may have:

ANNEXURE C:
SUGGESTED SOLUTION OVERVIEW OF THE INTEGRATED SIMULATION ASSIGNMENT
(applicable to chapter 7)

BUDGET SPREADSHEET MODEL

Input sheet:	Inputs (VAT incl)	
Annual capacity	300 000	*
2011 production units (base year)	55 000	*
Plant cost	30 000 000	*
Remaining useful life from 2012 (in years)	5	*
Residual value	2 000 000	*
2012 Unit manufacturing cost:		
Hard drives	600	*
Other electronic components	349	*
Plastics	196	*
Direct labour	230	*
2012 Unit operating expense	164	*
South African prime interest rate (annual):	10.00%	#
Markup on manufacturing cost	17.50%	*
Industry growth rate	50.00%	#
SA Inflation rate	9.00%	#
Discount rate on plastics (2013 onwards)	10.00%	*
VAT rate	14.00%	*
Income tax rate	28.00%	*

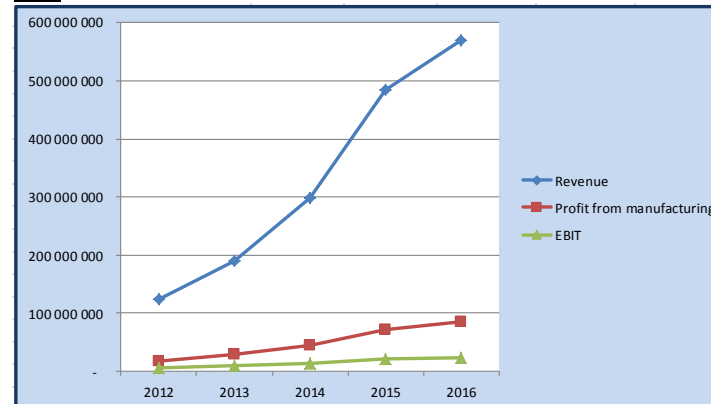
* Information given in question

Information researched on internet

Budget:	2012	2013	2014	2015	2016
	R	R	R	R	R
Revenue	124 468 231	190 835 836	298 630 782	485 207 015	568 993 441
Manufacturing costs	105 930 409	162 413 477	254 153 857	412 942 141	484 249 737
Hard drives	43 421 053	65 131 579	97 697 368	159 735 197	187 594 737
Other electronic components	25 242 105	41 270 842	67 477 827	110 326 247	129 568 333
Plastics	14 198 684	20 893 364	34 160 650	55 852 662	65 593 969
Depreciation of plant	4 093 567	4 093 567	4 093 567	4 093 567	4 093 567
Direct labour (no VAT)	18 975 000	31 024 125	50 724 444	82 934 467	97 399 131
Profit from manufacturing	18 537 822	28 422 358	44 476 925	72 264 875	84 743 704
Operating expenses	11 832 237	19 345 707	31 630 231	51 715 428	60 735 156
Gain on sale of plant*	-	-	-	-	0
EBIT	6 705 585	9 076 651	12 846 694	20 549 446	24 008 548
Finance costs	2 750 000	2 200 000	1 650 000	1 100 000	550 000
Profit before tax	3 955 585	6 876 651	11 196 694	19 449 446	23 458 548
Income tax (current & deferred)	1 107 564	1 925 462	3 135 074	5 445 845	6 568 393
Net profit for the year after tax	2 848 021	4 951 189	8 061 619	14 003 601	16 890 154
Units based on growth	82 500	123 750	185 625	278 438	417 656
Max units based on capacity	82 500	123 750	185 625	278 438	300 000

* Already taken into account in reduced depreciation.

Graph:



ASSUMPTIONS

iPhone unit sales growth:

Source: http://en.wikipedia.org/wiki/File:IPhone_sales_per_quarter_simple.svg
and Apple.com website.

Year	Quarter	Units (m)	Annual	Growth
2008	Q1	2.315		
	Q2	1.703		
	Q3	0.717		
	Q4	6.89	11.625	
2009	Q1	4.363		
	Q2	3.793		
	Q3	5.208		
	Q4	7.367	20.731	78%
2010	Q1	8.737		
	Q2	8.752		
	Q3	8.398		
	Q4	14.102	39.989	93%
2011	Q1	16.24		
	Q2	18.647		
	Q3	20.338		
	Q4	34.151759	89.376759	124%
		Projected		

Average sales growth per annum = 98%

Probably not sustainable as market matures.

(just look at what happened to iPod sales which are down in recent years)

Assume a sustainable growth rate (average for next 8 years) of 50%.

Projected SA inflation rate

Latest actual announced CPI rate = 5.3% (July 2011) which is an increasing trend.

Latest actual announced PPI rate = 8.9% (July 2011) which is an increasing trend.

Assume 9% as the projected PPI rate as the government CPI target is 3-6%, so they will manage the rate through fiscal policy to remain in this band (changes in PPI affects CPI).

Source: <http://www.tradingeconomics.com/south-africa/inflation-cpi>

SA prime interest rate (fixed rate loan)

10.00% per annum as at 1 July 2010.

Source: SARB website.

SA GDP growth rate

Average quarterly growth rate from 1993 to 2011 was 3.32%.

2011 target is 3.4%.

7% is needed to alleviate unemployment, but this is probably not realistic.

Will use 4% for case study because it is expected that the effects of the recession are over.

4% x 2 = 8% which corresponds well to the following reasonability check:

	Rm
2012 profit on iPhones as per budget	2.85
2011 profit as given (375 - 275 - 25 - 32) x 72%	30.96
% growth	9.20%
(if assume earnings from other industries remain constant)	

Sources:

<http://www.tradingeconomics.com/south-africa/gdp-growth>

<http://www.businesslive.co.za/incoming/2011/05/31/sa-on-target-for-3.4-gdp-growth-rate>

<http://moneyweb.co.za/mw/view/mw/en/page295025?oid=549792&sn=2009+Detail&pid=295025>

Loan amortisation table as assumed in this solution (simple interest)

Period	Pmt	Interest	Principal	Balance
0				30 000 000
1	8 300 000	3 300 000	5 000 000	25 000 000
2	7 750 000	2 750 000	5 000 000	20 000 000
3	7 200 000	2 200 000	5 000 000	15 000 000
4	6 650 000	1 650 000	5 000 000	10 000 000
5	6 100 000	1 100 000	5 000 000	5 000 000
6	5 550 000	550 000	5 000 000	-

Effective interest rate (IFRS 9):

-30 000 000

8 300 000

7 750 000

7 200 000

6 650 000

6 100 000

5 550 000

IRR = 11.00%

Loan amortisation table if compound interest assumed

Period	Pmt	Interest	Principal	Balance
0				30 000 000
1	7 091 297	3 300 000	3 791 297	26 208 703
2	7 091 297	2 882 957	4 208 340	22 000 364
3	7 091 297	2 420 040	4 671 257	17 329 107
4	7 091 297	1 906 202	5 185 095	12 144 011
5	7 091 297	1 335 841	5 755 456	6 388 556
6	7 091 297	702 741	6 388 556	-

Effective interest rate (IFRS 9):

-30 000 000

7 091 297

7 091 297

7 091 297

7 091 297

7 091 297

7 091 297

IRR = 11.00%

Business risk assessment

Overview of aspects to consider:

- * Manufacturing enterprise (high competition, volatility, stock obsolescence, etc.)
- * No financial manager (FM) and other senior staff (lack of knowledge & expertise, dominance by CEO)
- * CEO confessed lack of IFRS knowledge.
- * Overly dependent on one individual (CEO) for managing of finances, day to day operations, etc.
- * No experience in new industry (electronic devices)
- * Electronics industry is high risk due to technical obsolescence and growth in iPhone product not easily sustainable.
- * Poor performance of other industries could lead to company downfall.
- * Now an associate (or perhaps subsidiary) of a highly successful American company:
 - Support from this company and right to manufacture Apple products and use brand reduces risk.
 - Dilution of existing shareholding and corresponding reduced influence over decision-making increases risk.
- * Solvency and liquidity risk due to debt financing (but also reduced cost of capital which creates value for shareholders).
- * Fixed rate loan reduces risk because predictable, however could lose out on interest rate cuts if not hedged.
- * Export of iPhones is subject to exchange rate fluctuations if not hedged.
- * Fairly low gross profit margin on iPhones (17.5% markup) leaves little room for unforeseen increases in operating expenses.
- * Normal risk of inflation (SA inflation rate that drives production cost; 17.5% markup not necessarily sustainable if USA inflation is low).
- * Lightning strike reduces capacity of plant and company may lose out on sales if demand increases enough.
- * Ethical/governance concerns could lead to company downfall, e.g.
CEO could be involved with fraudulent practices as evidenced by:
 - Disagreement with FM that lead to firing of FM.
 - Lack of segregation of duties create opportunity for fraud.
 - CEO's lifestyle perhaps not consistent with remuneration (e.g. Ferrari & Lamborghini)
 - CEO's interest in contract due to wife supplying raw materials at higher cost than previous supplier.
 - Increased use of temporary labour outside payroll system with no segregation of duties: CEO can easily create fake employees and make payments to himself.
 - Ratio analysis shows trend of declining revenue with increasing labour cost and bonuses.
 - CEO's close relationship with suppliers and customers (e.g. could receive 'kickbacks')
 - Appears that CEO takes family on holiday on company account.
 - CEO disagreement/bad relationship with the auditors.
 - CEO disagreement/bad relationship with SARS
 - CEO's shareholding in the company impairs independence even more.
- * 10% shareholding of audit firm in company could impair independence, e.g.
financial statements could be misleading, contravention of laws could lead to fines, etc.

Effect of risk assessment on valuation of share price

Valuation techniques include:

- * Dividend growth model
- * Price earnings ratio
- * Free cash flow valuation

Regardless of the valuation model chosen, a risk adjustment is made:

- * Dividend growth model: adjust growth rate to reflect business risks.
- * Price earnings ratio: adjust P/E ratio to reflect business risks.
- * Free cash flow valuation: adjust discount rate to reflect business risks.

Overall it appears that the invasion into the Apple iPhone market is extremely beneficial for African Manufacturers if the budget in part (a) is compared to the current (2011) profit figures made available by Mr. van der Merwe.

This should increase the company's share price.

However, the long-term sustainability of the business is a concern (refer to risk assessment already done). These risks may partially counteract the benefits of expansion into the new market.

Cost of capital

	Cost		Weighting		WACC
Debt	7.92%	(1)	61.64%	(3)	4.88%
Equity	11.44%	(2)	38.36%	(3)	4.39%
					<u>9.27%</u>

Notes

(1) SA prime on 1/7/2010 + 100 basis points = 11% = market-related
Less tax of 28%

(2) Dividend yield and growth model to calculate cost of equity:

$$K_e = D_1 / P_0 + g$$

where:

$$g = 4\% \text{ expected GDP growth (see assumptions)} \times 2 = 8\%$$

$$D_1 = (\text{R}8.2 \text{ million} \div 2\,000\,000 \text{ shares}) \times (1.08) = 4.43$$

$$P_0 = \text{R}128.80 \text{ (given)} \quad 128.80$$

(3)

Equity @ market value: 128.80 x 2 000 000 shares		<u>257 600 000</u>	38.36%
Debt @ market value equals book value			
Non-current liabilities		287 000 000	
Current liabilities	<i>include??</i>	102 000 000	
Loan on new plant	(30 000 000 x 5/6)	<u>25 000 000</u>	
		<u>414 000 000</u>	61.64%
Total capital		<u>671 600 000</u>	

Comments on cost of capital

The cost of capital appears to be quite low due to the debt financing.

However, the company is rather heavily geared which poses a significant solvency risk.

The cost of equity is not really that much higher than the cost of debt, which could raise the question as to why the company is so heavily geared.

Discussion would depend on the result of the student's calculation.

IFRS implications in respect of new plant

Note:

Students should quote and discuss relevant accounting principles, at least from:

* IAS 16 Property, plant and equipment

* IAS 36 Impairment

* IAS 12 Income taxes

As well as tax principles from Section 12C of the Income Tax Act.

These principles are not reiterated here, but should form part of students' report.

Calculations

	Carrying amount	Tax base	(Taxable)/ Deductible temp diff	Deferred tax (liability)/ asset
Balance 1 Jul 2010	-	-	-	-
Purchase	26 315 789	26 315 789	-	-
Depreciation / wear & tear (Calc A)	-4 093 567	-10 526 316	-6 432 749	-1 801 170 <i>P/L</i>
Impairment loss (Calc B)	-	-	-	-
Balance 30 Jun 2011	<u>22 222 222</u>	<u>15 789 474</u>	<u>-6 432 749</u>	<u>-1 801 170</u>

Calc A

Depreciation = $(30\,000\,000 - 2\,000\,000) \times 100/114 \div 6$ yrs useful life.

Capital allowances on manufacturing plant = $30\,000\,000 \times 100/114 \times 40\%$

* Section 12C is applicable because this is manufacturing plant (machinery) owned by the manufacturer used in its trade directly in a manufacturing process conducted by the taxpayer.

