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RekNUUS



Algemene nuusblad van die SKOOL VIR REKENINGKUNDE
General newsletter of the SCHOOL OF ACCOUNTANCY

En uit die as verrys die...



Foto: Anna Lusty

Die Skool vir Rekeningkunde (SvR) is verheug om, na die vernietigende brand van 2015, weer terug te wees in ons tuiste – die *Van der Sterr*. (Lees meer hieroor op bladsy 2)



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{SvR}-bestuur

Die Skool vir Rekeningkunde (SvR) het vanjaar, onder leiding van die bestuurspan, hoë hoogtes bereik. Die bestuur van die SvR bestaan uit die direkteur, drie adjunkdirekteure asook afdelingshoofde wat nie ook adjunkdirekteure is nie.

Prof. Pierre Olivier - Direkteur



Professor Pierre Olivier is sedert 1 Januarie 1987 in diens van die Skool vir Rekeningkunde (SvR). Hy is in 2002 as die voorsitter van die Departement Rekeningkunde, aangestel. Onder prof. Olivier se leiding het die Departement Rekeningkunde 'n suksesvolle oorgang na die Skool vir Rekeningkunde in 2013 gehad.

In Januarie 2017 is drie adjunkdirekteure in ondersteunende rolle, onder leiding van prof. Olivier, aangewys.

Adjunkdirekteure



Prof. Soon Nel - Navorsing

"Dit is my wens dat die personeel van die SvR die potensiële impak van goeie gehalte vakkundige navorsing sal ervaar en dat ons saam die SvR se uitstekende navorsingspotensiaal kan ontsluit."

Lees meer oor Navorsing op bl.30



Prof. Pieter von Wielligh - Leer & Onderrig

"Ons studente se interne deurvloei koerse en slaagkoerse in eksterne professionele eksamens is uitstekend. Die kwantum van leer- en onderrig- verwante toekenning, waarmee kollegas in die SvR jaarliks vereer word, onderstreep die gehalte van leer en onderrig in die SvR."

Lees meer oor Leer & Onderrig op bl.24



Prof. Kobus van Schalkwyk - Sosiale impak & Transformasie

"My wens is dat die SvR toegang tot sy programme sal verbreed sonder om van akademiese uitmuntendheid afstand te doen en so doende te help om die Suid-Afrikaanse rekenmeestersprofessie meer verteenwoordigend te maak wat ras en geslag betref."

Lees meer oor Sosiale Impak op bl.9



Die SvR terug in ons tuiste

Foto van 'n gedenkmuur op die derde vloer van die Van Der Sterr wat 'n tydlyn van die verwoestende brand en die gebeure daarna uitbeeld

Op Sondag 22 Februarie 2015 het verwoestende vlamme 'n groot gedeelte (Noordelike en Oostelike vleuels) van die Skool vir Rekeningkunde (SvR) se tuiste, die Van der Sterr, verswelg.

Daar is gelukkig niemand in die voorval beseer nie, hoewel dit baie ontwrigting veroorsaak het. Dosente moes vir tyd en wyl hulle kantore in rugsakke saamdra, studente-konsultasies is in die biblioteek, Neelsie of FHARGA-rekenaarlokale gehou, nuwe klaskamers regoor kampus is gereël sodat klasse so vinnig as moontlik hervat kon word – vir 'n rukkie lank het uitdagende tye binne die SvR geheers.

“Gelukkig is rekenmeesters normaalweg doelgerigte mense wat nie bang is vir hard werk nie.”

– prof. Pieter von Wielligh,
RekNUUS 2015.

Alhoewel geografies oor kampus versprei, is die SvR vinnig weer op die been gebring danksy, onder andere,

toegewyde personelede en doelgerigte bestuur van die SvR, ondersteunende studente, die Fakulteit Ekonomiese en Bestuurswetenskappe, die Afdeling Fasiliteitsbestuur en die universiteitsbestuur.

Op die dag van die SvR se tuiskoms in die Van der Sterr, is die gevoel van samehorigheid en kameraadskap as hoogtepunt uitgewys.

Die universiteit het die brand as 'n geleentheid beskou om die Van der Sterr nie net te herbou nie, maar ook om die gebou te verbeter en behoorlik op te knap. Die historiese aangesig van die Van der Sterr is weer herstel tot hoe dit voor die brand gelyk het.

Die nuutgeboorte deel van die Van der Sterr huisves twee 300-sitplek lesinglokale, een 250-sitplek lesinglokaal en een 80-sitplek lesinglokaal.

Die herbou van die Van der Sterr het ook daarop gefokus om sommige probleme wat die universiteit tans in die gesig staar, daadwerklik aan te spreek.

Alle lesinglokale is bereikbaar vir studente in rolstoel danksy die hysbak. Die Van der Sterr is gebou om groen te wees – die effek wat die gebou op die omgewing het, is tot 'n minimum beperk. Die lugverkoelingstelsels is byvoorbeeld baie energie-doeltreffend.

Die Van der Sterr maak ook seker dat personelede 'n gebalanseerde leefstyl kan handhaaf. Die moderne kantoor-spasies is so ontwerp dat dit maksimum natuurlike lig inlaat. Danksy die nuwe stortfasiliteite, kan die flukse en fikses onder die personeel na 'n drafessie, fietsrit of besoek aan die gimnasium sommer by die werk vir 'n volgende klas of vergadering regmaak.

Die hoogtepunt volgens vele is die DeJaBrew-koffiewinkel wat op die grondvloer oopgemaak het. 'n Goeie koppie koffie is net 'n stel trappe of vinnige rit in die hysbak weg!

Die Van der Sterr, die SvR se trots, het werklik soos 'n feniks uit die as verrys. ■



“Die universiteit het die brand as ’n geleentheid beskou om die Van der Sterr nie net te herbou nie, maar ook om die gebou te verbeter”

V.l.n.r.: Prof. Leopoldt van Huyssteen (Bedryfshoof), prof. Stan du Plessis (Aangewese Bedryfshoof), prof. Johan Malan (Waarnemende Dekaan van die Fakulteit EBW) en prof. Wim de Villiers (Rektor en Visekanselier van die US)

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Mandatory audit firm rotation

The Independent Regulatory Board for Auditors' (IRBA) rule on mandatory audit firm rotation (MAFR) was gazetted in South Africa early in June 2017 after a period of consultation with key stakeholders. The IRBA has asserted that the MAFR rule will enhance auditor independence as well as the credibility of audited financial statements required by the public. The rule will also, over time, contribute to the transformation of the auditing profession.

About MAFR

MAFR states that external auditors of Public Interest Entities (PIEs) will no longer be allowed to have an audit firm tenure of more than ten years after 1 April 2023.

This rule has extended the rotation requirements beyond the individual partner on an audit engagement. Thus, any PIE that has engaged an audit firm as its external auditor for more than ten consecutive financial years at that date, will have to change audit firms for a minimum

period of five years. After the expiry of five years, the initial firm once again becomes eligible for re-appointment. Further, where an audit client that was not a PIE becomes one, the audit tenure during the period prior to becoming a PIE, will also need to be taken into account when assessing the ten-year threshold.

What is a Public Interest Entity?

A PIE is defined by the IRBA Code of Professional Conduct for Registered Auditors (CPC) as any listed entity and any entity deemed by regulation or legislation as a PIE or where legislation or regulation subjects the entity to the same independence requirements for the audit as for a listed entity. When considering which other entities may be of public interest, the CPC indicates that entities with a large number or wide variety of stakeholders would also be considered, based on the nature of the business, size and number of employees. Examples include banks, pension funds and insurers. Further, the IRBA issued a

clarification to distance PIEs from entities with a high Public Interest Score in terms of the Companies Regulations as they are not equivalent and need to be assessed and applied separately.

What is the impact of MAFR?

PIEs that have had the same audit firm for several years, will need to plan to engage new auditors for their first financial year-end on or after 1 April 2023. This may have a big impact on some South African entities that have had the same external auditors for more than ten years. Larger entities with joint auditors will receive some grace with the transitional provisions, where only one audit firm is required to rotate at the commencement date and the other will have an additional two years before having to rotate off the engagement. ■

Natasha Sexton - Lecturer in Auditing
(nsexton@sun.ac.za)

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2016 Prize winners of the School of Accountancy

The annual awards ceremony of the School of Accountancy, in respect of academic achievements of students during 2016, was held at the Stellenbosch Institute for Advanced Study (STIAS) on 21 September 2017. The function was

sponsored by KPMG. Professor Rika Butler, associate professor in Auditing at the School of Accountancy, was the guest speaker at the function. Prof Butler shared her insights in respect of phishing attacks and the information made available by

financial institutions regarding phishing in her presentation titled "Assessing the quality of phishing-related information on financial institutions' websites".