* It was new when purchased, therefore the 40/20/20/20 allowance applies.

Calc B

Fair value	20 000 000	<i>Assume 'value' excludes VAT</i>
Costs to sell	-	<i>Assumption</i>
Fair value less costs to sell	20 000 000	

Value in use:

Discount rate

IAS 36 Appendix A17 starting point:

* Cost of capital (calculated in part (b3))	9.27%
* Incremental borrowing rate: assume market-related cost of debt	7.92%
* Other market borrowing rates	7.92%

Will use market-related cost of debt 7.92%

Pre-tax	11.00%
Adjust for risks specific to asset (IAS 36 requirements)	
* Reduced production capacity (already taken into account in cash flows)	-
* Volatile/unpredictable industry (electronics)	1.00%
* Use of asset is subject only to right granted by Apple to produce iPhones	3.00%
* But plant could perhaps be used to produce other products as well	-1.00%
* High demand for Apple products	-1.00%
	<u>13.00%</u>

Cash flows

Refer to budget prepared under part (a)

max 5 years allowed by IAS 36

	2012	2013	2014	2015	2016
EBIT	6 705 585	9 076 651	12 846 694	20 549 446	24 008 548
Add back non-cash items					
* Depreciation	4 093 567	4 093 567	4 093 567	4 093 567	4 093 567
Add proceeds on sale (residual value ex VAT)					1 754 386
	<u>10 799 152</u>	<u>13 170 219</u>	<u>16 940 261</u>	<u>24 643 014</u>	<u>29 856 501</u>
NPV (value in use) =	<u>62 930 370</u>				
Higher of the two	62 930 370				
Carrying amount before impairment	<u>22 222 222</u>				
<i>I.e. no impairment in this case.</i>	<u>-</u>				

(will depend on students' budget, but they have to test for impairment because of the indicator)

Note:

Can also incorporate current tax implications

Tax implications in respect of sale of old plant

Note:

Students should quote and discuss relevant accounting principles, at least from:

- * Section 12C of the Income Tax Act.
- * Section 8(4)(a) of the Income Tax Act.
- * Eighth Schedule of the Income Tax Act.
- * VAT Act

These principles are not reiterated here, but should form part of students' report.

Reconciliation

Purchase price 1 Jul 2008	11 000 000	<i>Assume new (not 2nd hand)</i>
VAT	-1 350 877	
	<u>9 649 123</u>	
Capital allowance 2009 (Section 12C 40%)	-3 859 649	
Capital allowance 2010 (Section 12C 20%)	-1 929 825	
Capital allowance 2011 (Section 12C 20%)	-1 929 825	<i>Not proportionally allocated (s12C)</i>
Tax base 30 April	<u>1 929 825</u>	
'Gain' (accounting principle)	<u>5 087 719</u>	
Proceeds	7 017 544	
Selling price	<u>8 000 000</u>	
VAT	<u>- 982 456</u>	

8th Schedule calculation

Proceeds	7 017 544	
Less: Recoupment (Section 8(4)(a))	<u>-5 087 719</u>	<i>Selling price limited to cost price, less tax base</i>
	1 929 825	
Less:	-1 929 825	
* Base cost	<u>9 649 123</u>	
* Less Previous capital allowances	<u>-7 719 298</u>	
Capital gain/loss	<u><u>-</u></u>	

Summary of tax consequences 2011

VAT output	982 456
Recoupment @ 28%	1 424 561
Capital gain/loss	-

Main audit procedures i.r.o. of plant, including tax

Authorisation and Rights & obligations

- * Inspect purchase contract / invoice and verify signed and in the name of African Manufacturers.
- * Inspect board minutes to confirm approval of transaction;
 - as well as Companies Act requirements for meetings e.g. notice period, quorum, etc.
- * Inspect insurance policy contract and ensure in the name of African Manufacturers.
- * Inspect Memorandum of Incorporation (MoI) to ensure transaction is not outside of the company's ability.
- * **Any other valid points.**

Existence

- * Physically inspect the plant and all of its components to confirm existence.
- * Trace payment to bank statement.
- * Confirm bank details of supplier to cheque / EFT document.
- * If secured loan, make sure loan agreement refers to the plant and bank was satisfied.
- * **Any other valid points.**

Valuation

- * Get fixed asset register (FAR) or other client schedule that contains information on the plant.
- * Cast and cross cast the FAR and confirm that plant totals agree to sub ledgers, general ledger, trial balance and financial statements.
- * Inspect African Manufacturer's accounting policies to ensure they are in line with IAS 16.
- * Agree cost price of plant to invoice / contract and bank statement.
- * Assess reasonability of useful life in terms of the principles in IAS 16.56.
- * Recalculate depreciation for the year and accumulated depreciation.
- * Recalculate the carrying amount at year-end.
- * Procedures to identify any possible impairment indicators (enquiry of staff, read minutes, etc.).
 - Lightning strike is an impairment indicator as it reduced the plant's production capacity.
- * Confirm the fair value of the plant as at 30 June 2011 with observable market data, for example:
 - Determine the cost price of new plant with similar nature (gross replacement value) (e.g. look at recent market transactions or advertisements). Then calculate net replacement value with reference to original and remaining useful life; or
 - Make use of a valuation expert to value the plant, and consider all of ISA 620's requirements regarding the use of experts (e.g. consider their qualifications, experience, independence and reasonability of their assumptions).
- * Confirm the reasonability of estimated costs to sell (e.g. compare to similar transactions).
- * Obtain client calculation of value in use; cast & cross cast and recalculate value in use.
- * Confirm reasonability of value in use assumptions:
 - Agree discount rate to market-related rate which reflects the risk profile of the asset.
 - Agree cash flows to management's forecasts/budget (refer part (a) of the case study).
 - Ensure cash flow assumptions (forecasts) are reasonable (e.g. compare growth rates used to industry growth rate, etc.).
 - Ensure cash flow assumptions adhere to the requirements of IAS 36.33-53.
- * Determine recoverable amount by comparing fair value less costs to sell with value in use.
- * Recalculate the impairment loss as the difference between carrying amount and recoverable amount (if lower).
- * **Any other valid points.**

Disclosure

- * Inspect financial statements to ensure amounts are appropriately presented and classified.
- * Inspect financial statements to ensure disclosures are accurate and complete in terms of the disclosure requirements of IAS 16.
- * **Any other valid points.**

Taxation

- * Confirm VAT treatment of transactions recorded in the FAR (e.g. VAT should be excluded).
- * Obtain African Manufacturer's current and deferred tax calculation.
- * Agree capital allowances to the requirements of the Income Tax Act.
- * Agree accounting information to those audited above.
- * Recalculate tax base and temporary differences in respect of the plant.
- * Confirm tax rates used to statutory rates.
- * Recalculate deferred tax by taking into account the manner in which the carrying amount will be recovered (plant will be used in this case; use 28%).
- * Crass and cross-cast, recalculate all calculations and agree tax amounts to financial statements.
- * Inspect financial statements to ensure tax amounts are appropriately classified.
- * **Any other valid points.**

General

- * Read minutes of board meetings to identify related issues that need further investigation (e.g. directors' interests in contracts and events after the reporting date).
- * Confirm that director's interest in contract has been disclosed i.t.o. Companies Act requirements (wife supplying plastics)
- * Get written confirmation / patent agreement from Apple USA that African Manufacturers has the right to produce Apple products.
- * Get management rep letter to confirm that management accepts responsibility for rights & obligations, existence, valuation & disclosure of the plant.
- * **Any other valid points.**

**The list of audit procedures above is not complete,
but should represent the main issues to be considered.**

Analysis & interpretation of company performance

Given information:

	Rm	Rm	Rm
	2011 actual	2011 budget	2010 actual
Revenue	375	390	410
Cost of sales	275	270	280
Materials	130	136	140
Labour	125	105	110
Overheads	20	29	30
Operating expenses	25	25	29
Salaries and bonuses	32	24	22
Profit before tax	43	71	79
Income tax expense (approx)	12	20	22
Profit after tax	31	51	57
Non-current assets	502	N/A	462
Current assets	44	N/A	54
Total assets	546	N/A	516
Non-current liabilities	287	N/A	301
Current liabilities	102	N/A	81
Total liabilities	389	N/A	382
Net assets (equity)	157	N/A	134

Analysis:

1) Budget variances

	Positive variance Rm	Negative variance Rm	No variance Rm
Revenue		-15	
Cost of sales		-5	
Materials	6		
Labour		-20	
Overheads	9		
Operating expenses			0
Salaries and bonuses		-8	
	15	-48	0

Interpretation:

- * Profit R48m lower than budget (significant).
- * Main contributors were lower revenue and increased labour costs.
- * No breakdown of salaries & bonuses available, but would be concerning if bonuses increased whilst company performed poorer than budget.

2) Growth rates 2010 to 2011

	%
Revenue	-8.54%
Cost of sales	-1.79%
Materials	-7.14%
Labour	13.64%
Overheads	-33.33%
Operating expenses	-13.79%
Salaries and bonuses	45.45%
Profit	-45.57%

Interpretation:

- * Overall decrease in profitability
- * Most costs decreased in line with decrease in sales revenue.
- * However, labour costs (both manufacturing and non-manufacturing, including bonuses) increased.
- * I.e. similar concern to that raised at budget variance analysis.

3) Ratio analysis 2010 and 2011

As a percentage of revenue:

	2011 actual	2011 budget	2010 actual	2010/2011 diff	Trend
Cost of sales	73.33%	69.23%	68.29%	5.04%	↑
Materials	34.67%	34.87%	34.15%	0.52%	→
Labour	33.33%	26.92%	26.83%	6.50%	↑
Overheads	5.33%	7.44%	7.32%	-1.98%	↓
Operating expenses	6.67%	6.41%	7.07%	-0.41%	→
Salaries and bonuses	8.53%	6.15%	5.37%	3.17%	↑
Profit after tax	8.26%	13.11%	13.87%	-5.62%	↓

Interpretation:

- * Overall decrease in profitability
- * Overheads were managed well indicated by decreased % of revenue
- * However, labour costs (both manufacturing and non-manufacturing, including bonuses) increased.
- * I.e. similar concern to that raised at budget variance analysis.

Other ratios:

	2011 actual	2010 actual	Trend
Debt:Equity	2.48	2.85	↓
Debt:Total assets (solvency)	0.71	0.74	↓
Current ratio (liquidity)	0.43	0.67	↓
ROE (profitability)	0.20	0.42	↓
ROA (profitability)	0.06	0.11	↓

Interpretation:

- * Debt proportion went down, which reduces solvency risk, especially in light of comments made at cost of capital calculation (see WACC calculation done earlier).
- * Current ratio is extremely unhealthy and worsened from 2010 to 2011. Serious liquidity risk.
- * Profitability ratios are down, especially ROE which could signal reduced value creation for shareholders.

Note

Obviously there are a lot more ratios that could be calculated and analysed.

The idea was to test student's ability to analyse data any way they deem relevant.

labour costs coupled with the ethical/governance issues raised during the risk assessment done earlier.

Students should have used this as an input to answer part (d) of the case study requirement.

ANNEXURE D:
THE DELIVERABLES SUBMITTED BY THE TWO WINNING
TEAMS OF THE INTEGRATED SIMULATION ASSIGNMENT
(applicable to chapter 7)

Team 1

BUSINESS REPORT



It all starts here TM

PRICE YOUNG AND TOUCHE Inc
African Manufacturers Pty (Ltd)

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AFRICAN MANUFACTURERS PTY (LTD) REPORT

TO: MR N. van der MERWE

BUSINESS RISK ASSESSMENT

- Business risk results from the nature of the business itself. It includes all the uncertainty that surrounds the industry in which the business operates. This is reflected in the variability of sales and the structure of costs. The variability of sales results from factors such as the likelihood of increased competition, the availability of substitute products, and the effect of recession. After careful consideration, we have concluded that the following factors pose a significant risk with reference to the new manufacturing machine and the iPhone product.
- The mobile market is a very competitive one as innovation is great in this industry. The development of faster and smarter mobile phones from the likes of Samsung, Nokia and Blackberry (iPhone competitors) moves at enormous speeds and the iPhone is at risk of becoming inferior and as a result, less popular. Unlike all the other mobile phone producers such as Nokia which produce a wide range of phones to be released at the same time, Apple usually releases one iPhone, currently the iPhone 4 with an expected release of the iPhone 4S on 14 October 2011, at a time.
- Apple is notorious for its continuous release of new products. The purchase of a new manufacturing machine to concentrate on the production of a specific iPhone could render the machine obsolete in the near future when new iPhones that require new machines are to be produced. It would be better for the company to consider leasing the machine with a cancellation clause on the lease.
- The iPhone uses apples mobile operating system the iOS which is a closed system (only for use on the iPhone) while its competitors like Nokia, Samsung and HTC are adapting the use of Android which is an operating system available for all mobile phone producers provided by Google. This leads to apple iPhone users being limited and could have an impact on future sales figures
- Earlier this year, Steve Jobs resigned from his position as Chief operating officer of the company. This poses a risk on the future sales of the company as he was the head of the design team for most of its products. The new design team could fail to live up to standards set by Jobs and those that the customers have come to expect from the company. Failure to achieve such standards could upset loyal customers and have a negative impact on the demand for the product thus rendering your iPhone producing unit unprofitable. But given the phenomenal demand and incessant increase thereof, the likely hood of that happening is very scarce.
- Another factor that could pose a significant risk on the sales of the product is the untimely death of former CEO Steve Jobs. Analysts initially predicted the sales figures for the product you are now producing to plummet. Recent developments show otherwise as the sales for the new iPhone 4S have surpassed those of previous iPhones in the same space of time. At the moment, it is unclear whether the death of former CEO Steve Jobs will have a continuous positive or negative impact, but it is better to remain prudent and address every possible risk to the business.