Details of the prizes received by the students of the School of Accountancy follow below:

Sponsors & prizes awarded

Prize winners

Presented by

SAICA (The South African Institute of Chartered Accountants)

- Best first year Thuthuka student
- Second-best first year Thuthuka student
- Best second year Thuthuka student
- Second-best second year Thuthuka student
- Best third year Thuthuka student
- Second-best third year Thuthuka student
- Best BAccHons Thuthuka student
- Second-best BAccHons Thuthuka student
- Best BAccHons student in Taxation
- Best BAccHons student in Auditing
- Best BAccHons student in Financial Accounting
- Best BAccHons student in Management Accounting
- Best first year BAcc student in professional subjects
- Best second year BAcc student in professional subjects
- Best third year BAcc student in professional subjects
- Best BAccHons student

Curtley Sherman
Cusious Olyn
Bradley Tito
Carlo Franklin Arenz
Melanie Lynne Jacobs
Chad Brandon Adams
Gavral Erin Speelman
Courtney Apollis
Justin Musapo
Chelsea Jade Cornwall
Lara Diana du Plessis
Angelique Koen
Chelsea Jade Cornwall
Christine Lee Brokensha
Olivia Viljoen
Eduard C.H. du Plessis
Angelique Koen

Ms Didi Monnakgotla
and Ms Gugu
Makhanya

Sponsors & prizes awarded**Prize winners****Presented by****SANLAM**

- Best third year BCom student in Financial Accounting, Taxation and Management Accounting
- Best first year BAcc student
- Best second year BAcc student
- Best second year BAcc student in Financial Accounting

Jayd Wasmuth

Christine Lee Brokensha
Olivia Viljoen
Jonyke Raats

Mr Christopher Naidoo

BASS GORDON

- Best third year BAcc student in Financial Accounting

Daniele Smit

Ms Susan van der Valk

CIMA

- Best BComHons student in Management Accounting

Megan Liebetrau

Mr William Smith

DELOITTE

- Best second year BAcc student in Financial Accounting and Taxation
- Best third year BAcc student in Financial Accounting and Taxation
- Second-best BAccHons student

Anja Kanzler
Daniele Smit
Chelsea Jade Cornwall

Mr Chris Olivier

ERNST & YOUNG

- Best progress in Financial Accounting II by a BAcc student
- Two prizes awarded to BAccHons students who showed the best progress

Abrie du Plessis
Kylie Teagan Knox and
Ramano Thilakalal

Mr Chris Roux

KPMG

- Best first year BAcc student in Financial Accounting
- Best BAccHons student in Financial Accounting
- Phumzile Njomose Memorial Prize

Christine Lee Brokensha
Angelique Koen
Evan Eugene Abrahams

Mr Edward Belstead

LEXISNEXIS

- Two book prizes to meritorious BAcc students

Jacomi Malherbe and
Zain Tyron Birk

Prof CJ van Schalkwyk

LITTLE BIG BOOKSTORE

- Best third year BCom student in Financial Accounting
- Second-best third year BCom student in Financial Accounting

Jaime Alexandra Maher
Tayla Blair Botha

Prof CJ van Schalkwyk

PASTEL SOFTWARE

- Best third year student in Information Systems

Edwin Bunge

Ms Anria van Zyl

PWC

- Best second year BAcc student in Auditing
- Best third year BAcc student in Auditing
- Second-best third year BAcc student
- Best third year BAcc student
- Best BAccHons student

Olivia Viljoen
Reinhard Bernhard Arndt
Daniele Smit
Eduard C.H. du Plessis
Angelique Koen

Mr Hein Döman

Sponsors & prizes awarded

Prize winners

Presented by

ROUX VAN DER POEL – merit bursaries (PWC)

- Merit bursaries to BAccHons students

Daniele Smit
Ryelan Calton Hardnick
Edwin Bunge
Helen Christine Denny
Gerhard Jonker
Nicol Brand

Mr Hein Döman

PKF RADEMEYER WESSON

- Best third year BAcc student in Financial Accounting, Taxation and Management Accounting
- Best second year BAcc student in Financial Accounting, Taxation and Management Accounting
- Best second year BCom student in Financial Accounting

Eduard C.H. du Plessis

Anja Kanzler

Christin Linde

Mrs Minette Louw

SAIPA

- Best first year BCom student in Financial Accounting
- Best third year BCom student in Taxation

Jason Murray Evezard
Christian Jacques du Toit

Mr Allie Dollie



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Eksterne professionele eksamens

Die 2016 HonsBRek-studente het die Aanvanklike Toets van Vaardigheid ("Initial Test of Competence" (ITC)) in Januarie vanjaar afgelê.

86% van die studente van die Skool vir Rekeningkunde (SvR) wat die eksamen afgelê het, het geslaag, vergeleke met 'n landswye slaagkoers van 81%.

Die gekombineerde slaagkoers van die 2016-studente van die SvR (met ander woorde studente wat in Januarie en Junie 2017 die ITC afgelê het), is 97,5%. Die gekombineerde landswye slaagkoers is 89,7%.

Die SvR het die tweede hoogste slaagkoers onder die Suid-Afrikaanse Instituut vir Geëkspertiseerde Reken-

meesters (SAIGR) geakkrediteerde universiteite, behaal.

Die SAIGR se Toets van Professionele Vaardigheid-eksamen se uitslae word nie per universiteit bekendgemaak nie.

Die SvR is egter verheug dat vier van die 13 kandidate wat hierdie eksamen landswyd in November 2016 met lof geslaag het, oudstudente van die SvR is. ■

Sophia spog met viserektor-toekenning

Sophia Brink, 'n finansiële rekeningkunde-dosent in die Skool vir Rekeningkunde (SvR), het 'n toekenning ontvang vir haar bydrae tot die Departement van Hoër Onderwys en Opleiding se navorsingspublikasie subsidie-eenhede in die 2014-uitsetjaar.

Prof. Eugene Cloete, Viserektor: Navorsing, Innovasie en Nagraadse Stu-

dies, het erkenning verleen aan 45 van die Universiteit Stellenbosch (US) se top-navorsers wat die grootste bydraes tot geakkrediteerde publikasies en/of die meeste doktorsale graduandi by die Desember 2015 en Maart 2016 gradeplegtighede gelewer het. Die funksie het by die US Botaniese Tuine plaasgevind. ■



Sophia Brink



MEET KPMG

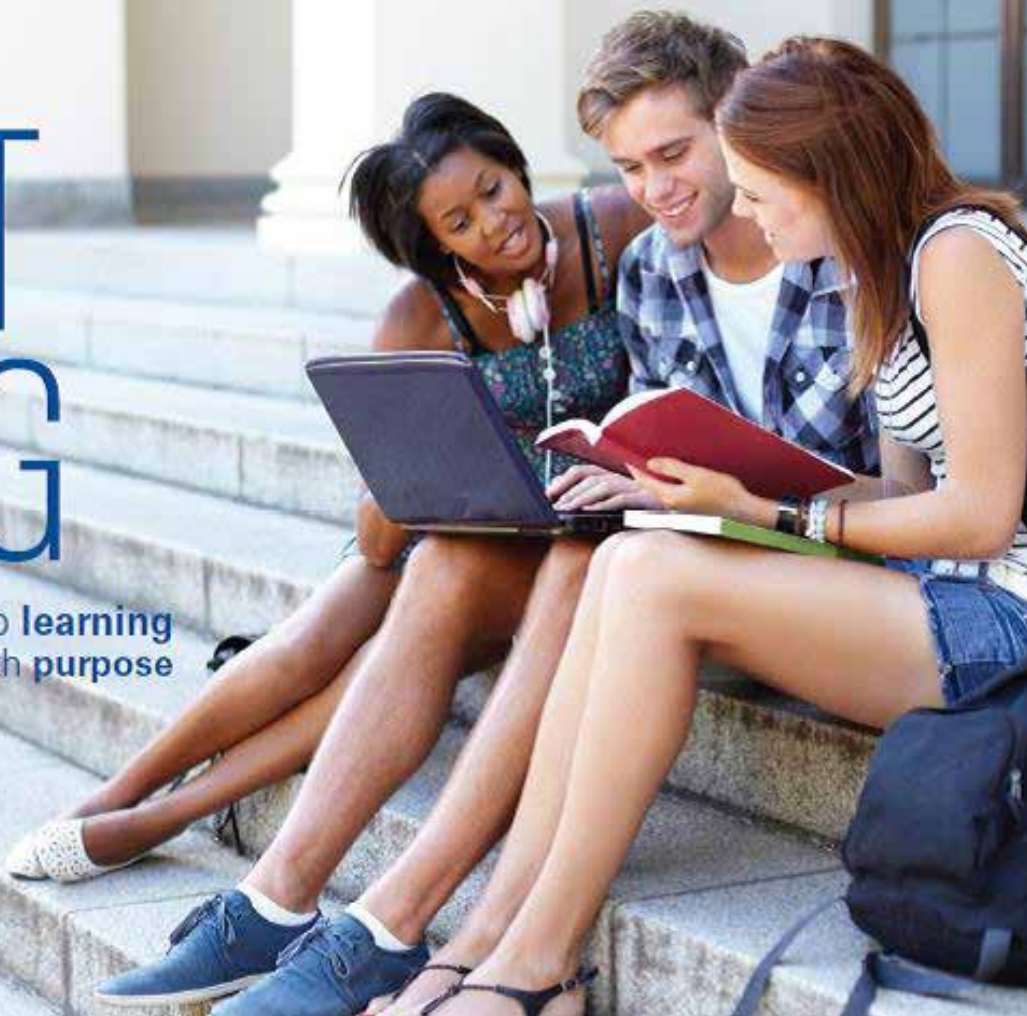
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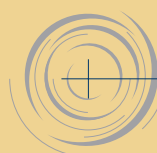




Die Adjunktdirekteur: Sosiale impak & Transformasie oor sy portefeulje

“Die dosente van die Skool vir Rekeningkunde (SvR) is in die posisie om ’n besondere bydrae op sosiale impak-gebied te maak. Hulle beskik oor rekeningkundige vaardighede wat veral vir die gemarginaliseerde gedeelte van die gemeenskap, besonder nuttig kan wees. My wens is dat elke dosent op individuele vlak en as deel van die SvR, alle geleenthede sal benut om ’n positiewe impak op nasionale vlak te hê. Verder is dit my wens dat dosente ook deur leer, onderrig en navorsing, hul studente sal motiveer om ook húl vaardighede en talente tot beskikking van die gemeenskap te stel.”

– Professor Kobus van Schalkwyk



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Ten years of SU Thuthuka

Stellenbosch Thuthuka celebrated its ten year anniversary in 2017. Thuthuka is a transformation initiative by the South African Institute of Chartered Accountants (SAICA) that focusses on encouraging students from previously disadvantaged backgrounds to pursue a career as a chartered accountant. The Thuthuka initiative provides an ideal opportunity to the School of Accountancy to contribute to the transformation of the accounting profession in South Africa.



Left: Thuthuka South Africa celebrated its ten year anniversary in 2014.

On the photo, Stellenbosch Thuthuka students can be seen celebrating this event on the Rooiplein in Stellenbosch.

Stellenbosch Thuthuka is unique because the Stellenbosch programme is the only one in the country that has a formally registered society to implement community outreach and team building events.



Above: The overarching principle of Thuthuka is to "pay it forward".