- The possibility of an oncoming recession also poses a significant risk. In an interview with CNBC on 30 September 2011, Lakshman Achuthan and the ECRI made their call for a recession public. They stated, "In the process of scrutinizing the evidence, we examined every one of these leading indexes to check whether they are in pronounced, pervasive and persistent (three P's) downturns consistent with a 'hard landing,' namely, a recession, rather than a non-recessionary slowdown. After examining the three P's for all of these leading indexes, we found that the overwhelming majority of their trajectories are currently in recessionary configurations. In practice, such a finding is sufficient to justify a recession call.

POSSIBLE EFFECT OF THE RISKS ASSESSED ON THE VALUATION OF COMPANY SHARES

- Given the above assessed risks, should any of the above situations occur they will have a negative impact on the value of company shares. If sales fail to increase, Earnings per share will decrease and ultimately, the share price. Since the other industries the company invests in have not been performing well, the company is dependent on the sales of this new product. Should profit continue to decrease the company will not be able to issue sufficient dividends to draw in new investors. The share price will go down and current investors will sell their shares while they can still salvage their investment, but this is not likely to happen.

COST OF CAPITAL

- The cost of capital of a company is a rate that the company strives to earn in order to satisfy the average rates of return that the firm's capital providers require.
- Debt providers require a return of 7% after tax and a dividend of 12% for the ordinary shareholders.
- According to the current capital structure of AMPL most of the capital is provided by ordinary shareholders calculated at more than 90%.
- The calculation of the Weighted Average Cost of Capital allows a company to determine a hurdle rate where new project may be accepted.
(calculation refer to excel doc)

EXTERNAL ACCOUNTING IMPLICATION OF THE NEW PLANT

Recognition

- The new plant is a resource controlled by an entity, embodying future economic benefits that will flow to the entity, therefore the new plant is recognised as an asset and accounted for under **IAS 16**.

Measurement

- The new plant is initially measured using the cost model.
- The cost of the plant comprises of only the purchase price (R30'000'000).

- The residual value of the new plant was estimated to be R2'000'000.
- There are no other directly attributable costs that were incurred to bringing the new plant to its current location to be ready to use.
- Since African Manufacturers (Pty) Ltd is a vat vendor, vat of R3'684'211($R30'000'000 \times 14/114$) was reduced from its initial cost, and also vat of R245'614($2'000'000 \times 14/114$) was deducted from the residual value of the new plant.
- Subsequently the new plant will be carried at its cost less accumulated depreciation and impairment losses.

Disclosure

- The new plant is depreciated using the units of production method.
- The asset produces 500 000 units per annum which is 3'000'000 units in total for the duration total useful life of the new plant.
- Since the new plant was struck by lightning at the end of the 30 June 2011, the new plant was impaired, and its production capacity per annum decreased from 500 000 units to 200 000 units per annum.

Calculations

2011

Net carrying amount 01 July 2010		
Gross carrying amount	0	
Accumulated depreciation and impairment losses	0	
Additions		
Purchases	26 315 789	
Depreciation	(450 292)	
Impairment($450'292/55000$)*($200'000 \times 5$ years)	(8 321 637)	
Net carrying amount 30 June 2011		
Gross carrying amount	17 543 860	
Accumulated depreciation and impairment losses	26 315 789	
	(8 771 929)	

TAX IMPLICATIONS OF SELLING THE OLD PLANT

Purchased 01 July 2008

Cost		9649123
Useful life		6
Accumulated Depreciation	$(9649123/6) \times (2 + (10/12))$	4556530
Carrying Amount	$9649123 - 4556530$	5092593
s12C Allowance(40/20/20/20)	$9649123 \times 80\%$	7719298
Tax Base	$9649123 - 7719298$	1929825

Capital Gains

Proceeds		7017544
Less: Base Cost		<u>-9649123</u>
		<u>-2631579</u>
Inclusion @ 50%	(2631579*50%)	-1315789

Recoupment

Proceeds limited to Cost		9649123
Less: Tax Base		<u>-1929825</u>
		<u>7719298</u>

<u>DEFERRED TAX</u>						
	CARRYING AMOUNT	TAX BASE	TEMPORARY DIFFERENCES	DEFERRED TAX	MOVEMENTS	
01/07/2008	R 9 649 122.81	R 9 649 122.81	R -	R -	R -	
DEPRECIATION/ ALLOWANCES	R -1 608 187.13	R -3 859 649.12	R 2 251 461.99			
30/06/2009	R 8 040 935.67	R 5 789 473.68	R 2 251 461.99	R -630 409.36		
MOVEMENT					R -630 409.36	LIABILITY
DEPRECIATION/ ALLOWANCES	R -1 608 187.13	R -1 929 824.56	R 321 637.43			
30/06/2010	R 6 432 748.54	R 3 859 649.12	R 2 573 099.42	R -720 467.84		
MOVEMENT					R -90 058.48	LIABILITY
					R -720 467.84	
DEPRECIATION/ ALLOWANCES	R -1 340 155.95	R -1 929 824.56	R 589 668.62			
30/04/2011	R 5 092 592.59	R 1 929 824.56	R 3 162 768.03	R -885 575.05		
MOVEMENT					R -165 107.21	LIABILITY
					R -885 575.05	
30/06/2011	R -	R -	R -	R -		
MOVEMENT					R 885 575.05	
					R -	

- The plant purchased on 01 July 2008 at a cost of R 9 649 123 and sold for R 7 017 298 after 2 years and 10 months, at that stage the plant had a capital loss of R1 315 789 which will be included in the company's tax calculation as a deduction for the year that the asset is sold.
- When the plant is sold the company must include the deductions that were claimed while the plant was still owned by the company. According to the s12C of the Income Tax Act a company can claim an allowance of 40% in the first year and 20% for the remaining 3 years, this means that on 01 April 2010 when the plant is sold the company would have claimed 80% of the cost of the plant.
- The recoupment is then the difference between the proceeds received limited to the cost of the plant and the tax carrying amount also known as the tax base, this recoupment is added back to the company's taxable income.
- The deferred tax liability of the old plant will only materialize only when the plant is sold(30/04/2011). This will entail that the current tax expenses of African Manufacturers (Pty) Ltd increases by R 885 575.05 and the company profits will also decrease by the same amount.

AUDIT PROCEDURES

- We inspect the fixed asset register and trace it to the capital budget, minutes of the directors meetings and purchase requisitions for evidence of authority for the acquisition.
- Inspect the new plant and cross reference the description serial number to the purchase documentation.
- Inspect the contract confirm that it is made out to African Manufactures (Pty) Ltd, it is for the new plant and it is signed.
- Inspect the purchase documentation, to confirm that the cost of the new plant include; correct cost price, cost of installation and commissioning of the new plant.
- Inspect the purchase documentation and ledger account to ensure that VAT has not been included in the cost.
- Inspect the dates on all the documentation to confirm that the transaction has been recorded in the correct period.

CALCULATIONS OF COMPANY PERFORMANCE RATIOS

FINANCIAL YEAR ENDED 2011

Net profit after tax : 410'000'000 -280'000'000 -29'000'000 -22'000'000 -22'120'000 (taxation @ 28%)
= 56'880'000

ROE = (net profit after tax) / (total shareholder's funds)

= (56'880'000) / (134'000'000)

=0.4244 or 42.44%

ROA = (net profit after tax) / (total assets)

= (56'880'000) / (516'000'000)

= 0.11023 or 11.023%

FINANCIAL YEAR ENDED 2011

Net profit after tax : 375'000'000 -275'000'000 -25'000'000 -32'000'000 -12040000 (taxation at 28%)
= 30'960'000

ROE = (net profit after tax) / (total shareholder's funds)

= (30'960'000) / (157'000'000)

= 0.1972 or 19.72%

ROA = (net profit after tax) / (total assets)

= (30'960'000) / (546'000'000)

= 0.0567 or 5.67%

RETURN ON ASSETS

Return on assets is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Basically, it measures the company's use of resources. Return on assets should be used to compare companies in the same industry but the information given neglected to mention all industries that African Manufacturers (Pty) Ltd invests in, hence this comparison cannot be made at this point. As with most things, a higher Return on assets is better as it means that the company is using its assets/resources efficiently.

The following are the return on assets calculation for AMPL for the years ended 2011 and 2011.

2010	2011
11.02%	5.67%

As indicated by the ROA of AMPL dropped from 11.02% to a relatively lower 5.67%. This indicates that in the 2011 financial year, managements use of assets was less efficient as opposed to the 2010 financial year. At this point, the average ROA of the market(s) that AMPL trades in would be compared with theirs to determine whether they doing better than their competitors or not!

RETURN ON EQUITY

Basically return on equity shows us how much profit a company earned in comparison to the total amount of shareholder equity found on the Statement of financial position. This is a very strong tool of analyzing company performance since it tells us about the company's capability to generate cash internally. The higher the return on equity, the higher the capability of the company to generate cash without the need of external loans.

African Manufacturers (Pty) Ltd's return on equity for the year 2010 is pretty high but the real question is whether it is good enough for the growth of the company.

- In this case we cannot compare our findings with the averages of the market that African Manufacturers (Pty) Ltd was operating in because, from the information given, we understand that the company was operating in different markets. The average ROE of the company's main competitors would have to be evaluated too to determine if the 42.45% return is good.
- An alternative method of evaluating if this return was good is looking at whether there were any irregular earnings that affected the numerator of the equation of ROE (total earnings/ total equity). From the information given, the company seems to have been performing poorly when it achieved this return on equity. This means that the company is capable of maintaining this ROE of almost 50% of total equity. **This is therefore a good thing for the company because it is more likely to attract potential investors.**

The return on equity for the 2011 year seems to have decreased a lot from the previous year. This might scare investors but with reasoning it probably won't.

- It is evident from the given information that there were additional investors in the company i.e. The Apple company purchased 40% of the shares in the company. This purchase increased the denominator of the ROE equation (total earnings/ total equity) resulting in the final figure to decrease.
- Even with the effects of the purchase by Apple, the total liabilities of the company decreased and the assets of the company increased. Either than the ROE being low, those two major movements should increase the investors' confidence in the company's capabilities. And since Apple didn't purchase the 40% shares with cash (but with the transfer of the right to manufacture iPhones), we can see that the payment of debts was possible from the company's capability to generate cash internally.

Spreadsheet submitted by group:

Master Budget for new plant

		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>
Revenue	R	536 454 031	R	476 483 174	R	304 288 705	R	198 586 073	R	129 768 701	R	76 529 605
Less: Cost of sales	R	456 556 622	R	405 517 595	R	258 969 110	R	169 009 424	R	110 441 447	R	65 131 579
Gross profit	R	79 897 409	R	70 965 579	R	45 319 594	R	29 576 649	R	19 327 253	R	11 398 026
Other Expenses												
Depreciation	R	3 157 895	R	2 930 921	R	1 953 947	R	1 302 632	R	868 421	R	450 292
Finance costs	R	549 300	R	1 048 664	R	1 502 630	R	1 915 328	R	2 290 507	R	2 631 579
Profit before tax	R	76 190 214	R	66 985 995	R	41 863 017	R	26 358 690	R	16 168 325	R	8 316 155
Income tax expense	R	22 871 300	R	20 154 297	R	12 992 752	R	8 535 985	R	5 577 633	R	953 467
Profit/loss after tax	R	53 318 914	R	46 831 698	R	28 870 265	R	17 822 705	R	10 590 692	R	7 362 688
Number of shares												2000000
Earnings per share	R	26.66	R	23.42	R	14.44	R	8.91	R	5.30	R	3.68

SALES BUDGET FOR IPHONE MANUFACTURING PLANT

	2016 BUDGETED	2015 BUDGETED	2014 BUDGETED	2013 BUDGETED	2012 BUDGETED	2011 ACTUAL
SALES QUANTITY IN UNITS	300000	278438	185625	123750	82500	55000
SELLING PRICE PER UNIT	R 1 788.18	R 1 711.28	R 1 639.27	R 1 604.74	R 1 572.95	R 1 391.45
TOTAL SALES	R 536 454 030.64	R 476 483 174.47	R 304 288 704.75	R 198 586 072.71	R 129 768 700.66	R 76 529 605.26

PRODUCTION BUDGET

SALES QUANTITY	300000	278438	185625	123750	82500	55000
CLOSING INVENTORY						
OPENING INVENTORY						
PRODUCTION QUANTITY	300000	278438	185625	123750	82500	55000

MATERIAL BUDGET

PURCHASE QUANTITY	R 300 000.0	R 278 437.5	R 185 625.0	R 123 750.0	R 82 500.0	R 55 000.0
PURCHASE PRICE						
HARDDRIVE PER UNIT	R 669.08	R 633.60	R 600.00	R 600.00	R 600.00	R 500.00
OTHER ELECTRONIC COMPONENTS PER UNIT	R 414.28	R 393.43	R 373.62	R 354.82	R 336.96	R 320.00
PLASTIC PER UNIT	R 154.64	R 162.71	R 171.20	R 180.14	R 189.54	R 180.00
DIRECT LABOUR PER UNIT	R 299.94	R 284.03	R 268.97	R 254.71	R 241.20	R 200.00
OPERATING EXPENSES	R 196.97	R 186.53	R 176.64	R 167.27	R 158.40	R 150.00
COST PER UNIT	R 1 734.92	R 1 660.30	R 1 590.44	R 1 556.94	R 1 526.10	R 1 350.00
VAT	R 213.06	R 203.90	R 195.32	R 191.20	R 187.42	R 165.79
TOTAL COST PER UNIT	R 1 521.86	R 1 456.40	R 1 395.12	R 1 365.73	R 1 338.68	R 1 184.21
TOTAL PURCHASES	R 456 556 621.82	R 405 517 595.30	R 258 969 110.43	R 169 009 423.58	R 110 441 447.37	R 65 131 578.95

SELLING PRICE	1350	
MARK-UP	17.50%	
TOTAL PRICE	1586.25	
	2011	2012
inflation	5.30%	5.60%
growth rate	50%	
Discount	10%	
Hard drive price increase	20%	
Direct labour increase	15%	

Depreciation

<http://www.africaneconomicoutlook.org/en/countries/southern-africa/south-africa/>

	Units per anum	Years	total
Maximum capacity at 1/07/2010	500000	6	3000000
Maximum capacity at 1/07/2011	300000	5	1500000

Depreciation	units produced	Maximum capacity	Cost excluding VAT	Residual value excluding VAT	Depreciation	Carrying amount
2011	55000	3000000	R 26 315 789	R 1 754 386	R 450 292	R 25 865 497
2012	82500	1500000	R 17 543 860	R 1 754 386	R 868 421	R 16 675 439
2013	123750	1500000	R 17 543 860	R 1 754 386	R 1 302 632	R 15 372 807
2014	185625	1500000	R 17 543 860	R 1 754 386	R 1 953 947	R 13 418 860
2015	278438	1500000	R 17 543 860	R 1 754 386	R 2 930 921	R 10 487 939
2016	300000	1500000	R 17 543 860	R 1 754 386	R 3 157 895	R 7 330 044
					R 10 664 108	

Armortisation of Loan

Years	Payments	Interest	Capital	Balance
				R 26 315 789
2011	R -6 042 299	R 2 631 579	R -3 410 721	R 22 905 069
2012	R -6 042 299	R 2 290 507	R -3 751 793	R 19 153 276
2013	R -6 042 299	R 1 915 328	R -4 126 972	R 15 026 304
2014	R -6 042 299	R 1 502 630	R -4 539 669	R 10 486 635
2015	R -6 042 299	R 1 048 664	R -4 993 636	R 5 493 000
2016	R -6 042 299	R 549 300	R -5 493 000	R -0

Interest 10%

Income tax expense	2016	2015	2014	2013	2012	2011
Profit before tax	R 76 190 214.13	R 66 985 994.58	R 41 863 016.51	R 26 358 689.91	R 16 168 325.34	R 8 316 154.97
Temporary differences						
Add: Depreciation	R 3 157 895	R 2 930 921	R 1 953 947	R 1 302 632	R 868 421	R 450 292
Less: S12(C) allowance	R -	R -	R 5 263 158	R 5 263 158	R 5 263 158	R 10 526 316
	R 79 348 109	R 69 916 916	R 38 553 806	R 22 398 164	R 11 773 589	R -1 759 868
Tax rate						
28%	R 22 217 470	R 19 576 736	R 10 795 066	R 6 271 486	R 3 296 605	R -492 763
Deffered tax on plant	R -884 211	R -820 658	R 926 579	R 1 108 947	R 1 230 526	R 491 228
Deffered tax on Loan	R 1 538 040	R 1 398 218	R 1 271 107	R 1 155 552	R 1 050 502	R 955 002
	R 22 871 300	R 20 154 297	R 12 992 752	R 8 535 985	R 5 577 633	R 953 467

Deffered Tax for Plant							28%
	<u>Carrying amount</u>	<u>Tax base</u>		<u>Temporary difference</u>	<u>Deffered tax @28%</u>	<u>Closing balances</u>	
Opening balances 2011	R 26 315 789	R 26 315 789	R	-	R -	-	
Depreciation 2011	R 450 292	R 10 526 316	R	10 076 023	R 2 821 287		
Impairment 2011	R 8 321 637	R -	R	-8 321 637	R -2 330 058		
2011	R 8 771 930	R 10 526 316	R	1 754 386		R 491 228	
2012	R 868 421	R 5 263 158	R	4 394 737	R 1 230 526	R 1 721 754	
2013	R 1 302 632	R 5 263 158	R	3 960 526	R 1 108 947	R 2 830 702	
2014	R 1 953 947	R 5 263 158	R	3 309 211	R 926 579	R 3 757 281	
2015	R 2 930 921	R -	R	-2 930 921	R -820 658	R 2 936 623	
2016	R 3 157 895	R -	R	-3 157 895	R -884 211	R 2 052 412	

Deffered tax for Loan						
	<u>Carrying amount</u>	<u>Tax base</u>		<u>Temporary difference</u>	<u>Deffered tax @28%</u>	<u>Closing balances</u>
Opening balances 2011	R 26 315 789	R -	R	-26 315 789	R -7 368 421	
Payment:						
2011	R -3 410 721	R -	R	3 410 720.54	R 955 002	R -6 413 419
2012	R -3 751 793	R -	R	3 751 792.59	R 1 050 502	R -5 362 917
2013	R -4 126 972	R -	R	4 126 971.85	R 1 155 552	R -4 207 365
2014	R -4 539 669	R -	R	4 539 669.03	R 1 271 107	R -2 936 258
2015	R -4 993 636	R -	R	4 993 635.94	R 1 398 218	R -1 538 040
2016	R -5 493 000	R -	R	5 492 999.53	R 1 538 040	R -

COST OF CAPITAL

SOURCE	COST	WEIGHTINGS	WACC
DEBT	7%	9%	1%
ORDINARY SHARES	12%	91%	10%
TOTAL		100%	11%

ordinary shares	257600000	91%	
debt	26315789	9%	
total	283915789	100%	
expected dividend	R 0.41		

AUDIT MATTERS

DIRECTOR'S INTEREST

- The company's act requires a director to declare his/her interest in any matter or transaction to be decided.
- The director has to disclose the interest in advance by delivering to the board a notice setting out the nature and extent of this interest.
- The director must then be absent at the meeting while the decision is taken.
- Regarding the supply of hard drivers by the company owned by the CEOs wife. The CEO which is you should have disclosed this to the board and not participated in the decision, this will make the auditors satisfied.

GOODWILL

- With regard to the company's goodwill, this is not only based on customers remaining loyal and the company's profitability.
- Goodwill can also be measured on how the company is managed and how this will affect the foreseeable future.
- It is also based on the company's relationship with its employees and its policies
- AMPL only has one executive director which is not advised by the king code and the professional code of conduct.
- Creditors and suppliers may not be entirely satisfied with the sole manager running the company as a whole.

EMPLOYEES

- With regards to the employees being hired on a temporary basis, unions may not be satisfied.
- The costs associated with hiring temporary employees which can be avoided are matters that should be considered.
- The loyalty of temporary employees may affect the efficiency and having to re-train new employees on a regular basis.
- With unions looking to abolish labour brokers the board continues to have to consider hiring highly skilled labour on a permanent basis.
- The company may be performing well financially but the company has to also look into creating an operation that will allow the company to expand its operations without hassle.

EXECUTIVE DIRECTORS

- Division of labour will save the company time and costs associated.
- Appointment of departmental managers will avoid situations where the CEO has to approve all decisions even without proper knowledge of operations, finance or even employee relations.
- The company's finances have to be managed on a permanent basis especially when auditors are involved and the company deals with big profits going into billions.

REMOVAL OF FINANCIAL DIRECTOR

- Section 71 of the company's act states that a director may be removed by an ordinary shareholders resolution.
- A dispute between the CEO and the CFO has to be a matter discussed by the company's shareholders and whether the CFO should be removed.

AUTHORITY

- The CEO is the sole cheque signatory and ETF approver.
- The shareholders may be satisfied by this but the auditors will not approve as this creates a risk on the company's finances and controls.
- Best practices require that authority for signing cheques and approving ETF transactions be given to two or more individuals.
- Investors may also not be satisfied with their funds being handled and approved by the CEO only.

Team 2

ANNUAL BUDGET & FORMAL REPORT



ANNUAL BUDGET- (*Refer to MS Excel*)

FORMAL REPORT

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INTRODUCTION

This report is essentially about the financial management of African Manufacturers (Pty) Ltd, as well as the effect of the acquisition of the new manufacturing plant in the financial statements. It includes the assessment of business risks that can be used as an input in the development of the company's business strategy, its effect on valuation of company shares, cost of capital, accounting implications (IFRS) of the new plant, income tax implications of the disposed plant, possible audit procedures that your prospective audit might perform, as well as analysis and interpretation of the company's performance.

1. BUSINESS RISK ASSESSMENT- *(refer to MS Excel)*

2. VALUATION OF SHARES

The valuation of company's shares is affected by many external factors which will significantly influence the company's price of their respective shares; we will use the risk assessment which we have developed for African Manufactures (Pty) Ltd to discuss the possible effects of the valuation of company shares

Below are the possible effects of the valuation of African manufacturers (Pty) Ltd shares:

- From our risk assessment we establish that the resignation of the financial director will cause investors to have doubts in African Manufacturers (Pty) Ltd financial stability. This will possibly lead to the company's share price to the decline due to a lack of public confidence.
- Technology in the industry of mobile phones is continuously dynamic e.g. the introduction of Android phones may render iPhones obsolete. Consumer preference in this industry is largely affected by the rapid change in technology. The risk assessment of change in technology will have a direct effect on the valuation of African Manufacturers (Pty) Ltd.'s shares.
- Underproduction of goods due to shortage of senior staff will lead to lower sales and possibly lower dividends being declared. This in return will have a direct effect on the valuation of African Manufacturers (Pty) Ltd.'s shares.
- Since African Manufacturers (Pty) Ltd is financing only with debt which can be attributed to the fact that the company is functioning without a financial manager whose duty is to establish an effective capital structure. Investors may consider that African Manufacturers (Pty) Ltd is riskier for them to invest their capital in, and the demand of the company's shares may decline.

3. COST OF CAPITAL

COST OF EQUITY

Assumption: - since the company does not intend on issuing any preference shares, it means the only shares that are issued by AMPL (Pty) Ltd are ordinary shares.

Issued ordinary shares = 2 000 000 shares

Dividends declared (30 June 2011) = R8 200 000

Current share market price = R128.80/share

There are two methods of calculating cost of equity, which are:

- Dividend Yield and Growth method
- Capital Asset Pricing Model method (CAPM)

Based on the information above, the applicable method is the Dividend Yield and Growth method.

Calculated as follows:


$$K_r = \frac{D_1}{P_0} + G$$

Where:

K_r = the return required by equity holders

P_0 = current share market price

D_1 = expected dividend

G = expected growth rate 

Expected to be twice as fast as the South African GDP (current SA REAL GDP = 3.4% in the 2nd quarter of 2011).

Therefore the expected growth rate = 6.8%(3.4*2)

$D_1 = R 4.2066$

$$\begin{array}{l} \downarrow \\ \longrightarrow \end{array} \frac{(\text{Total dividends declared}) R8.2m}{(\text{Total number of shares}) 2m} = \underline{\underline{(\text{dividend /share}) R 4.10/share}}$$

Comment: Real GDP was used instead of the exact GDP, because Real GDP takes into account inflation.

Therefore $D_1 = R4.10 * (1+.068)$

$P_0 = R 128.80$

Therefore:

$$K_r = \frac{R 4.3788}{R 128.80} + 6.8\%$$
$$= 10.20\%$$

- The Dividend Yield and Growth model assumes that the expected growth rate will be constant.
- If new equity has to be raised, the cost of equity will increase as a result of issuing costs.

COST OF DEBT (Loan)

Assumption: - since the financing of the plant was through a loan, the amount borrowed equals the cost of the plant.

Interest rate on the loan = 11% before tax (when the loan was obtained the applicable prime rate was 10% + 100 basis points (1%) applicable throughout the year and still is).