Left: Former Miss SA Jo-Ann Strauss motivates Stellenbosch Thuthuka students at a gathering in 2016.



Left: Adrian Samuels completed his BAccHons in 2016 and is employed as an Academic Trainee in the School of Accountancy in 2017.

Right: Stellenbosch Thuthuka also emphasise the importance of a well-rounded student. Social gatherings and events are highlights on the Thuthuka calendar.





Stellenbosch Thuthuka alumni at the reunion
f.l.t.r.:
Amber de Laan,
Zené de Laan,
Celeste Cloete and
Stacey Kellies

This year marks the ten year anniversary of the Stellenbosch Thuthuka Programme and we hosted a number of celebration events to mark the occasion.

“On Thursday, 12 October 2017, we hosted the donor appreciation breakfast to acknowledge the invaluable financial and non-financial support and commitment received from the donor firms, South African Institute of Chartered Accountants (SAICA), various Stellenbosch University administrative departments, stakeholders and friends of the programme. The Western Cape Minister of Social Development, Albert Fritz, delivered the keynote address. He was very enthusiastic about how Thuthuka gives disenfranchised youth the means to combat the cycle of poverty through education - especially for children who

have the aptitude but not the financial means to continue beyond matric due to their marginalised position.

“The donors played a pivotal role since it would not have been possible to do so if not for their commitment and financial contribution. The nature of the programme also calls on non-financial aid and the donors have always been willing to contribute time and human capacity to the students in the Thuthuka Programme.”

“The Stellenbosch Thuthuka Programme management team has, and continues to, work arduously in collaboration with SAICA, the Faculty of Economic and Management Sciences, School of Accountancy and the donors to sustain the achievements already made and to ensure growth over the next decade and beyond.

“The last celebration event was a reunion for Stellenbosch Thuthuka alumni on 21 October. It was wonderful to see our alumni again, to hear their stories and see their success.” – Sybil Smit, Senior project manager, Stellenbosch Thuthuka.■



“It was wonderful to see our alumni again, to hear their stories and see their success.”

Minister Albert Fritz, surrounded by Thuthuka group leaders *f.l.t.r.:* Tori Minnaar (2018), Matthew Williams (2015), Lungelo Ngobese (2017) and Gavral Speelman (2016)



Thuthuka CAs challenge the status quo

Celeste Cloete and Angus Human are young Chartered Accountants (CAs(SA)) who work in Cape Town and Johannesburg respectively. These Stellenbosch University (SU) alumni are busy professionals who have each established non-profit organisations and are helping the communities where they grew up.

Celeste Cloete grew up in Lutzville, a small town in the Western Cape about four hours' drive from Cape Town. Now in her 20s, Celeste attended Lutzville High School where she received a Dux award as the top academic achiever. A bursary from the Thuthuka Bursary Fund (TBF) enabled her to attend Stellenbosch University (SU). Each year the TBF places academically strong learners from disadvantaged backgrounds in selected universities within undergraduate Accounting programmes.

The universities are accredited by the South African Institute of Chartered Accountants (SAICA). Today a qualified CA(SA) working at Allan Gray in Cape Town, Celeste enjoys her ever-changing role and opportunities to learn. She is also fulfilled by volunteer work.

Giving back to the community is a value that Thuthuka instills in its students.

While at SU, Celeste participated in the Rachel's Angels Mentor Programme as a mentor to a Grade 11 learner. "I provided moral support and encouraged her to strive to be better," she says.

During Celeste's honours year, her conscience prompted her and a group of friends to start a project in their home town. "We initially gave uniforms to underprivileged learners during winter. To date we have provided 340 primary school learners with uniforms," she says. Dress-A-Kid (DAK) is now registered as a non-profit company.

DAK has held career days for around 240 Grade 9 learners and has also awarded their first ever merit bursary to a deserving student in their community. They plan to do much more in the near future to uplift the youth of the Matzikama district.

"People think that doing community work will take over their life," says Celeste. "But it's not that difficult. All you have to do is start. It can be as simple as starting a soup kitchen."

The community project has taken Celeste out of her comfort zone. Budgeting, fundraising and marketing are all part of the deal, with activities planned months in advance. Celeste conquered her fear of public speaking by addressing 200 students at SU about the project. She also enlisted TBF's support.

Young CAs(SA) like Celeste and Angus are great examples of SAICA's endeavour to create responsible leaders

Left: Celeste Cloete (left) pictured with the DAK team and some of the beneficiaries of DAK



Angus Human

Time management is a constant challenge as well as keeping the team motivated.

"Doing community work improves your communication skills even with your best friends," says Celeste. "We agreed upfront to be open about our involvement and to ensure continuity. Every few months we have to have an uncomfortable conversation."

Like Celeste, fellow CA(SA) Angus Human heeded the call to do more for society by going beyond achieving a professional qualification, laudable though it is. Angus grew up in Uitenhage, an industrial town in the Eastern Cape. His frustration is the many young people in Uitenhage who appear to be aimless.

"It's sad how the youth have conformed to the norm of 'I finish matric and I work in one of the factories'. I understand that they have challenges and limitations but they can do something about it," he says.

Angus started his registered non-prof-

it organisation, the Uitenhage Dream Foundation, in February 2015, supported by three friends, to encourage excellence through education and sport.

"We started out as a Facebook page with a community focus and a hashtag #letsdreamUTH. We resolved small issues like providing scientific calculators to deserving maths students who cannot afford them and donating shoes to learners who lack the financial means to purchase them," says Angus.

Angus and his volunteers are putting together a network of skills and expertise, including mathematics tuition.

The Uitenhage Dream Foundation is planning a spelling bee.

"We'd like to instill a culture of literacy. It's been a generational problem," says Angus.

His long-term vision is to establish an academy for deserving students and to equip them with the educational knowledge to get them to university.

Angus completed his traineeship to become a CA(SA) at Transnet. While

the parastatal is tagged 'the land of policy procedure' the experience served him well. "Working at Transnet offered me extensive exposure to financial management and to the practical and operational side of things," he explains. The attention to detail paid off and Angus successfully completed the SAICA professional examinations on his first attempt.

Today he is Finance Manager: Region Africa at pharmaceutical company, AbbVie.

Young CAs(SA) like Celeste and Angus are great examples of SAICA's endeavour to create responsible leaders who are more than just sought-after professionals, but are also leaders who serve their communities. ■

Karin Iten – SAICA

Those who are interested in supporting Celeste and Angus in their community projects should contact Karin Iten at SAICA on Tel 011 621 6913.

Versatile students and alumni

Top 35-under-35 CAs(SA) 2017

Francois Herbst, alumnus of the School of Accountancy, is a worthy winner in the Entrepreneur category of the top 35-under-35 CAs(SA) 2017 competition. Francois is an entrepreneur at heart and he is the founder and Managing Director of House of Growth, a business advisory and consulting firm. Through House of Growth, Francois has established 13 successful start-up entities and acts as strategic partner to as many as 12 small and medium-size entities. He was also involved in establishing a community upliftment project (Shift-the-Frame) in Hermanus, where 21 unemployed individuals are being taught the craft of carpentry. Francois says that his wife is the cornerstone of his achievements.



Potloodskets behaal hoë prys by kunsveiling

Anja du Toit is 'n talentvolle eerstejaar BRek-student met 'n passie vir kuns. Sy het op 18 Augustus 2017 een van haar kunswerke, 'n potloodskets, by die NG Kerk Durbanville-Bergsig uitgestal. Die kunsuitstalling het met diverse kunswerke, onder andere skilderkuns, pottebakkerie en poësie, gespog. Al die kunswerke is opgeveil en Anja se potloodskets het een van die hoogste pryse van die aand gehaal.

F.t.r.: Francois Herbst and his wife, Anja du Toit's artwork

Western Province lawn bowls player

Ezile Mkhosi, a first year BAcc student, has been an eminent lawn bowls player since 2013. Ezile has represented Western Province in the A-team since being selected for this team in 2015. According to Ezile lawn bowls is not only fun, but it also helps to build character, a good team player and it promotes interpersonal skills and discipline. Ezile's favourite part of bowling is that it involves a competitive strategy game and that makes it challenging. She enjoys bowling as she competes as part of a team and it is a sport that can be enjoyed by young and old, abled-bodied or disabled people.



Middle: Ezile Mkhosi
Bottom: Darren Hendricks

EY Young Tax Professional of the Year



Darren Hendricks, a BAccHons student, placed third in the EY Young Tax Professional of the Year Competition in September 2017. In the final round of the competition, the candidates had to discuss, before a panel of judges, the income tax implications, amongst others, of a foreign company intending to trade in South Africa by establishing either a branch or a subsidiary. Thereafter, the candidates each received a different tax query, based on the same scenario, and each candidate received a time period of 30 minutes to prepare, before individually presenting to a different panel of judges. Six finalists were then chosen. The six finalists had to present personal statements, which had to be submitted to EY before the commencement of the final round, on the subject: "Making Tax Digital: How the Digital Revolution will affect the tax environment and the tax profession". After the presentation, the panel (which included tax managers and partners at EY, as well as the CEO of the South African Institute of Tax Professionals) asked questions regarding the personal statement as well as general, pertinent tax questions to determine the outcome of the competition.



Lauren Billson

Student represents SA in a lifesaving event for fourth time

Lauren Billson, a BAccHons student, participated in the Commonwealth Festival of Lifesaving from 9 to 12 August 2017. South Africa hosted eight Commonwealth countries for the festival which comprises a two-day still water (pool) events. The events of the festival include rescue simulated events; namely 50 meter and ten meter manikin carry, ten meter tube rescue and 200 meter super lifesaver. This was the fourth time that Lauren represented South Africa in a lifesaving event and she was also privileged to captain the side. The South African team was placed second overall in the event; only four points behind the Australian team. This was the first time that South Africa hosted an event of this nature and Lauren says that it was a privilege to wear the green and gold. Lifesaving is a growing sport and this event resulted in great exposure for the sport. She hopes that this will lead to further development and interest in both surf and still water lifesaving. Lauren has swum competitively since the age of 8 and she started nippers at the age of 11. She proceeded to lifesaving at the age of 14, but still continues to train and compete for the Maties swim team. Lauren is looking forward to represent South Africa in New Zealand at the DHL international surf rescue challenge at the end of November.