Tax rate = 28%

Cost of debt = interest (1-tax rate)

$$= 11(1-0.28)$$

$$= 7.92\%$$

4. External Accounting Implications

RECOGNITION

IFRS (International financial reporting standard) prescribes that for the cost of an item of property, plant and equipment to be recognized as an asset, the item has to comply with the **recognition criterion** which entails that:

- **It's probable that future economic benefits associated with the item will flow to the entity**

The new plant which was purchased for the production of Apple iPhones of which the direct result of the production will lead to future economic benefits (Revenue from the growing demand of iPhones) flowing to the African Manufacturers.(Pty)Ltd. Furthermore

the future economic benefits are directly associated with the New plant and its production (IPhones)

- **And, The cost of the item can be measured reliably**

The cost is determinable since the amount of cash or cash equivalents paid to acquire the asset was R 30 Million and the cost is assumed to be between two knowledgeable willing parties in an arm's length transaction which is the new plants Fair value on the time of its acquisition.

MEASUREMENT

AT RECOGNITION

IAS 16 Par.16 (a) States *"The cost of an item of property, plant & equipment comprises of its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts & rebates"* African Manufactures.(Pty)Ltd is VAT vendor therefore can claim VAT on purchases which are VAT inclusive and Pay VAT on VAT inclusive sales.

The cost of the new plant is VAT Inclusive therefore African Manufacturers (Pty) Ltd can claim VAT input at the time the asset is acquired, meaning the cost of the asset is net of VAT input because African Manufacturers(Pty) Ltd being a VAT vendor Taxes on purchases are refundable .

Calculation of the cost at recognition

New Plant Cost:	R30 000 000 (Incl.VAT)
Less: VAT (R30 000 000 X 14/114)	(R 3 684 211)
Cost at Recognition	<u>R 26 315 789</u>

AFTER RECOGNITION

In terms of IAS 16 Par 29 states *"An entity shall choose either the cost model or the revaluation model as its accounting policy"*

We assume that African Manufacturers. (Pty)Ltd will adopt the cost model as its accounting policy for the measurement of the new plant after recognition.

- **COST MODEL**

In terms of IAS 16 Par 30 states *"After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses"*

The new plant will be depreciated over its useful life of 6 years straight line method or under units production method (6 X 500 000units) = 3 000 000units after taking in to account the residual value of R 2 000 000.

Calculation of depreciation for the year

Cost R 26 315 789

Depreciable amount

(Cost – Residual value)

(26 315 789-2 000 000)= R 24 315 789

Depreciation for the year

(24 315 789 / 6years)= **R 4 052 632**

Calculation of the impairment loss

Carrying amount for the year:

(Cost-Accumulated depreciation)

(26 315 789-4 052 632)= R 22 263 157

Recoverable amount R 20 000 000

Lower of: - Fair Value-Cost to sell

- Value in use

“Plant was worth about R 20 million

On 30 June 2011”

Impairment loss for the year

(R22 263 157-R 20 000 000)= **(R2 263 157)**

The impairment loss for the year resulted from a lightning which struck the new plant towards the end of June 2011, which lead to managements estimation of the new plants Recoverable amount at the date of the impairment.

Calculation of the carrying amount

Cost R 26 315 789

Less: Depreciation for the year (R 4 052 632)

Less: Impairment loss for the year (R2 263 157)

Carrying amount for the year R 20 000 000

DISCLOSURE

AFRICAN MANUFACTURERS (PTY) LTD STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	R
Non-Current Asset		
Property, Plant & Equipment	3	20 000 000

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	R
Depreciation for the year		(4 052 632)
Impairment loss for the year		(2 263 157)

NOTES FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING POLICY

Property, Plant & Equipment are shown at historical cost.

New plant is depreciated according to the straight line basis over its useful life

- New plant – 6 years

Rates are considered appropriate to reduce carrying amounts of the new plant to estimated residual value(R 2 000 000) over its expected useful life.

2. PROFIT BEFORE TAXATION

Profit before tax is stated after taking the following items into account:

	R
EXPENSES:	
Depreciation for the year	(4 052 632)
Impairment loss for the year	(2 263 157)

3. Property, Plant & Equipment

New Plant
R

Carrying Amount :Beginning of year	0
Cost	0
Accumulated Depreciation	(0)
Movements for the year	
Additions	26 315 789
Disposals	0
Impairment losses	(2 263 157)
-(26 315 789-4 052 632-20 000 000)	(2 263 157)
Depreciation for the year	(4 052 632)
-((26 315 789-2 000 000)/6yrs)	(4 052 632)
Carrying amount :End of the year	20 000 000
Cost	26 315 789
Accumulated Depreciation	(6 315 789)

5. Income Tax implications

- The plant is a manufacturing asset, therefore it qualifies for section 12C allowances
- Then it means 40% was claimed in 2009,20% in 2010 and 20% during the current financial year;
- Therefore a recoupment will have to be added on the income tax calculation for 2011 year of assessment (30 June 2011).calculated as follows;

COST (excluding VAT) (R11m*100/114)	R9 649 123
Section 12C allowances: cost *40% (2009)	(R3 859 649)
*20% (2010)	(R1 929 825)
*20% (2011)	(R1 929 825)
Tax Base	R1 929 825
Proceeds :(limited to cost) (excl VAT)	
R8m*100/114	<u>R7 017 544</u>
Recoupment	<u>R5 087 719</u> (taxed)

VAT IMPLICATIONS

ASSUMPTION-The plant was used to manufacture taxable supplies and AMPL (PTY) Ltd is a VAT vendor.

- When the plant was purchased VAT input of R1 350 877($R11m \times 14/114$) was claimed (1 Jul 2008), therefore output VAT of R982 456($R8m \times 14/114$) must be paid to SARS when the plant was sold (30 April 2011).

6. Audit Procedures

The auditor will:

- Require documentation that gives evidence of authorization for acquisition through the following documentation that should be supplied by the company secretary of African manufacturers, documents such as the minutes of directors meeting & purchase requisition.
- Inspect the Fixed asset register to ensure that the serial number of the asset corresponds with the number indicated in the asset register.
- Inspect the purchase documentation to confirm that the asset includes the correct price and cost of installation.
- Inspect the purchase documentation and ledger account, ensure that VAT has not been included in the cost , (African Manufacturers .(Pty)Ltd is a registered VAT Vendor)
- Trace the posting from source to the general ledger to confirm that the transaction has been recorded in the proper account, meaning the auditor will verify the entries of the new plant and inspect whether it has been transferred properly from source documents to journals
- Reperform the depreciation calculations for the year to ensure accuracy and compliance with the depreciation policy, and that amounts have been correctly posted.
- Discuss with senior personnel e.g., Factory manger, whether there has anything which may affect useful life e.g. “the new plant was struck by lightning towards the end of June 2011...our site engineer is of the opinion that the total annual production capacity will be down by about 20000units from 2012 onwards due to irreparable damaged caused ”
- Ensure that the company has, in terms of IAS 36: Impairment of Assets, assessed whether there was any indication that an asset may be impaired.
- Evaluate the process by which the company itself identifies and quantifies impairments.

- Inspect and evaluate any documentation which might support the directors on impairments with regard to assumptions made , methods and quantification & rates or percentages used
- Discuss with management any evidence obtained on the physical damage to the new plant identified during the audit
- Inspect the purchase documentation of the new plant and documents of title to confirm that they are in the name of the client, because the New plant was not leased and ownership is with African manufacturers
- Inspect the payment records and supplier statement to confirm the entity is not behind with payments, The new plant which financed by a loan should be inspected with this regard
- Inspect whether , the closing balances on the summary schedules to the general ledger or financial statements, to ensure that the Impairment of the new plant is indicated or is taken into account
- Discuss with the management of African Manufacturers.(Pty)Ltd of any reasonable revisions of the impaired assets useful life and its respective residual value, Due to current years impairment of the new plant the auditor will look at how any of the revisions are done reasonably
- Inquire if the new plant was treated in accordance with the applicable IAS 16, also with the relevant models(Cost/Revaluation), This involves the auditor enquiring the management of African Manufacturers.(Pty)Ltd decision to use their respective model
- Physically inspect the assets selected, matching them to the description obtained in the fixed asset register, meaning African manufacturers.(Pty)Ltd will be expected to give the auditor access to the new plant for the auditor to perform this procedures
- Ensure that the amounts & dates are evident in the purchase documentation, This is to ensure that the new asset is within the cut-off period which is very important due to the wear & tear and deprecation implications
- Inspect the whether the cost of the new asset is in line or corresponds with the ABSA loan to acquire it, Do the amounts agree? To ensure that the loan was solely made to finance the acquisition of the new plant and if not discuss with management of African manufacturers any material matters pertaining to the financing of the new plant

Our advice to you, Mr. Van der Merwe is to keep each and every source document relating to the new asset safely for the auditors to truly obtain the sufficient appropriate audit evidence, any lack of the require evidence will lead to the Auditor expressing a Disclaimer(withdrawing his opinion due to a lack of evidence to make an opinion)

7. Analysis and Interpretation of Company performance- (refer to MS Excel)

8. Conclusion

We as the financial advisors are of the opinion, based on our findings, that the company will perform well in the foreseeable future and there is a great necessity for the company to employ a financial manager for better financial decision makings and for the company to have an optimal capital structure. We hope our findings and advice will be of great use to African Manufacturers (Pty) Ltd.

References:

1. Carlos Correia, David Flynn, Enrico Uliana and Michael Wormald (2010) "Financial Management", Chapter 7
2. SAICA Members Handbook, IAS 12, 16&36
3. Cathrynne Sowden (2010), "Gripping GAAP", Chapter 4&26
4. 23 Feb, Privan Gordhan, Minister of Finance (Real GDP Growth rate)
5. www.rbccm.com "RBC Capital Markets, iPhones 2011 survey"
6. SAICA Members Handbook, ISA 315
7. www.apple.com/iphone/ "sales demand the euro survey"

Spreadsheet submitted by group:

ANNUAL BUDGET						
	2011	2012	2013	2014		
	ACTUAL	BUDGETED	BUDGETED	BUDGETED		
	R	R	R	R	VAT EXCLUSIVE	INFLATION
INCOME	74 375 439	148 734 097	240 408 861	404 463 089	0.877192982	1.056
Revenue	74 375 439	148 734 097	240 408 861	404 463 089		
EXPENSES	72 798 245	126 582 211	204 603 286	344 223 905		
Harddrives	24 122 807	47 473 684	77 856 842	127 685 221		
Other electronic components	15 438 596	26 737 179	46 304 516	80 192 013		
Plastics	8 684 211	15 039 663	23 441 661	40 597 207		
Impairment expense:required 4	2 263 157					
Direct labour	11 000 000	20 746 000	31 242 394	54 106 827		
Operating Expenses	7 236 842	12 533 053	21 705 242	37 590 006		
Depreciation:W2	4 052 632	4 052 632	4 052 632	4 052 632		
	1 577 194	22 151 887	35 805 575	60 239 183		
WORKINGS						
W1	units	units	units	units		
DEMAND GROWTH: according to the ROYAL BANK OF CANADA CAPITAL MARKETS SURVEY:The actual demand for iphones was 25% in 2010 and 66% in 2011.Thefore the growth in demand is 164% $[(66-25)/25*100]$ AND it is expected that the growth will be consistent at 164% for the next 3yrs						
	55000	90200	147928	242602		
W2						
MANUFACTURING PLANT						
DEPRECIATION p.a	4 052 632					
cost excluding VAT	26 315 789					
residual value	2 000 000					
useful life	6					

BUSINESS RISK ASSESSMENT

RISKS	EFFECT	RANKINGS	SAFEGUARDS
The entity is operating without a financial manager	financial information will not be prepared in the prescribed manner;no exploration of investment opportunities.	3	A financial manager should be hired.
Expanded Foreign Operations -Trade/Exports to USA may lead to increased risks.	e.g Foreign exchange losses,trade restrictions.	4	no safeguard can be applied.
Rapid Growth	rapid growth in demand that the company has been experiencing may strain controls within the company.	3	As the demand increase,more employees should be hired.
New business models,products or activities	entering into business areas or transactions with which the entity has little experience may introduce new risks associated with internal controls.	2	Only experienced and qualified staff should be hired. Train existing staff members.
New Personnel	easily replacing staff members and appointing new staff through an agency may have a focus or understanding of internal control.	2	
Shortage of senior staff	Productivity might be low due to lack of experience and supervision.	1	Existing staff should be trained. New senior staff members should be hired.
Changes in operating environment	changes in the regulatory or operating environment can result in changes in competitive pressures and significantly different risks.	3	no safeguard can be applied.
Control issues: -the CEO is the sole cheque signatory	-Fradulent activities may easily be experienced within the entity. -When the CEO is not available,financial activities might cease.	5	Assign two or more staff members as cheque signatories.
Electronic Fund Transfer(EFT)	-electronic transfer of money through EFT may lead to manipulation of data.	5	Get security programmes that limits unauthorised access to data.
Familiarity threat -the wife of the CEO becoming the supplier of the company.	Special favours/errands,which are unfavourable to the company,may be made between the CEO and his wife.	4	The CEO should not be involved in business dealings/transactions with the supplier.
Temporary employees paid outside the payroll system.	Fraud may occur,some transactions may go unrecorded.	5	All salaries and wages should be made within the payroll system.
The resignation of the Financial Manager(3 Years ago)	The resignation of any influential director "Ex-Officio" may create doubts in the mind of the public about the financial stability of the company.	5	African Manufacturers should issue a public statement of the resignation and the continuity or replacement of the Financial manager
Change in Fashion	New technological advances have made phones faster and more efficient ,which may lead to a rapid change in consumer preferences and may make the current Iphones obsolete.	4	African Manufacturers should with the aid of Apple be regularly in tune with any technological advances
African Manufacturers in ability to pay Debt(i.e.loans)	By only using Debt the organisation exposes itself to financial risk, this type of financing may lead to African Manufacturers being insolvent.	2	African Manufacturers should create an optimal capital structure which involves a combination of debt and equity for financing

CRITERIA:

- Not possible to occur
- Not likely to occur
- Moderate occurrence
- Likey occur
- Very likey to occur

RANKINGS



Statement of Comprehensive Income

	2011	2010
	R	R
Revenue: W1	449 375 439	410000000
Cost of Sales	338298246	280000000
Material:given	130000000	140000000
Overheads:given	20000000	30000000
-Direct Labour:given	125000000	110000000
manufacturing cost of iphones:W1	63298246	0
Other Expenses	72063156	51000000
-Salaries and Bonuses	32000000	22000000
Operating expenses	34499999	29000000
-Impairment Loss	2263157	0
-Finance costs: W2	3300000	0
Profit Before tax	39014037	79000000
Tax Expense: W3	12095860	23949349
Profit for the year	26918177	55050651

WORKINGS

WI

	2011
Total expenses:annual budget	72 798 245
operating expenses+impairment	9 499 999
total manufacturing costs	63 298 246
Revenue on 55000units	74375438.6
Total revenue(2011)	449375438.6

W2

Loan Calculations

Date	Instalement	Interest	Capital	Balance
				30000000
2011 R	7 091 296.91		3300000	3791297 26208703
2012 R	7 091 296.91		2882957	4208340 22000364
2013 R	7 091 296.91		2420040	4671257 17329107
2014 R	7 091 296.91		1906202	5185095 12144011
2015 R	7 091 296.91		1335841	5755456 6388556
2016 R	7 091 296.91		702741	6388556 0
			42547781.45	12547781 30000000

pv=30 000 0000

fv=0

i= 11%

n=6

R 7 091 296.91

W3

CURRENT TAX Calculations

	2011	2010
Profit Before Tax	39014036.88	79000000
New Plant		
-Depreciation	4052632	
-Wear & Tear	-10526316	
-Impairment Loss	2263157	
Old Plant		
-Depreciation	1378447	1654136
-Wear & tear 12C Allowance	1929825	1929825
-Recoupment (7017544-1929825)	5087719	
****Selling price(80000000 X 100/114)= 7017544 1		
****TaxValue(110000000 X 100/114) =9649123		
Allowance 12C(40+20+20)For 3yrs=(7719298)		
<u>1929825 2</u>		
TAXABLE INCOME	43199501	82583961
CURRENT TAX PAYABLE	12095860	23949349

VAT Calculation

R

OUTPUT

Sale(New Plant)(55000units X)X 0%	0
Sale (Old plant)(8000000 X 14/114)	982456.1404

TOTAL VAT OUTPUT

982456.1404

INPUT

New Plant(11000000 x 14/114)	3684210.526
Manufacturing	6673333.333
-Hard drive(55000 units X R500) X 14/114	3377192.982
-Other Electronic components(55000 units X R320) X 14/114	2161403.509
-Plastics(5500 units X R180) X 14/114	121579
-Operating Expenses(55000 units X R150) X 14/114	1013157.895
-Direct Labour(not a Taxable supply)	0

TOTAL VAT INPUT

10357543.86

VAT PAYABLE/(RECEIVABLE)

9375088

7. ANALYSIS AND INTERPRETATION OF COMPANY PERFORMANCE

	2011	2010
NON CURRENT ASSETS:REFER TO REQUIRED 4	522000000	462000000
NON CURRENT LIABILITIES	313208703	301000000
CURRENT ASSETS	53375088	54000000
VAT RECEIVABLE	9375088	0
CURRENT ASSETS :GIVEN	44000000	54000000
EBIT	42314037	79000000
CURRENT LIABILITIES	118304200	81000000
CURRENT TAX	12095860	
CURRENT LIABILITIES: GIVEN	102000000	81000000
CURRENT PORTION ON LOAN	4208340	0
TOTAL LIABILITIES	431512903	382000000
TOTAL ASSETS	575375088	516000000

PROFITABILITY RATIOS

GROSS PROFIT%(GROSS PROFIT/SALES) 24.72% 31.71%

The gross profit has declined by 6.99% which is a result of a 2011 mark up of 17.5%. It could also be due to a poor management inventory controls.

NET PROFIT PERCENTAGE:(EBIT/SALES) 9.42% 19.27%

The net profit percentage has dropped by 9.85%, this is because of an increase in costs for 2011 in comparison to 2010 costs.

RETURN ON ASSETS:(EBIT/TOTAL ASSETS) 7.35% 15.31%

Return on asset has dropped by 7.96%, this is due to the fact of a decrease in AMPL's EBIT for 2011 in comparison to that of 2010.

LIQUIDITY RATIOS

CURRENT RATIO:(CURRENT ASSETS/CURRENT LIABILITIES) 45.12% 66.67%

Current ratio has moved to 2011(0.45:1) from 2010(0.67:1) as a result of increase in accounts payable by 22%.

ACID TEST RATIO:(CURRENT ASSETS-INVENTORY)/CURRENT LIABILITIES -64.77% -106.17%

Acid test ratio has moved from 2010(-1.06:1) to 2011(-0.65:1) showing that the company's acid test ratio has increased in 2011 by 41.4%

WORKING CAPITAL

CURRENT ASSETS-CURRENT LIABILITIES:TOTAL ASSETS -11.28% -5.23%

Working capital has decreased by 6.05% in 2011 showing that the company increases their liquidation risk.

INVENTORY TURNOVER: COST OF SALES/INVENTORY TURNOVER 2.60 2

Inventory turnover moved up by 0.60 showing that the company under-stocked in 2011 when compared to 2010.

SOLVENCY STRUCTURE

DEBT RATIO: TOTAL DEBT/TOTAL ASSETS 75.00% 74.03%

Debt ratio has moved from 2010(0.74:1) to 2011(0.75:1) showing that the has increased their debt ratio by 0.97% for 2011.

SOLVENCY RATIO: TOTAL ASSETS/TOTAL DEBT 133.34% 135.08%

Solvency ratio has moved from 2010(1.35:1) to 2011(1.33:1) showing that the company has reduced their solvency risk by 1.74%.

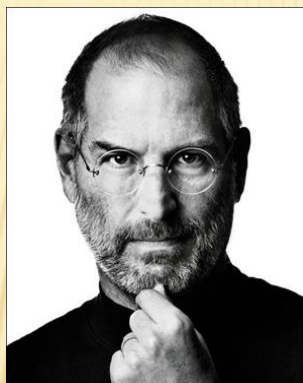


APPLE IPHONE SALES



Data from RBC Capital Markets Sales survey

R.I.P STEVE JOBS





REPORT

To : African Manufactures (Pty) Ltd.'s Audit Committee

From : Price Young and Touche

REPORT ON THE PRESENTATION WITH THE COMPANY CEO

On the 26 May 2011, we received a letter from the CEO requiring as to analyse and interpret the company performance; and give advice on the following:

- The external accounting implications of the Plant that was acquired during the current financial year and its effect on the Company's Financial Statements for the year ended 30 June 2011 in terms of IFRS; and
- The possible audit procedures that the prospective auditors will likely to perform on it
- The income tax implications of the sale of the Old plant

We were required to determine the company's cost of capital, Draft an Annual Budget in respect of the new iPhone Plant and also perform the business risk assessment that can be used as an input in the development of the company's business strategy and the effect thereof on the valuation of company's shares.

We were able to perform the task as required; on the 15th of June 2011 we sent the results in the form of a formal report, which was followed by a presentation highlighting our findings on the 20th of June 2011. After the presentation we asked the CEO the following:

- Why the Company is financing mostly with debt?
- Why is the Company planning to change the supplier of hard drives in 2012 even though they cost 20% more compared to other suppliers?
- Is the company planning to revise the useful life of the new plant since it was stricken by lightning?
- Is the company planning to hire a financial manager?

The CEO responded to the respective questions as follows:

- It is cheaper for the company to finance with debt compared to equity and since it has more risks there is an expectation of more returns.
- The hard drives are of a high quality.
- No, because the useful life was not affected, only the production capacity was affected.
- Yes, the company has been planning to hire a new financial manager; it is just that a suitable candidate has not been found.

We hope that this report gives clarity of any material matters and will be useful.

Thank you

Assumption: since the date of the assignment does not correspond with the financial year, we came up with our own dates that correspond with the financial year of African Manufacturers (Pty) Ltd.

ANNEXURE E:
PHOTO COLLAGE OF THE INTEGRATED SIMULATION ASSIGNMENT
(applicable to chapter 7)



ANNEXURE F:
CONFIRMATION OF ACCEPTANCE OF ARTICLE 1 AND
FIRST PAGE OF THE PUBLISHED VERSION OF THE ARTICLE

From: <tihejournal@gmail.com>
To: Susan.Visser@nwu.ac.za; Nico.VanDerMerwe@nwu.ac.za
Date: 2013/09/11 10:22 PM
Subject: Teaching in Higher Education - Decision on Manuscript ID CTHE-2012-0379.R1

11-Sep-2013

Dear Professor van der Merwe:

Ref: Balancing academic and professional pedagogies: A comparative study of two accounting departments in South Africa and the United Kingdom

Our referees have now considered your paper and have recommended publication in *Teaching in Higher Education*. We are pleased to accept your paper in its current form which will now be forwarded to the publisher for copy editing and typesetting. The referee comments are included at the bottom of this letter.

You will receive proofs for checking, and instructions for transfer of copyright in due course.

The publisher also requests that proofs are checked and returned within 48 hours of receipt.

Thank you for your contribution to *Teaching in Higher Education* and we look forward to receiving further submissions from you.

Sincerely,
Alison Stanton
Administrator
Teaching in Higher Education
tihejournal@gmail.com

Referee(s)' Comments to Author:

Referee: 1

Comments to the Author

I feel satisfied that the author's have responded adequately to my earlier comments, and presented an interesting illustration of the effects of policy context on teaching (and learning) practice. I wonder whether they might pursue (in another paper) the extent to which lecturers are aware of just how much this intrudes upon, impedes even, their academic freedom: something of a chimera I feel for the South African department.

There are now over 1050 Taylor & Francis titles available on our free table of contents alerting service! To register for this free service visit: www.informaworld.com/alerting.

Balancing academic and professional pedagogies: a comparative study of two accounting departments in South Africa and the UK

Nico van der Merwe^{a*}, Stuart McChlery^b and Sarah Susanna Visser^a

^a*School of Accounting Sciences, North-West University, Potchefstroom, South Africa;* ^b*Department of Law, Economics, Accounting and Risk, Glasgow School for Business and Society, Glasgow Caledonian University, Glasgow, UK*

(Received 12 December 2012; final version received 11 September 2013)

The paper adds to extant professional education literature by reflecting on apparent differences in pedagogy of similar professional programmes of study, allowing deeper insight into the unique strand of higher education influenced by the professions. A comparative international case study approach is adopted of an interpretive qualitative nature regarding curricular, teaching and learning and assessment strategies of an accounting department in South Africa (SA) and one in the UK. Findings point to significant differences in curriculum and assessment but less so in teaching and learning approaches. One department endeavoured to find a balance between vocational and academic activities, whilst the other favoured the former being inconsistent with both its governmental and institutional governing bodies. Explanations offered include differing strengths of coercive, competitive, mimetic and normative influence

Keywords: learning; accounting education; comparison; assessment; curriculum; teaching methods; higher education framework

Introduction

The idealistic notion of independent autonomous higher education (HE) establishments focusing on academic integrity and scholastic achievement may be somewhat different from reality. Instrumental education by contrast focuses on an employability agenda, human resource development and economic prosperity raising concern over academic autonomy (Greenbank 2008). Further, employers may influence the education agenda preferring short-term intensely focused programmes of study rather than more conceptual traditional programmes preferring pragmatism to academic theorising (Jameson et al. 2012).