#TakeAGirlChildToVarsityDay

"If you educate a girl, you educate a nation," the saying goes. However, access to information about higher education may impede on a young girl's chances to succeed. Events such as career fairs, much like the one hosted by the African Women Chartered Accountants (AWCA), may increase pupils' chances of improving their lives.

The AWCA, which was founded in 2002 has since established many student chapters in South Africa. The Stellenbosch student chapter was established in 2017. Students decided to establish a chapter at Stellenbosch University (SU) after seeing its involvement in other universities and after conducting thorough research on the organisation.

The main purpose of the AWCA is to prepare aspiring Chartered Accountants (CAs) for the journey that awaits them in a corporate environment and to ensure that the university produces well-rounded CAs, something that can neither be taught in a classroom setting nor from a textbook.

The AWCA Stellenbosch Student Chapter hosted the "Take-A-Girl-Child-to-Varsity" day on 29 July 2017. The initiative entailed hosting Grade 11 and 12 learners from various underprivileged schools in and around the Stellenbosch community, such as Kayamandi High School, Kylemore High School and Groendal High School. The main objective of the day was to expose learners to the various possibilities after finishing school.

The day included a motivational talk by Dr Gillian Arendse (Recruitment Director at SU) and a presentation by Wynanda Prinsloo from MGI Bass Gordon, where she outlined what the Chartered Accountancy profession entails, as well as opportunities available and steps that need to be taken en route to becoming a CA. Ilze Gelderblom from the Faculty of Economic and Management Sciences of SU presented a study tips session.

The day ended with an interactive mentorship lunch where the learners were split in various groups with a leader where they were able to reflect on the day and a tour of the SU campus conducted by the AWCA facilitators.

The day was undoubtedly a great success and the feedback from the learners was testament to this. AWCA looks forward to hosting the initiative again next year.



#TakeAGirlChildToVarsityDay team

Topdosent seëvier vir die derde keer

Eloise de Jager, 'n finansiële rekeningkunde-dosent in die Skool vir Rekeningkunde (SvR), het op 6 Oktober 2017 tydens 'n glansgeleentheid by die Clos Malverne-wynlandgoed, welverdiend met die louere as algehele wenner van *Die Burger* se topdosentkompetisie vir dosente in die Fakulteit Ekonomiese en Bestuurswetenskappe weg gestap.

Dit is die derde keer wat Eloise hierdie uitsonderlike prestasie behaal het. *Die Burger* borg die topdosentkompetisie wat vanjaar vir die sewende keer aangebied is. 'n Aanlyn-meningspeiling waarin voorgraadse en honneursstudente vir die beste dosent van hul keuse stem, bepaal die uitslae van die kompetisie.



Eloise de Jager

RekNUUS het met Eloise oor hierdie besondere prestasie gesels:

Waaroor gaan dosent-wees vir jou en wat beskou jy as die nodige eienskappe van 'n topdosent?

"'n Goeie dosent moet oor 'n kombinasie van eienskappe beskik – jy moet passievol wees, entoesiasies, motiveerend, vriendelik, toeganklik, 'n goeie sin vir humor en natuurlik ook goeie kennis van jou vakgebied hê.

"Ek hou daarvan om met entoesiasme en 'n sin vir humor, werk vir studente te verduidelik."

Wat is jou gunsteling deel van dosent-wees?

"Interaksie met studente.

"Ek wil altyd klasgee!"

Enige raad aan mede-dosente in die SvR?

"Fokus op jou eie sterk eienskappe en bou daarop – wees ook aanpasbaar by jou klas."

En jou planne met die prysgeld?

"'n Babakamer! Die derde een is op pad!"

Eloise is baie dankbaar dat *Die Burger* steeds voortgaan om hierdie kompetisie jaarliks aan te bied.

"As dosent soek jy nie noodwendig eksterne erkenning nie – jy kry erkenning van jou studente. Tog laat só 'n prys jou voel asof jy wel iets reg doen!" ■

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Farren September
SECONDMENT TO DUBLIN

"I was exposed to very large corporates, housing associations as well as some defined benefit pension scheme audits."

Chantell Ajam
SECONDMENT TO LONDON

"My experience in Chicago has been the stuff of legends."

Mia van der Merwe
SECONDMENT TO CHICAGO

"My experience in Sydney was insightful as I was exposed to different cultures and lifestyles. My time there helped me to grow as an individual."

Luigi Brown
SECONDMENT TO SYDNEY

"A life changing experience, it allowed me the opportunity to gain exposure at another Mazars office and made friends from all around the globe."

Rochelle Murugan
SECONDMENT TO SYDNEY



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At risk for ransom?



Would you travel to a country where every 40 seconds, someone is infected with a potential life-threatening disease? Would it affect your willingness to visit this hypothetical country if you were further informed that this disease has a 71% chance of causing hospitalisation or if you knew that the average price of a vaccine against this disease is R13 000 and that there is a 20% chance that the vaccine will not work?

Are you aware that you are travelling to this country on a daily basis and that the country and disease are metaphors for all the data you keep electronically and ransomware attacks on electronic data?

Ransomware is software that maliciously infects computers and encrypts data in order to prevent access to the data until the victim pays a sum of money (the ransom) to decrypt and restore access to the data.

Cybersecurity Ventures estimates global ransomware damages for 2017 to be in excess of \$5 billion. According to the *Kaspersky Security Bulletin* of 2016, somewhere in the world a company is attacked by ransomware every 40 seconds. 15% or more of businesses in the top ten industry sectors have been targeted. In 2017, the WannaCry ransomware used a flaw in Microsoft's

software, to successfully attack more than 200 000 organisations in 150 countries.

This ransomware locked all files on the computer system, leaving the user with only two files: instructions on what to do next and the WannaCry programme itself.

Intermedia claims that nearly half of ransomware attacks infect at least 20 employees within an entity and that 72% of businesses lose access to data for two days or more. At an average charge-out rate of R700 per hour and an average of six billable hours per day, this implies that a ransomware attack on an accounting firm would cause lost revenue of R168 000.

If this attack infected the network of a firm close to a major tax deadline, the consequences could be disastrous. Not only would the firm lose out on revenue, but clients would also hold the firm responsible for tax penalties incurred on late submission. Compared to these amounts, the average ransom price of R13 000 seems like a small price to pay. However, in 20% of ransomware attacks, paying the ransom does not result in access to data being restored.

This is why more than 95% of companies attacked by ransomware, choose to restore backups rather than paying the ransom. In one third of these cas-

es, this results in downtime of a week or more.

Ransomware is most commonly triggered by installing a link in an email or on a compromised website. It is worth mentioning that hackers are becoming more sophisticated and these compromised links often appear to be part of legitimate emails or websites. The best protection against ransomware is to have files backed up in a completely separate system. If you are using a cloud-based service to automatically back up your data (such as Apple's iCloud, Microsoft's OneDrive or Google's GoogleDrive), it is very important to realise that automatic synchronisation will also cause the ransomware to synchronise to your cloud storage and encrypt all your backups. By having multiple devices connected to this same cloud storage, you will unintentionally synchronise the ransomware to all your connected devices.

Manual backups, after ensuring that you are not backing up any malicious software, still appears to be the safest option at this stage. ■

Alwyn Visser - Lecturer in Information Systems (vissera@sun.ac.za)

In 2017, the WannaCry ransomware used a flaw in Microsoft's software, to successfully attack more than 200 000 organisations in 150 countries.



Rektorstoekennings



Professor Wim de Villiers, Rektor en Visekanselier van die Universiteit Stellenbosch (US), het rektorstoekeknings vir uitnemende prestasie aan topstuden- te van die US, toegeken. Die glansgeleentheid het op 5 Oktober 2017 by die Stellenbosse Instituut vir Gevor- derde Navorsing (STIAS) plaasgevind.

Dertien studente van die Fakulteit Ekonomiese en Bestuurswetenskappe is met rektorstoekennings vereer:

- Reinhard Arndt (84.7%),
- Niel Botha (85.2%),
- Fiona Campbell (83.2%),
- Dean Dharsay (83.4%),
- Gerben Draaijer (92.7%),
- Eduard du Plessis (81.7%),
- Izaan du Preez (81.7%),
- Ryelan Hardnick (82.9%),
- Connor McCann (91.7%),
- Natalie Seager (83.2%),
- Daniele Smit (83.4%) en
- Monika du Toit (US-medalje vir top Magisterstudent).

Anita Engelbrecht, alumnus van die Skool vir Reke- ningkunde, het 'n spesiale rektorstoekenning ontvang. Anita ly aan spastiese diplegie (dubbelsydige verlam- ming) en is haar lewe lank in 'n rolstoel – nie dat dit haar onder kry nie! Anita spog met twee Two Oceans Ultra Marathon-medaljes en een Comrades-medalje, wat sy saam met haar spanmaat van die Bellville Atletiekkklub, Hilton Murray, verower het. ■

Anita het die volgende op die aand wat die rektors- toekenning aan haar ver- leen is, gesê: “Dit is vir my fantasties om erkenning te onvang vir al die bloed, sweet en tranes wat in my studies gegaan het. Dit is vir my 'n voorreg om 'n verskil in die samelewing te help maak.”



Bo: Anita Engelbrecht saam met Prof. De Villiers
Middel: Reinhard Arndt saam met Prof. De Villiers
Onder: Eduard du Plessis saam met Prof. De Villiers
Foto's verskaf: SCPS



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Fl.t.r.: Remerta Basson, Curtley Olyn, Marilie Matthee, Mareli Rossouw, Christine Brokensha, Anél Swanepoel and Sybil Smit

First years commend top lecturers

The first-year achievement awards for the 2016 cohort, hosted by the Vice-Rector Learning and Teaching, Professor Arnold Schoonwinkel, were held at Neethlingshof on 5 April 2017. The top 33 first-year students, from all faculties across Stellenbosch University (SU), were asked to nominate the lecturer who contributed the most to their academic achievement. Remerta Basson, Mareli Rossouw and Sybil Smit from the School of Accountancy were nominated for their role in their students' success.