An adjunct to employability is professional education, with HE becoming allied to professions with their areas of specialist knowledge, governing bodies and niche labour market (Hoyle and John 1995) being sustained by rigorous education programmes (Walker and McLean 2010). Peach (2010) warns that professionalisation within HE results in the proliferation of vocational subjects, rejecting the predominance of academic knowledge. Whilst scholastic epistemology is based in terms of general principles abstracted from context, applying analytical and critical reasoning, a practice-based

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ANNEXURE G:
TEACHING IN HIGHER EDUCATION JOURNAL SUBMISSION GUIDELINES



Advice to authors on preparing a manuscript

NB: Please follow any specific instructions for authors provided by the Editor of the journal

Font: Times New Roman, 12 point. Use margins of at least 2.5 cm (1 inch).

Title: Use bold for your article title, with an initial capital letter for any proper nouns.

Authors' names: Give the names of all contributing authors on the title page exactly as you wish them to appear in the published article.

Affiliations: List the affiliation of each author (department, university, city, country).

Correspondence details: Please provide an institutional email address for the corresponding author. Full postal details are also needed by the publisher, but will not necessarily be published.

Anonymity for peer review: Ensure your identity and that of your co-authors is not revealed in the text of your article or in your manuscript files when submitting the manuscript for review. Advice on anonymizing your manuscript is available here.

Abstract: Indicate the abstract paragraph with a heading or by reducing the font size. Advice on writing abstracts is available here.

Keywords: Please provide five or six keywords to help readers find your article. Advice on selecting suitable keywords is available here.

Headings: Please indicate the level of the section headings in your article:

- First-level headings (e.g. Introduction, Conclusion) should be in bold, with an initial capital letter for any proper nouns.
- Second-level headings should be in bold italics, with an initial capital letter for any proper nouns.
- Third-level headings should be in italics, with an initial capital letter for any proper nouns.
- Fourth-level headings should also be in italics, at the beginning of a paragraph. The text follows immediately after a full stop (full point) or other punctuation mark.

Tables and figures: Indicate in the text where the tables and figures should appear, for example by inserting [Table 1 near here]. The actual tables and figures should be supplied either at the end of the text or in a separate file as requested by the Editor. Ensure you have permission to use any figures you are reproducing from another source. Advice on artwork is available here.

Running heads and received dates are not required when submitting a manuscript for review.

If your article is accepted for publication, it will be copy-edited and typeset in the correct style for the journal.

If you have any queries, please contact us at authorqueries@tandf.co.uk, mentioning the full title of the journal you are interested in, or see our Author Services homepage.

Chicago author-date Quick Guide

Authors are encouraged to consult the complete style guide for full details of this style, including how to cite references in the text. If you can't access this document online, please contact authorqueries@tandf.co.uk

References should be cited in the text in parentheses using the author surname followed by the date, e.g. (Brown 1996) or (Smith 1990, 5). Where the author's name appears in the text, it need not be repeated in the parenthetical citation, e.g. "Brown (1996) states that..."

Journal article

Author, A.A. Year. Article title. *Journal Title* Vol: extent.

Allison, G.W. 1999. The implications of experimental design for biodiversity manipulations. *American Naturalist* 153, no. 1: 26–45.

Book

Lastname, Firstname, and Firstname Lastname. Year. *Title of book*. Place of publication: Publisher.

Cowlshaw, Guy, and Robin Dunbar. 2000. *Primate conservation biology*. Chicago: University of Chicago Press.

Chapter

Lastname, Firstname. Year. Title of chapter. In *Title of book*, ed. Firstname Lastname and Firstname Lastname, pages. Place of publication: Publisher.

Wiens, J.A. 1983. Avian community ecology: An iconoclastic view. In *Perspectives in ornithology*, ed. A.H. Brush and G.A. Clark Jr., 355–403. Cambridge: Cambridge Univ. Press.

Internet document

Author. Title of document. Site Owner. URL.

Evanston Public Library Board of Trustees. Evanston Public Library strategic plan, 2000–2010: A decade of outreach. Evanston Public Library. <http://www.epl.org/library/strategicplan-00.html>.

Newspaper article

Lastname, Firstname. Year. Title of article. *Title of Newspaper*, Month day, section, edition.

Niederhorn, William S. 2002. A scholar recants on his "Shakespeare" discovery. *New York Times*, June 20, Arts section, Midwest edition.

Thesis

Author, A. Year. Title of thesis. degree and type of thesis abbrev., Name of Univ.

Schwarz, G.J. 2000. Multiwavelength analyses of classical carbon-oxygen novae (outbursts, binary stars). PhD diss., Arizona State Univ.

Conference paper

Lastname, Firstname. year. Title of paper. Paper presented at Name of Conference, Month days, in Place of Conference.

Doyle, Brian. 2002. Howling like dogs: Metaphorical language in Psalm 59. Paper presented at the annual international meeting for the Society of Biblical Literature, June 19–22, in Berlin, Germany.

ANNEXURE H:
CONFIRMATION OF RECEIPT OF ARTICLE 2 FROM THE JOURNAL

From: Site Administrator <support@sajhe.org.za>
To: Nico.VanDerMerwe@nwu.ac.za
Date: 2013/08/30 01:45 PM
Subject: SAJHE article submitted for review

Dear Sir/Madam

The following article has been submitted for review. Note that you can **NO LONGER** make changes to your submission. The reviewers will however notify you if any amendments are required, after which you can access your submission again.

Barriers to academic performance of accountancy students at a South African university

Regards
System Administrator

ANNEXURE I:
SOUTH AFRICAN JOURNAL OF HIGHER EDUCATION SUBMISSION GUIDELINES



Postal Address PO Box 3003
Matieland 7602
South Africa

Email sajhe@sun.ac.za

Submission requirements

Authors must certify that the article is your original work, has not previously been published, and is not currently under consideration by another journal. If it contains material (textual or illustrative) which is someone else's copyright, you have obtained the unrestricted permission of the copyright owner (and can provide evidence of this) and the material is clearly identified and acknowledged within the text. You also warrant that the article does not, to the best of your knowledge, contain anything which is libellous, illegal, or infringes anyone's copyright or other rights.

Presentation

Authors should submit their articles online only. A title page should carry the full title (12 words) of the article, its author(s) and relevant institutional affiliation and contact details (mailing address, telephone and fax numbers and email address). The first page of the text proper should carry the title of the article but not the name(s) of the author(s). The article should be typed in double spacing (including all notes and references, and between 5 000 and 8 000 words in length. All notes should be kept to a minimum and appear at the end of the article before the list of references. Figures and tables should not be embedded in the text, but be saved as separate files at the end of each article with their position clearly marked in the text. Indicate clearly in which format they were generated. Please supply typed captions including sources and acknowledgements. An abstract of 100-150 words in length, covering the main argument(s), methodologies and conclusions, should accompany an article plus a list of at least six keywords for abstracting and indexing services.

All articles shall be critically reviewed.

References

The Chicago Manual Style author-date system is used, that is, references are cited in the text by the author(s) name(s), the year of publication and the page number(s) in brackets, for example, (Beets 2008, 412) as a key to the full list of all references that appears at the end of the article. The list of references should include every work cited in the text. Ensure that dates, spelling and titles used in the text are accurate and consistent with those listed in the references. Authors must submit a letter from a language editor to confirm i) language editing ii) Chicago Manual Style author-date system.

ANNEXURE J:
CONFIRMATION OF RECEIPT OF ARTICLE 3 FROM THE JOURNAL

From: Aer <Aer@unisa.ac.za>
To: Nico.VanDerMerwe@nwu.ac.za
CC: mokiwsa@unisa.ac.za; pitsovj@unisa.ac.za; Dzvimkp@unisa.ac.za
Date: 2013/09/18 06:21 PM
Subject: RE: Submission of manuscript

This message (and attachments) is subject to restrictions and a disclaimer. Please refer to <http://www.unisa.ac.za/disclaimer> for full details.

Dear Prof Nico van der Merwe

Acknowledged with thanks.

Moeketsi Letseka

Deputy Editor: *Africa Education Review*

Associate Editor: *Mevlana International Journal of Education*

Consultant Editor: *South African Journal of Higher Education*

Member of the Advisory Board: *International Journal of Education*

Manuscript Reviewer: American Educational Research Association (AERA) 2014

Chairperson: Higher Degrees Committee, Department of Educational Foundations

Chair Person: Foundational Learning Technical Task Team

Human Resource Development South Africa (HRDSA) Council, Office of the Presidency

Member of Council: Da Vinci Institute for Technology Management

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think before you ink 

From: Nico Van Der Merwe [mailto:Nico.VanDerMerwe@nwu.ac.za]
Sent: 18 September 2013 03:11 PM
To: Aer
Subject: Re: Submission of manuscript

Dear Editor,

Kindly confirm receipt of my submission below. I've been having trouble with our email server and therefore just need confirmation that you did receive the manuscript.

Thank you and regards,
Nico

ANNEXURE K:

AFRICA EDUCATION REVIEW SUBMISSION GUIDELINES

Instructions for authors

Contributions of original manuscripts should be submitted electronically as an attachment to an e-mail to the Editor, at aer@unisa.ac.za. Prospective authors are encouraged to access the [Africa Education Review website](#) when preparing their submissions.

The entire manuscript, including abstracts, tables and references must be double spaced throughout, using 12-point Times New Roman, and between 5000 and 6000 words in length. The submissions must include a declaration that the manuscript has not been published previously and is not under simultaneous review elsewhere, as well as a statement that the article has been edited for language.

The Editor reserves the right to refuse any manuscript submitted, whether on invitation or otherwise, and to make suggestions and modifications before publication. Submitted papers should be in final form and ready for publication. Manuscripts not conforming to requirements will be returned for reworking or retyping.

Manuscript order

First Title Page: To facilitate blind reviews, all indications of authorship must be limited on this page. First title page must include (1) full article title; (2) name, affiliation including country for each author at the time of the work; (3) name, mailing address, telephone, fax and e-mail of corresponding author; (4) 4-6 keywords for indexing purposes. Kindly write your personal details on the front page of your manuscript in one row separated by commas.

Second Title Page: Type only the title and remove other obvious indications of author identity.

Abstract: Include an abstract not exceeding 150 words in length covering the main factual points including purpose of manuscript and issues to be discussed and conclusions. Use complete sentences and spell out acronyms at first mention.

Publication language

The language of publication for AER is English.

- Write clearly using UK spelling, i.e. labour not labor, globalization and not globalisation, etc.
- Ensure that manuscripts are properly language edited.
- Write for the international audience, i.e. do not make assumptions that the reader will be familiar with your particular context within you are writing.
- Avoid using localised abbreviations and terms. Where an abbreviation is used, always write it out in full on first use, followed by the abbreviation in brackets. e.g. United Nations (UN)

Tables and figures

These should follow the text at the end of the manuscript. Each should be on a separate page, titled, numbered using Roman figure, referred to in order in the text. Tables must not be presented in a grid form, but in the form of horizontal lines.

As an author, you are required to secure permission if you want to reproduce any figure, table, or extract from the text of another source. This applies to direct reproduction as well as "derivative reproduction" (where you have created a new figure or table which derives substantially from a copyrighted source). For further information and FAQs, please see <http://journalauthors.tandf.co.uk/preparation/permission.asp>

References:

References are cited in the text by the author(s)' name and the year of publication in brackets, separated by a comma, e.g. (Gumede 2001). If several articles by the same author and from the same year are cited, the letters a, b, c, etc. should be added after the year of publication. Page references to a book in the text should be indicated in brackets, e.g. (Mphahlele 2002, 39-40). Neave 2009, 26). In works by three or more authors the surnames of all authors should be given in the first reference to such a work. In subsequent references to this work only the name of the first author is given, followed by the abbreviation et al, e.g. (Steyn et al. 2002).

Reference to an anonymous item in a newspaper should be cited in this way. the name of the newspaper is given in brackets, e.g. (Sowetan, 14 July 2003). For personal communication (oral and written), identify the person and indicate in brackets that it is a personal communication, e.g. (M Kissack, pers. comm.).

Only sources cited in the text are listed, in alphabetical order, under References.

Journal articles: Name(s) and initials(s) of author(s), year of publication, title of article, unabbreviated title of journal, volume, issue number and pagination, e.g. Bhubha, H; and Viswanathan, G. 2002. Border crossings in education. *Cultural Critique* 35(2): 34-48.

Books and book chapters: Name(s) and initial(s) of author(s) or editor(s), year of publication, title, volume, edition, place of publication and publisher.

Cornay, M. (ed.). 1996. *The politics of education*. New York: Routledge.
Blaug, M. 1975. *An introduction to the economics of education*. London Penguin
Davies, J. 1985. Policy formation. In *Universities: The management challenge*, eds. G. Lockwood and J. Davies. Bershire: The Society for Research into Higher Education.

Unpublished theses or dissertations: Mampuru, E. 2003. *A sociological study of children's games*. Med dissertation. Pretoria: University of South Africa.

Anonymous newspaper reference: Sowetan. *Shocking classroom practices*. 15 July 2003: 14.

Electronic references: Sexual abuse of female learners in South African schools. [Online] Available at: <http://www.flsas.ed.gov/pubs2002/sex8704357.html> (accessed on 24 November 2006).