Curtley Olyn thanked Remerta by saying the following:

"She reminded me of what I was working towards; that it will take time to fully adapt to the university; to keep on

making sacrifices; to keep on bearing disappointments because when I walk into that audit firm one day it would all have been worth it. I would forget about the late nights and the hard times."

Christine Brokensha had the following to say about Mareli:

"I could clarify any question I had and would receive such a fast and detailed response. She would congratulate me if I did well in a test, adding such a personal touch, especially when you are in a lecture hall of 400 students."

Marilie Matthee also nominated Mareli:

"Thanks for inspiring me to become the best person that I can be. I still remember the first day that she lectured

me. I was in complete awe of how well and clear (and fun) she explained the financial accounting principles. Her love and passion for her subject and our class was so evident in everything that she did."

Anél Swanepoel nominated Sybil as the lecturer who had the most impact on her success and said the following:

"'n Mens kan 'n spesialis op jou gebied wees, maar dit vereis 'n spesiale talent om kennis te kan oordra. Sy kan 'n moeilike konsep afbreek tot in die eenvoudigste detail sodat ek dit makliker verstaan. Dit het ook tot gevolg gehad dat ek ander studente kon help en dit het bygedra tot my sukses."■



The new IFRS 16: To boldly go where no standard has gone before

“ These new accounting requirements bring lease accounting into the 21st century, ending the guesswork involved when calculating a company’s often-substantial lease obligations. The new standard will provide much-needed transparency on companies’ lease assets and liabilities, meaning that off balance sheet lease financing is no longer lurking in the shadows. It will also improve comparability between companies that lease and those that borrow to buy. (Hans Hoogvorst, IASB Chairman) ”

In order to gain the right to use an asset, a company can either purchase the asset (for cash or on credit) or lease it. As such, leasing can be seen as a form of finance, and is especially common in industries such as airlines, retail and shipping. Under the current accounting standard that deals with leases (IAS 17), leases are categorised as either a finance lease (where substantially all the risks and rewards of ownership are transferred from lessor to lessee) or an operating lease (leases other than finance leases). The accounting treatment for finance leases is similar to a company buying the asset on credit (i.e. the balance sheet will reflect both an asset and a financial liability).

Operating leases are, however, more common than finance leases. IAS 17 merely requires the expensing of payments pertaining to operating leases on a straight-line basis, which leaves the asset (and corresponding liability) off the lessee’s balance sheet. Although the amounts payable under an operating lease are not recognised as a liability, they do in fact constitute liabilities as defined by the Accounting Framework (i.e. amounts payable due to an event in the past). This non-recognition of lia-

bilities proved to be especially problematic in the recent financial crisis when large chain stores were found to have long-term commitments to pay rentals on leased commercial property, which they could not fund in the crisis, due to decreased revenue.

Analysts have long been seeking to adjust for the off balance sheet financing provided to lessees under an operating lease, but had to work with rough information. As a result, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard 16 (IFRS 16) in January 2016. IFRS 16 is effective from 1 January 2019 and will then replace IAS 17 in prescribing the accounting treatment of leases in the books of both lessors and lessees. The change from IAS 17 to IFRS 16 is expected to affect numerous listed companies, especially those that typically lease in assets under operating leases (as defined by IAS 17) instead of buying the assets. Such assets were off balance sheet under IAS 17, but would normally be capitalised as right-of-use assets under IFRS 16.

The accounting treatment proposed by IFRS 16

IFRS 16 has not substantially changed the accounting requirements for lessors (who still need to categorise leases as finance leases or operating leases), but rather the requirements for lessees, owing to the financial crisis indicating the impact of the non-recognition of assets and liabilities under operating leases. Under IFRS 16, there is now only one approach to recognising leases in the accounting records of lessees, with minimal exceptions only for low value items and leases for less than 12 months, which are still expensed. The general approach to recognising leases is essentially similar to the previous

requirements for finance leases, and bring both a right-of-use asset and lease obligation onto the books of the lessee.

The effect of moving from IAS 17 to IFRS 16

Companies that are currently expensing lease payments under operating leases, are likely to have to capitalise these leases under IFRS 16. This will lead to an increase in assets (right-of-use assets) as well as liabilities (lease obligations). The income statement will also be affected due to lease expenses changing into depreciation on the right-of-use asset as well as interest expenses on lease obligation. Depending on the transaction, and whether the current year is earlier on or later in the lease term, this change could increase or decrease profit. Lastly, although the total cash outflow does not change, the amount attributable to each component of the cash flow statement will change. The cash flow from the operating lease-expense, which currently falls under operating activities, will be reclassified to repayment of lease-obligation, which falls under financing activities and interest, which could be accounted for either in operating or financing activities. This will increase cash flow from operations, with a corresponding decrease in financing cash flow.

All of the items mentioned above are often used in ratio analysis (balance sheet, income statement and cash flow based ratios) and could affect the conclusion made by analysts on the position and performance of a certain company. This could also impact debt-covenants and ratios required under such contracts.■

Gretha Steenkamp - Senior lecturer in Financial Accounting (gvn@sun.ac.za)

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Die Adjunktdirekteur: Leer & onderrig oor sy portefeulje



“Die Skool vir Rekeningkunde (SvR) is reeds die grootste akademiese omgewing in die Fakulteit Ekonomiese en Bestuurswetenskappe en Universiteit Stellenbosch as geheel, gemeet aan student- en dosentgetalle. Ons studente se interne deurvloei- en slaagkoerse in eksterne professionele eksamens is uitstekend. Die kwantum van leer- en onderrigverwante toekennings waarmee kollegas in die SvR jaarliks vereer word, onderstreep verder die gehalte van leer en onderrig in die SvR. Wat bly dan vir my oor om te doen?”

“My portefeulje as Adjunktdirekteur: Leer en Onderrig is baie divers. Dit speel direk in op die hooffokus van die SvR in die drie bene van akademie (Onderrig, Navorsing en Sosiale Impak), naamlik Onderrig. Dit skakel egter ook ten nouste met die ander twee adjunktdirekteure se portefeuljes, naamlik navorsing en sosiale impak en transformasie.

“Oor die medium- tot langtermyn is my visie dat die SvR die eerste keuse as tersiêre onderriginstelling van leerders wat die professionele beroepe wat ons bedien, sal wees. Oor die korttermyn is my hoop dat die SvR haar studente ten beste sal onderrig en ondersteun deur middel van voortdurende refleksie en introspeksie oor wat ons onderrig (met deeglike inagneming van relevante graduandi-eienskappe), kurrikulumvernuwing, innoverende gebruik van informasie- en kommunikasietegnologie, gesonde gehaltebeheer, en 'n oopdeur, konsekwente, professionele, waardegedrewe en kliënt-geïntereerde benadering. Al die voorgenoemde moet die doelwit van transformasie van ons studentekorps dien. Verder ook dat die SvR vir studente wat akademies swaarkry en onderpresteer so vroeg as moontlik die nodige steierwerk (“scaffolding”) pro-aktief aanbring om hulle op koers te hou. Erkenning vir die uitstekende en professionele onderrig wat die dosente van die SvR bied, is vir my 'n verdere hoë prioriteit.

“My rol in die verwesenliking hiervan is 'n fasiliterende en leidinggewende een.”

– Professor Pieter von Wielligh



Teaching Awards 2017



Fl.t.r.: Arthur Bishop (developing lecturer), Eloise de Jager (distinguished lecturer), Gretha Steenkamp (distinguished lecturer) & Prof Riaan Rudman (distinguished lecturer)

In the report of the Task Team for the Promotion and Recognition of Teaching, which was adopted by Senate in June 2015, it is recommended that teaching excellence be recognised at an institutional level. In response to this

recommendation, Stellenbosch University (SU) recently announced that staff in all faculties were invited to submit nominations for the SU Teaching Awards 2017.

The main aim of the institutional excellence in teaching awards is to show support, at an institutional level, for excellence in teaching and learning in higher education. Each applicant was required to submit a teaching portfolio with supporting evidence that spans the applicant's years of teaching but also includes current evidence. This portfolio included peer and student feedback, research on teaching and learning, a record of students supervised and mentored as well as information on teaching style, context and vision. In light of the extensive evidence required, the School is very proud to announce that four of its lecturers, Arthur Bishop, Eloise de Jager, Prof Riaan Rudman and Gretha Steenkamp, were selected as the winners of this prestigious award. These lecturers serve as mentors to both students and young lecturers within the School.■

Interest-free loan: is it still allowed?



A provision, which has been promulgated into the Income Tax Act as Section 7C, applies to any loan, advance or credit made directly or indirectly to a trust by a natural person, or by a company at the instance of a natural person and that company is a connected person in relation to that natural person and the natural person or company is a connected person in relation to the trust.

This effectively means that, if the interest is not charged on the loan (i.e. the amount of interest is below the interest at the official rate of (currently) 8% per annum), it would be treated as a donation on the last day of the tax year (which ends on 28 February for natural persons) and subject to donations tax at the rate of 20% payable by the lender. Donations tax at 20% will only apply to annual donations (whether to trusts or others) in excess of the primary exemption (applicable to the donor/lender) of R100 000 per annum in terms of Section 56(2)(b). This means that loans below R1 250 000 will not give rise to donations tax (8% of R1 250 000 is R100 000), provided that the donor is a natural person and has no other donations during the year of assessment.

Section 7C will apply to all loans with effect from 1 March 2017, irrespective of whether such loans were advanced before or after that date. Certain loans are specifically excluded from this provision in terms of Section 7C(5). For example, if the loan is subject to the provisions of Section 64E(4) and has dividends tax consequences, the loan is excluded from the provisions of Section 7C.

On strict interpretation of the wording of Section 7C it appears as if the section can only be applied where a trust is the recipient or borrower of a loan. This interpretation is supported by the purpose of Section 7C, which is to address the avoidance of donations tax and estate duty through the transfer of assets to trusts on loan accounts.

This raises the question of what the tax consequences of an interest-free or low interest loan will be where a loan is advanced by a trust to a connected natural person (or a company that is a connected person in relation to that natural person) or where a loan is advanced by a shareholder to a company.

The general opinion is that neither the borrower nor the lender would incur any income tax consequences. However, the judgment delivered by the Supreme Court of Appeal in the case of the *Commissioner for the South African Revenue Services v Brummeria Renaissance* has created uncertainty and alarm regarding the income tax implications of interest-free loans. In the *Brummeria* case, the court came to the conclusion that a deemed accrual, resulting in income tax consequences, took place due to the fact that the taxpayer had the benefit of not paying any interest on amounts it received as an interest-free loan.

As a consequence of the confusion caused by the case, the South African Revenue Service issued Interpretation Note No. 58 (IN58), in an effort to clarify when the right to use loan capital, free of an interest obligation, would result in income tax consequences. IN58 concluded that the value of a receipt or accrual in a form other than money (including the right to retain and use an interest-free loan) would usually not lead to income tax consequences if the receipt or accrual did not take place in exchange for goods supplied or services rendered. The reason for this is that such a receipt or accrual would probably be of a capital nature.

In particular, IN58 provides that the right to receive an interest-free loan in the context of a group of companies and shareholders' loans will not necessarily be affected by the *Brummeria* judgment. It is however important to ensure that the interest-free loan is not received in exchange for goods supplied, services rendered or some other benefit by the borrowing company.

In conclusion, interest is not an essential element of a loan agreement and a loan agreement may be concluded without any stipulation to payable interest. Depending on the terms of and the parties to the loan agreement, interest-free loans might not necessarily lead to income tax consequences.■

Cara Thiant - Taxation lecturer
(cthiant@sun.ac.za).



Dr Stiaan Lamprecht and
Prof Hentie van Wyk

School of Accountancy's PhD graduates

Two senior lecturers from the School of Accountancy obtained their PhDs since the last edition of *RekNUUS*.

Dr Stiaan Lamprecht, supervised by Prof Hentie van Wyk (pictured together) obtained the degree Doctor of Accounting at the University of the Free State. With his thesis, "A financial reporting framework for South African listed companies under business rescue", Dr Lamprecht contributes new knowledge and insights to the existing body of knowledge on financial reporting.

The results of the study indicate, firstly, that with respect to a listed company under business rescue, there is a need for an underlying financial reporting assumption that differs from the known going concern and liquidation assumptions. Secondly, the results show that the users of the financial statements of such a company require an accounting measurement model based on current values as opposed to the mixed-measurements accounting model employed at present. It is envisaged that the accounting profession, accounting institutes, academics and standard setters alike may benefit from and apply the findings of this study to develop guidance on the financial reporting that

takes place while under business rescue. Such guidance would present the users of these financial statements with better financial information for decision-making.

Dr George Nel obtained a PhD at the University of Stellenbosch Business School (USB) in December 2016 with a dissertation entitled "Internet Investor Relations, Information Asymmetry and the Cost of Capital: Evidence from JSE Listed Companies".

Investor relations is a field that is concerned with the management of relationships between companies and investors, and as such includes a wide variety of information types, e.g. financial, corporate governance and corporate responsibility, as well as the presentation format(s) used to communicate such information to investors. The main purpose of this study was to investigate the quality of the corporate website for investor relations purposes and to establish whether its use has any benefits.

Overall, the results suggested that companies may potentially benefit from a well-developed Internet investor relations strategy through a decreased information asymmetry and cost of capital.■



Dr George Nel

Professor Soon Nel appointed Editor-in-Chief of *SAJAR*

In January 2017 Professor Soon Nel, Associate Professor of Management Accounting and Finance at Stellenbosch University, was appointed Editor of the *South African Journal of Accounting Research (SAJAR)* and subsequently promoted to Editor-in-Chief from July 2017.

SAJAR, formerly known as *De Ratione*, is a leading scholarly journal of Accountancy in South Africa and focuses on issues relevant to the accounting profession in Southern Africa. *SAJAR* originated under the auspices of Enrico Uliana, Professor of Accounting at the University of Cape Town, in 1987.

Over the past 30 years, Professor Uliana and his editorial team developed *SAJAR* into a leading

authority on South African Accounting-related issues pertaining to the study and practice of Financial Accounting, Auditing, Taxation, Management Accounting and Finance, Ethics and Information Systems.

Prof Nel is proud to join *SAJAR*'s editorial team and, together with Taylor & Francis, one of the leading international publishing houses, hopes to see *SAJAR* grow in stature, not only in Africa, but also internationally.

"Although I may come across as rather biased towards quantitative empirically-based research, I am probably equally opposed to a death by econometrics approach to research, where authors engage in academic nit-picking with little or no practical implica-

tions. Accountancy is an applied science, and, as such, academic research in this field should be leading practice. I am acutely aware of the contribution that other methodologies can make to the extant body of knowledge. In fact, the leading author in my field of interest occasionally adopts a qualitative approach when conducting research. However, one must keep in mind that most of the top international journals adopt quantitative-based research methods. It is about trying to find the right balance."

Prof Nel is confident that the new editorial team will further enhance *SAJAR*'s stature and continue to foster the interests of the South African Accountancy community and beyond. ■



VL.n.r.: Regan Everts, Andrea Herron en dr. Stiaan Lamprecht

Die Skool vir Rekeningkunde (SvR) is baie trots op sy drie langasem dosente wat die Old Mutual Two Oceans Ultra-wedloop van 56km op 15 April 2017 voltooi het.

Regan Everts en Andrea Herron, wat beide vir Bellville Atletiekklub hardloop,

en dr. Stiaan Lamprecht, wat Maties verteenwoordig, het al drie hul eerste Two Oceans ultra-wedloop saam met nagenoeg 12 000 ander deelnemers voltooi. Die roete strek oor groot dele van die Kaapse Skiereiland en word bestempel as een van die mooiste wed-

lope in die wêreld. Alhoewel beskryf as 'n lang dag op die pad, sal hierdie drie spogatlete in 2018 weer die ultra-wedloop met baie waagmoed aanpak. ■



E-commerce, millennials and a changing business strategy for the retail industry

Some of the largest South African non-food retail stores have shown a steady decline in growth and sales figures during 2017. Experts believe the reason for this is political and economic uncertainty. With less disposable income, retail stores will increasingly be feeling the pressure to provide a competitive advantage in the industry. One such area, which could increase revenue significantly, and is still in a developmental phase in South Africa, is the e-commerce industry.

A study done by *Urban Studies* in 2016 identified a specific profile for South African consumers who prefer to shop online. These consumers typically fall between the ages of 25 and 40 years and earn more than R30 000 per month. A large portion of this demographic group can, therefore, be classified as millennial consumers. Millennials were born between 1983 and 2000. This consumer group is now in their 20's and early 30's, and are in the prime of their careers with a powerful current and future revenue growth potential. Experts note that this group of consumers have a very different approach to consuming products than any previous generation. This change in behaviour will have a deep impact on how retailers will have to change their business approach and corresponding IT strategy in reaching these consumers.

Millennials have grown up with the internet, social media and mobile devices. This will, therefore, form the basis on how they approach shopping.

One of the biggest focus points for this group is the price of a product. Being tech-savvy, it is very easy to compare prices as well as perform thorough independent research on a product online. They might even stand in a store and quickly google competitors' prices to ensure they are, in fact, getting the best value for money, before purchasing the product. This makes the aspect of customer loyalty a very difficult moving target for retailers.

This group is consumer-centric focused, wanting a personalised customer experience, tailored to their individual and specific needs. They want to be heard, have a say on the features of products and be involved in designing it. The days of being product-centric, without informing the consumer of the personal benefits of a product, are no more.

Another focus point, is the aspect of convenience and flexibility. The process of purchasing a product should be easy, available 24/7 and the physical store's facilities should integrate with its mobile application version. For example, a customer receiving a discount voucher per email, should not have to physically print the voucher to use it in-store. The voucher should be electronically compatible with the in-store payment system, making the shopping experience pleasurable and without hassle. A customer should also be able to decide when and how they would like to pick up their parcel, without having to wait for it to be delivered by courier services.

Advertising techniques have moved

mostly into the social media space, in order to capture the millennial audience. This is the way retailers will catch a millennial's attention. It is not simply enough to create a Facebook page for your business, and strive for a large number of 'likes', as the number of 'likes' do not equal the actual amount of spending that occurs. Here, the use of authentic and personal feedback by fellow consumers and influential bloggers set the tone for what is viewed as an authentic and transparent relationship with a retailer and its products.

It is expected that, as the buying power of the millennials increase in the next couple of years, one might even see retail stores decreasing its physical 'brick and mortar' retail space (where customers can still physically inspect the product) and rather focus its main efforts on creating an even bigger online presence.

These are just some of the changes a retailer's business and IT strategy would have to undergo in the slow growing economic environment it faces. By focusing on e-commerce and the very unique millennial consumer group, this could provide the competitive advantage for a retailer in a time of cut-throat competition and in an IT environment that is constantly evolving.

Only one question then remains: Which retailer will stand out in the millennial crowd?■

Riana Goosen - Lecturer in Management Accounting (goosen@sun.ac.za)

{SvR}- Personeel | Staff

Nuwe akademiese personeel



V.l.n.r.: Regan Everts, Lize Zeeman, Zurelda Mitchell, Adriaan Lochner

Nuwe administratiewe personeel



Freddie Jacobs

Academic Trainees



F.l.t.r.: Heike Werth, Carine Fourie, Danie Franken, Kelsey-Anne Welch, Frances Fullard, Adrian Samuels

Personeel wat die diens van die SvR verlaat het

Die volgende personeellede het gedurende 2017 die diens van die SvR verlaat.

Die SvR is dankbaar vir die diens wat hierdie personeel gelewer het en wens hulle alle voorspoed met hulle toekomsplanne toe.