ANNEXURE L:
CONFIRMATION OF RECEIPT OF ARTICLE 4 FROM THE JOURNAL

From: "Perspectives in Education" <pie@ufs.ac.za>
To: Nico.VanDerMerwe@nwu.ac.za
Date: 2013/10/15 12:49 PM
Subject: Re: Submission of article
Attachments: PiE article submission form.pdf

Dear Nico van der Merwe

I apologise for the delay in responding to your email. I have been appointed as the new Editorial Administrator of the Journal.

The following article has been received and will be reviewed for possible publication in Perspectives in Education (PiE):

"A qualitative investigation into student failure in accountancy at a multi-cultural South African university".

Thank you for submitting this article for publication in our Journal. It will be circulated to the executive editorial board for consideration and further review and you will be kept informed of this progress.

Could you please fill in the attached form and return it to me as soon as possible.

Yours sincerely,
Annel Oosthuysen
Editorial Administrator

>>> "Nico Van Der Merwe" <Nico.VanDerMerwe@nwu.ac.za> 9/26/2013 10:02 AM >>>

Dear Editor,

Please find attached a manual submission of an article to be considered for publication in PiE. After numerous failed attempts to upload the article online using various different browsers and different computers, I am submitting the article manually.

Please confirm receipt of the submission.

Thank you and regards,
Nico

ANNEXURE M:

PERSPECTIVES IN EDUCATION JOURNAL SUBMISSION GUIDELINES

Information for Authors

General submission guidelines

Submit the manuscript using the online portal (linked to the website):

Name(s) of the author(s), title(s), and affiliation(s) should not be disclosed in the text. Identifiable information, such as author details can be emailed directly to: pie@ufs.ac.za

The user needs to sign up using a valid email address in order to submit the article and receive feedback.

An English abstract of not more than 200 words should be typed on a separate page, followed by up to 10 keywords that characterise the article.

When submitting this article online, the abstract should also be entered in the text box provided.

Division of the text must be clear and logical into **unnumbered** sections. Subsections should be clearly indicated by using the following fonts to indicate the different heading levels:

Level 1: **Lower case and bold** (14pt)

Level 2: Lower case (12pt)

Level 3: *Italic*

Level 4: Underlined

Tables and figures must be placed at the end of the article with their approximate positions in the text indicated. All photographs/figures must be clearly printed originals — no fill or grey shading may be used. Tables and figures should be numbered consecutively and be accompanied by a brief heading for tables or caption for figures. Each table/figure must be referred to in the text.

Do not use footnotes. Use endnotes only (not more than five endnotes per article).

References

References are cited in the text by the author(s) name(s) and the year of publication in brackets (Harvard method), separated by a comma: e.g. (Brown, 2001). Page references in the text should follow a comma after the date, e.g. (Brown, 2001: 69).

If several articles by the same author and from the same year are cited, the letters a, b, c, etc. should be added after the year of publication e.g. (Brown, 2001a).

In works by three or more authors the surnames of all authors should be given in the first reference to such a work. In subsequent references to this work only the name of the first author is given, followed by the abbreviation *et al.*: e.g. (Ziv *et al.*, 2005).

For personal communications (oral or written) identify the person and indicate in brackets that it is a personal communication, e.g. (M Smith, pers. comm.).

List of References

Only sources cited in the text are listed, in alphabetical order. These should be presented as indicated in the following examples. Special attention should be paid to the required punctuation.

Journal articles:

Johnson DW & Johnson RT 2002. Gifted students illustrate co-operative learning. *Educational Leadership*, **50**: 60-61.

Books:

Van Zyl R & Thomas PP 2004. *Recent advances in classroom research*. New York: McGraw-Hill.

Chapters in books:

Dukzec S 2008. Gender issues. In D Hicks & J Brown (eds), *Education for peace*. London: Routledge.

Unpublished theses or dissertations:

Squelch J 2001. Teacher training for multicultural education in a multicultural society. Med dissertation. Pretoria: University of South Africa.

Anonymous newspaper references:

Citizen 2006. Education for all, 22 March .

Personal communications:

Not retrievable and not listed.

Electronic references:

No author:

Violence and discipline problems in U.S. schools: 1999-2002. Retrieved from

<http://www.nces.ed.gov/pubs98/violence/98030001.html> on 3 June 2006.

Published under author's name:

Burbach H 2000. *Violence and the public schools*. Retrieved on 4 March 2001 from

<http://www.people.Virginia.EDU/~rkb3b/Hal/SchoolViolence.html>



ANNEXURE N:
CONFIRMATION OF ACCEPTANCE OF ARTICLE 5 AND
FIRST PAGE OF THE PUBLISHED VERSION OF THE ARTICLE

From: Karen Smoody <karen@cluteinstitute.com>
To: nico.vandermerwe@nwu.ac.za
Date: 2013/05/30 09:04 PM
Subject: IBER #5837 Acceptance
Attachments: 1 Call for Papers.pdf

Based on the recommendations of two independent reviewers and the editor regarding current editorial requirements, your manuscript entitled “An Evaluation of An Integrated Case Study and Business Simulation to Develop Professional Skills in South African Accountancy students” has been accepted for publication in the International Business & Economics Research Journal. This acceptance is valid for one year.

Your manuscript is in the 16-20 page range making your publication fee \$850. Hard copies of the journal in which your manuscript will be published may be purchased for \$50 per copy (plus USD \$20 if shipping internationally). To make payment, please visit <http://cluteinstitute.com/payments.html>.

As a condition of publication, the authors must grant the Clute Institute the right to disseminate their manuscript to the widest possible readership in print and electronic format. Authors must also agree to our open access policy, which is to provide immediate open access to our journals on the principle that making research freely available to the public supports a greater global exchange of knowledge. Users are allowed to read, download, copy, distribute, remix, tweak, build upon, print, search, or link the full texts of the articles in this journal provided that appropriate credit is given.

An estimated publication date will be emailed to the contact author following payment of the page fees and a formatted draft of the paper will also be emailed for approval prior to publication. At the time of publication, each author will receive a complimentary .pdf copy of the manuscript.

Please be sure that we are provided with an email address for each author. For journal rating purposes, we are including email addresses in the author biographies. Your article should get some really good exposure because articles published in this journal are widely indexed and downloaded off our servers an average of 500 times. The Copernicus Journal Master List impact rating for 2013 is a very respectable 5.00.

Attached is our most recent call for journal and conference papers. We hope that you can join us at one of our future conferences.

Congratulations on your successful acceptance, and thank you for allowing the Clute Institute to publish your research. Please reference IBER #5837 in the subject of all future correspondence – thank you and have a great day!

Karen

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# An Evaluation Of An Integrated Case Study And Business Simulation To Develop Professional Skills In South African Accountancy Students

Nico van der Merwe, North-West University, South Africa

## ABSTRACT

*One of the most debated topics in extant accounting education literature is that of professional skills. It appears that many universities are failing to sufficiently equip their graduates with the generic professional skills required for the workplace. The case study method and business simulations are two complementary teaching and learning tools that have proven successful in promoting the development and assessment of professional skills in accounting; however, very few existing cases or simulations appear to be integrated across the discipline areas within accountancy. This study aims to contribute to the field in three ways: 1) in aiding to fill the apparent gap in the literature on the usage of inter-disciplinary integrated case studies or simulations, 2) by producing a (hypothetical) case study and business simulation that can be used or adapted by accounting educators to develop and assess professional skills, and 3) by providing some evidence of students' experiences (using a questionnaire adapted from a previous study) of such an assignment that can inform the development of future assignments. The findings show that the most obvious benefits of the assignment relate to the perceived level of learning that takes place and the exposure to real-life accountancy practice, as well as the perceived contribution to the development of various professional skills. A significant percentage of students did, however, experience high levels of stress and reported serious time constraints in completing the assignment.*

**Keywords:** Accounting Education; Skills; Integration; Case Study; Business Simulation; Teaching and Learning; Assessment

## INTRODUCTION

This paper reports on a study of the perceptions of a group of South African accountancy students and the observations of the author on the introduction of an integrated case study and business simulation assignment which emanated from a need to explore more creative ways of delivering accounting curricula that will have a greater impact on skills development. The interest in this topic is that many universities are apparently failing to sufficiently equip their graduates with the generic skills required for the workplace (e.g. Barac, 2009; De Lange, Jackling & Gut, 2006; Kavanagh & Drennan, 2008) whilst some others resist change (e.g. González, Montaña & Hassall, 2009). Recent literature in the field is littered with pleas to incorporate more skills development opportunities in accountancy curricula (e.g. Stainbank, 2010; De Villiers, 2010; Montaña, Cardoso & Joyce, 2004; Wessels, 2008) and, as such, this paper is aimed mainly at assisting accounting educators in finding creative ways to do this. Incorporating such skills into academic curricula is also a requirement of the South African Institute of Chartered Accountants' (SAICA's) 'competency framework' which places great emphasis on the pervasive skills chartered accountants (CAs) will need in practice (South African Institute of Chartered Accountants, 2010). Professional accountancy bodies and potential employers may therefore also find this paper informative as skilled accountants play a fundamental role in the economy of any country and educational interventions can assist in developing accounting students as future business leaders (Sing, 2013).

**ANNEXURE O:**  
**INTERNATIONAL BUSINESS AND ECONOMICS RESEARCH JOURNAL**  
**SUBMISSION GUIDELINES**

# The Clute Institute

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6901 South Pierce Street, Suite 239, Littleton, Colorado 80128-7206 USA  
Telephone 303.904.4750 • Fax 720.259.2420 • Email: Staff@CluteInstitute.com •  
www.CluteInstitute.com Ronald C. Clute, Ph.D., Director

## **Manuscript Guidelines**

Please submit your paper in Microsoft Word or compatible format. Text should be formatted for letter size paper (8.5 x 11 inches) single-spaced at 10 points, Times New Roman, with one inch margins, left justified, and single-column. We generally follow American Psychological Association (APA) guidelines.

## **Structure of the Paper**

Title page

Title

Abstract

Keywords

Introduction

Body of paper

Tables, figures, etc. placed where they belong

Conclusion

Acknowledgments (if applicable)

References (American Psychological Association style)

Appendices (if applicable)

## **Cover Page**

The cover page should contain the paper title and each author name, affiliation, mailing address, and email address with the contact author indicated. The cover page should also contain a short autobiography of no more than 100 words for each author.

## **Title**

The title should be concise, descriptive, and contain the keywords or key phrases. Search engines assume that the title contains all of the important words that describe the topic of the paper.

## **Acronyms**

The use of acronyms should be avoided in the title and keywords unless widely recognized and understood.

## **Abstract**

Abstracts should not exceed 250 words. The abstract should contain all the keywords and key phrases at least once and more than once if necessary. Search engines rank articles higher if the keyword or key phrase being searched appears more often in the abstract. However, pointless repetition may result in the

page being rejected by a search engine. Since most researchers read an abstract before reading the paper, abstracts must be written very well.

## Keywords

Select 3 or 4 keywords or key phrases that you would give a search engine if you were searching for your article. Avoid the use of general and plural terms, abbreviations, and non-descript words such as *and*, *of*, *or*, *the*, and so on.

When selecting keywords, please keep in mind how search engines operate. A search on the key phrase “*women’s health*” does not yield the same result as separate searches on the words “*women’s*” and “*health*”. The ordering of keywords within a key phrase is also important if quotation marks are used because you are searching for words in a particular order. For example, a search for “*women’s health*” is not the same as “*health women’s*”.

Clute Institute journal articles are downloaded an average of 120,000 times a month. Approximately 70% of these downloads come from Google searches, so the proper use of keywords and key phrases is important.

Many universities use journal article citation analysis to evaluate the importance of faculty research. Hence, being quoted by other authors is important.

## Headings

Four levels of headings are allowed. The first level should be **BOLD ALL CAPS**, second level **Bold**, third level *Italics*, and fourth Underlined.

## Tables & Figures

Use the Microsoft Word table function to create tables, not spreadsheets. Tables and figures should be located in the text and numbered sequentially using Arabic numerals, i.e., Table 1 and Figure 1. We print our journals in black and white; please take this into consideration when using color.

## Abbreviations

Abbreviations should be defined at first mention and used consistently thereafter.

## Footnotes

Bottom of the page footnotes are preferred to end of the article endnotes.

## References

References should be arranged alphabetically and follow American Psychological Association (APA) style. References should not be inserted as footnotes. References in the text should include name and year. For example: “According to Bangs (2012)...”

In print journal article citation:

Bangs, J. (2012). Transforming A Business Statistics Course With Just-in-Time Teaching. *American Journal of Business Education*, 5(1) 87-94.

Online journal article citation:

Kondonassis, Alex J. (2012). Some Key Evolutionary Changes In Global Economic Development: A Historical Perspective. *Journal of Applied Business Research*. The Clute Institute. Retrieved from: <http://journals.cluteonline.com/index.php/JABR/article/view/905/889>

Book citation:

Calfee, R.C. & Valencia, R.R. (1991). *APA guide to preparing manuscripts for journal publication*. Washington, DC: American Psychological Association.

- In loving memory of my father, N.J. van der Merwe -

It all starts here <sup>TM</sup>



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