Tanya Cairncross
Nabeelah Daniels
Graven Esau
Gillian Strydom
Mari Thomas

RekNUUS bedank graag die volgende personeelhede vir hul bydrae to die 2017 **RekNUUS**-uitgawe:

Prof. Rika Butler, Ronel Beukes, Kim Daniels, Liesl de Villiers, Wilmarie Grobbelaar en Gillian Strydom.

Die Adjunktdirekteur: Navorsing oor sy portefeulje

“Dit is my hoop dat die Skool vir Rekeningkunde (SvR) se personeel 'n passie vir vakkundige navorsing sal ontwikkel en geleenthede om hul navorsingsvaardighede uit te bou, met vrymoedigheid sal aangryp. Een van die positiewe gedaanteverwisselings wat ek reeds in 2017 begin ervaar het is dat personeel toeneemend besig is om die kopskuif te maak na vakkundige navorsing. Met dit ten doel, gaan ons in 2018 'n nuwe navorsingstruktuur implementeer wat ek glo breër en dieper navorsingontwikkelingsgeleenthede sal fasiliteer. Die doel met die nuwe struktuur is om die regte mense korrek te posisioneer en sodoende vir hulle 'n platform te bied om 'n konstruktiewe navorsingskultuur te help bou. Ek is oortuig dat so 'n inklusiewe proses die SvR se navorsingskapasiteit noemenswaardig sal uitbou en 'n konstruktiewe navorsingskultuur sal help vestig. Rekenmeesters is uiters bekwaam en oplossingsgedrewe en daar is geen rede waarom die SvR se navorsingsuitsette nie 'n hoë-impak, leidinggewende rol in die praktyk kan speel nie.”

– Professor Soon Nel



Meesters-graduandi van die SvR

Agter v.l.n.r.: Gail Fortuin (Rekeningkundige wetenskappe (cum laude) - Universiteit van Pretoria (UP)),
Mari Patterson (Rekenaarouditering - Universiteit Stellenbosch (US)),
Anja van Niekerk (Rekenaarouditering - US)

Voor v.l.n.r.: Natasha Sexton (Rekenaarouditering - US),
Amder de Laan (Rekeningkundige wetenskappe - UP),
Alwyn Visser (Rekenaarouditering - US)

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Think Ahead

Navorsing | Research

Roelof Baard and Dr George Nel published "An explanatory study of the use of email investor communication by South African listed companies". This article appeared in the *South African Journal of Information Management (SAJIM)*.



Roelof Baard

Although research shows that almost all listed companies have corporate websites with dedicated investor relations sections that enable companies to "push" information to investors, the article argued that such an asymmetrical approach to communication is insufficient for companies wishing to exercise good investor relations. The purpose of the study was to test the effectiveness of the Internet to act as a mechanism to achieve more interactive communication between companies and investors. The objectives of the study were to measure the responsiveness, timeliness and relevance of companies' responses to email requests, and to test for the determinants (size, market-to-book ratio, profitability, leverage and liquidity) thereof.

It was found that the email handling performance of companies in this study was poor compared to previous studies. Significant relationships between company size and responsiveness and relevance, as well as between market-to-book ratio and relevance were reported.

The study also revealed significant relationships between the contact method used to request information and relevance and the use of social media and timeliness.

Specific areas where companies could improve their investor communications were identified.



Dr George Nel

Future research is warranted to examine the relationship between the e-mail handling performance of companies and information asymmetry and the cost of equity of companies.

Sophia Brink wrote an article entitled "An investigation into the future of discretionary trusts in South Africa – an income tax perspective part 2" that was published in the *South African Journal of Economic and Management Sciences* 20(1), a1789.

Trusts have long been used as an estate planning mechanism, including the avoidance of estate duty and donations tax. In the 2016 National Budget the Minister of Finance indicated that Government was proposing several legislative measures dur-



Sophia Brink

ing 2016/2017 to prevent individuals from using a trust to avoid estate duty (and donations tax to a certain extent). Unexpectedly, the 2016 draft Taxation Laws Amendment Bill and the final Amendment Bill did not give effect to any of these proposals, but introduced other less drastic measures to control the abuse of trusts for tax purposes, albeit with the same stated purpose. In order to assist tax practitioners and taxpayers in effective tax and estate planning the research investigated the reform proposals and final amendments, given that both have a possible impact on the future of discretionary trusts in South Africa.

The main objective of the research was therefore to clarify the reform proposals (albeit unclear and consequently based on certain assumptions) and to compare the reform proposals with the final amendments. This comparison will shed some light on the fairness and appropriateness of the final amendments and, more importantly, on the possibility that the reform proposals published by National Treasury in February 2016, and not included in the final amendments, will be enacted in the future. In order to meet this objective, a qualitative approach based on a literature study of pure theoretical aspects was used.

It was found that should the reform proposals become law, many trusts would become ineffective from a tax planning perspective and these changes might erode other benefits trusts offer, jeopardising the future of discretionary trusts in South Africa.

**Prof
Rika Butler**



Professor Rika Butler published an article entitled “An analysis of the prevalence of proper password practices among South African employees” in Volume 18 of the *Southern African Journal of Accountability and Auditing Research (SAJAAR)*.

When proper password practices are not applied by employees, it could pose a threat to the confidentiality, integrity and availability of an organisation’s information.

This study adopted a survey design to determine the password behaviour

of South African computer users who access the internet from their place of employment. Based on the survey results, guidelines for proper password practices and the factors that influence password behaviour, the underlying reasons for poor password performance were investigated. It was found that South African employees’ poor password performance can be attributed to a lack of knowledge of proper password practices and motivation to behave securely; an inability to convert knowledge into practice; and an over-estimation of knowledge or abilities concerning passwords. These deficiencies in password security should be addressed through appropriate education and awareness programs. This will empower employees, reduce password vulnerability and improve IT-governance within the South African context.



**Gail
Fortuin**

Gail Fortuin, Amber de Laan and Natasha Buitendag co-authored and published “Firm characteristics and excellence in integrated reporting” in the February 2017 edition of the *South African Journal of Economic and Management Sciences*.

Integrated reporting has attracted much attention in the past few years, and South Africa has taken the lead in its development worldwide. The study on which this article is based was aimed at determining whether the as-

essment of an entity's characteristics can predetermine the quality of the integrated report generated by that entity.

**Amber
de Laan**



This article focuses on an analysis of the integrated reporting of the top ten entities listed on the JSE for the financial years ending in 2013, 2014 and 2015. Comparison of categorical variables, mixed-model repeated measures ANOVA and generalised estimating equations were applied to identify the best classifiers to distinguish between excellent integrated reporting and those reports where progress could still be made.

The results indicated that the type of industry, size of an entity, the profitability and composition of the board of directors, all have an effect on the quality of the integrated reporting.

The evidence will assist current and prospective stakeholders in evaluating the expected quality of an entity's integrated report, through the evaluation of certain firm characteristics.

Riana Goosen

Riana Goosen published an article entitled "The development of an integrated IT risk assessment questionnaire for internal auditors' use" in *The Southern African Journal of Accountability and Auditing Research*, Vol 18:2016, p.63-71.

The IT related risks of a company have significantly increased due to operating in an open, interconnected network,

where users are able to gain access and transfer data to systems through mobile devices and cloud services. The King III Report holds the board of directors ultimately responsible for risk management and IT governance related matters. This duty is, however, often delegated to the internal auditor, who needs to assess and evaluate the work of the IT and risk committees.

King III, however, only refers briefly to certain IT and risk control frameworks which could be consulted and no specific detailed guidance is provided to assist the internal auditor in this regard. With the inclusion of emerging technologies in the daily operations, the internal auditor needs to keep up

to date with the latest IT risks and must be able to address these risks in an effective and efficient manner. It is for this reason that the author developed an integrated IT risk assessment questionnaire which could assist the internal auditor to evaluate the effective-

Wilmarie Grobbelaar

Smith & Associate Ingelyf

GEOKTROOIEERDE EN PROFESSIONELE REKENMEESTERS



Moenie vergeet dat jy anders kan wees as al die ander nie.....

Moenie vergeet dat jy eintlik reeds anders is as al die ander nie.....

Jy's dit aan jouself verskuldig om jou volle potensiaal te ontgin en ons kan jou help om dit te doen!

ness of the high-level key IT controls, implemented in an organisation.

The questionnaire integrated high level control risk areas which were identified from the following IT risk and control frameworks: The COSO and ERM frameworks which formed the basis for risk management related matters. COBIT 5, a widely used IT control framework, provided guidance in identifying high-level IT control processes, but does not focus on the technical details. The technical details were provided by: ITIL v3 which discusses service management controls, whilst the ISO 27001 and ISO 27002 standards focus on information security matters.

Michilene Meyer



The questionnaire was categorised in specific key IT risk control areas, either to be performed annually or regularly, to ensure that the relevant high-level key IT risk areas have been considered and evaluated.

By utilising the questionnaire, value could be added by performing an effective and efficient risk assessment, by inter alia identifying controls which are lacking and are not present. Costs can be optimised by using a standardised, rather than a specifically developed approach. It could further assist the internal auditor in ensuring IT governance compliance is adhered to whilst gaining a better understanding of the modern day complex IT environment and asking the right type of questions.

Wilmarie Grobbelaar and Michilene Meyer presented their research entitled "Facilitating transformation in education: a multi-dimensional approach" at the tenth annual *Scholarship of Teaching and Learning Conference (SoTL)* during October 2017. In their research they evaluated the Thuthuka Bursary Programme against the principles underlying Social Capital Theory in order to evaluate the programme's ability to produce a well-rounded professional.

The Thuthuka Bursary Programme was designed and implemented in the School of Accountancy in 2007 as a transformation initiative and was developed to address a need for a transformation support initiative that existed in 2007, but lacked underlying theoretical educational framework.

The ten year anniversary of the programme allowed for reflection on the programme.

Social Capital Theory was selected to evaluate the programme because the central premise of the programme is to develop students' social capital through a holistic, multi-dimensional support structure.

The findings highlighted the programme's strengths and weaknesses. The findings also highlight aspects which must be considered when developing other education transformation initiatives such as the Ikusasa Student Financial Aid Programme (ISFAP) being piloted nationally.

Their abstract was nominated, by the SoTL 2017 Abstract Review Committee, as a potential prize winner for best presentation and they received a certificate and book prize for being one of the Top 6 abstracts at the conference.

Theo Mey focuses his research on financial accounting matters and wrote an article entitled "The value relevance of straight-lining lease expenses" that was published in the *International Business & Economics Research Journal*, 2016, Vol. 15, p. 301-314.

Theo Mey



The International Accounting Standards Board envisions the global acceptance of International Financial Reporting Standards (IFRS). Despite attempting convergence with IFRS, some national accounting standard setters, such as in India, allow for certain carve-outs in their own accounting standards so as to meet country-specific requirements for fair presentation. Indian Accounting Standards allow for operating leases with fixed inflationary linked escalations to be accounted for on an as-incurred basis in contrast to the existing requirement in IFRS to straight-line such leases.

This study explores whether operating lease expenses with fixed inflationary linked escalations and accounted for on a straight-line basis provide incremental value relevance beyond the as-incurred basis. This study exploits an occurrence in South Africa, where listed companies that previously accounted for operating leases with fixed inflationary-linked escalation clauses on an as-incurred basis, were required to straight-line those leases. Using the Ohlson (1995) valuation model this empirical study investigates the incremental value relevance of the straight-line basis over the as-incurred basis.

Results show a significant change in the association between property-related operating lease expenses and market value indicators after the effect of straight-lining is introduced.

This suggests that the straight-line basis provides investors with more value relevant information than when accounting for the expense as-incurred.

Findings from this study prompt national accounting setters that allow for operating leases with fixed inflationary linked escalations to be accounted for on an as-incurred basis, to consider first whether the straight-line basis does not provide more relevant information.

Limiting the choice of accounting treatment may enhance comparability of financial statements.



Dr George Nel

Dr George Nel obtained a PhD at the University of Stellenbosch Business School (USB) in December 2016 with his dissertation entitled "Internet Investor Relations, Information Asymmetry and the Cost of Capital: Evidence from JSE Listed Companies". The primary objective of his research was to investigate the quality of the corporate website, in terms of investor relations. However, in the absence of a suitable existing measurement instrument to measure the quality of investor relations, a measurement instrument was

developed. The methodology used to develop this instrument, as well as the results thereof, was published in the December 2016 issue of the *South African Journal of Business Management*. The article entitled "The development of a measurement instrument to measure the quality of Internet investor relations" was co-authored with Prof Leon Brummer from the University of Pretoria.

Using stepwise regression model-building, a regression model was developed that best explains the quality of Internet investor relations. Company size, leverage, being audited by a big four audit company, JSE industry membership, free float and dual listing status were found statistically significant independent variables, explaining 68.76% of the variation in investor relations. The results of this research was published in the March 2017 issue of the *South African Journal of Business Management*. The article entitled "Determinants of the quality of Internet investor relations – a study of companies listed on the JSE" was co-authored with Prof Leon Brummer and Eon Smit (University of Stellenbosch Business School).



Rudie Nel

Rudie Nel together with one of his Masters' students, Estian Haupt, published an article entitled "Dividend cession and dividend distribution: the South African VAT implications" in the *Journal of Economic and Financial Sciences*.

An intuitive approach when considering the VAT implications of a dividend cession, which relates to a share, could be to classify it as a financial service and thus exempt from VAT. The fact that debt factoring, another cession transaction, has been noted as an exempt supply could support the intuitive approach in favour of a financial service. Pursuant to different interpretations and in an attempt to triangulate evidence, the meaning of 'equity security', 'equity share' and 'security' from three different tax acts were considered. Findings suggest a dividend cession is not a financial service and consequently a taxable supply for VAT purposes. This finding supports the normal tax view of National Treasury that a dividend cession constitutes an income stream independent from the underlying share and thus ordinary revenue. Findings also provided guidance on the value of supply provisions and also enunciate that the subsequent dividend distribution in specie could result in VAT implications.



Prof Soon Nel

Prof Soon Nel wrote an article entitled "The valuation performance of mathematically-optimised, equity-based composite multiples", which appeared in the 2017 issue of the *Journal of Economics, Finance and Administrative Science*. In this paper, the valuation precision of composite models in each of six key industries in South Africa was tested by applying principal component regression and various mathematical optimisation methods.

Prof Riaan Rudman



The findings confirmed that equity-based composite multiples models consistently produced valuations that were substantially more accurate than those of single-factor multiples models that are frequently used in practice.

The results indicated that composite models produced up to 67% more accurate valuations than single-factor multiples models for the period between 2001 and 2010, which represents a substantial gain in valuation precision. In light of the fact that analysts' reports typically contain various different multiples, it seems prudent to consider the inclusion of composite models as a more accurate alternative.

Prof Nel also presented a paper entitled "The proper construction of comparables: Why ignorance may not be bliss" at the International Conference on Humanities and Social Sciences in Washington, DC in September 2017. The presentation focused on the importance of the proper construction of comparables. Although the concept of internal consistency is generally adhered to when performing an intrinsic valuation in practice, analysts often ignore this concept when employing comparables for asset pricing purposes. The question that inevitably surfaces in this respect is why it matters whether comparables are constructed in an internally consistent manner. What is the real impact thereof, or is it merely an academic debate with little or no practical consequence? In

this presentation, the potential impact that the use of inconsistently defined comparables may have in practice was presented as well as the circumstances in which analysts should be extra vigilant in this respect.

Prof Riaan Rudman's research interest focuses on the impact of developing technology on business.

The impact of Information Technology on the accounting profession is pervasive. Most professionals, including accounting professionals, do not realise the full impact.

During the course of 2017, he presented at two international conferences. His paper, entitled "A governance framework for Bring Your Own Device" was presented at the 2017 Annual multidisciplinary conference in Toronto. Bring Your Own Device (BYOD) involves allowing an employee to use their own mobile devices to access their organisation's network.

Many organisations are embracing this trend as a means to cut Information Technology (IT) expenditure, enhance employee satisfaction etc. However, these and other benefits do come at a cost in the form of exposing an organisation to new risks. The objective of this paper was to develop a framework to identify the risks an organisation is exposed to when allowing user owned devices access to an organisations network and implement a BYOD program. The framework presented could be used to identify risks and formulate appropriate internal control measures in any organisation. As part of this research he completed an accredited article titled "Addressing the incremental risks associated with adopting Bring Your Own Device" has been accepted to be published in *Journal for Economic and Financial Sciences (JEF)*.

Based on research conducted on the business impact of the evolution of the internet, Prof Rudman was invited as a speaker at the *14th Annual Library Sym-*

posium at Stellenbosch Institute for Advanced study in Stellenbosch on defining Web 3.0 and discussing the impact of the web evolution on the business of the library of the future. Following the presentation, he was invited to speak at the *84rd International Federation of Library Associations and Institutions Conference* in Wroclaw, Poland on 23 August 2017 as one of the key note speakers. The meeting was attended by various directors from national libraries across the world, including the British Library and the Library of Congress in USA and addressed the impact that the rapid evolution of the internet has on users, technologies, and libraries. He predicted the changes which could be expected in the near future.

Continuing the work on the web evolution, he presented a paper at the *2017 American Canadian Conference for Academic Disciplines* held in Montreal titled "The data warehouse (library) of the future". He argued that the Web is the fastest growing publication medium of all time, with the Web maturing in its own unique way. The next phase of Web evolution, Web 3.0, is already in progress. Web 3.0 entails an integrated Web experience where the machine will be able to understand and catalogue data in a manner similar to humans. This will facilitate a world wide data warehouse where any format of data (text, images, voice, and video) can be shared and understood by any device over any network. The evolution of the Web will bring forth new opportunities as well as challenges and fundamentally change the user experience as well as changing how users access information.

He was also invited to present his thoughts on the risks and controls associated with social media and web evolution that are relevant to the internal auditing profession at the *Institute of Internal Auditors, Western Cape Region's Internal Audit Conference* from 11 to 13 October 2017.

Prof Rudman collaborated with **Natasha Sexton**, with respect to the work done on experiential learning in Auditing, and the Centre for Learning Technologies selected the #audit_sexy social media and auditing project to show-case the benefits, constraints



**Natasha
Sexton**

and lessons learnt in implementing a social media project into a course with a large number of students. It shows how competencies can be developed and student engagement and learning can be enhanced. The case study titled: "#audit_sexy: Increasing student engagement using social media." was published in the 2015 *Blended learning case studies book* page 1-5.

Being actively involved in the accountancy profession, Prof Rudman identified a gap in knowledge of various leadership styles amongst young CAs(SA). In order to address this, he co-authored an article entitled "The leader within drives the leader without" with



**Lize-Marie
Sahd**

Natasha Sexton in the February 2017 edition of *Accountancy SA*. The article highlighted the different leadership styles and discussed when which style of leadership is applicable in specific work situations.

Three students researching risks and controls in next generation technologies supervised by Prof Rudman graduated with a Masters in Computer Auditing at the 2016/2017 graduation. He also co-presents the Masters in Computer Auditing course. He serves on the editorial boards of various local and international accredited journals, and on the organising committee of an annual international conference.

Lize-Marie Sahd co-authored a paper with Prof Rudman entitled "Best practices mobile technology risk assessment and control checklist for internal auditors". The article was accepted for publication in the next issue of *The Southern African Journal of Accountability and Auditing Research*. Lize-Marie's field of research focus has been the use of technology in business, and more specifically the risks that businesses are, often inadvertently, exposed to.

Businesses and employees are rapidly increasing their use of compact and portable devices with computing, storage and communication capabilities (commonly referred to as mobile technologies) and as a result, significant incremental risks are introduced into all business processes where mobile technology is used. King IV assigns the responsibility for IT risk management to the board of directors, while the internal audit function is tasked with risk assessment and the evaluation of technology controls. They have tools at their disposal such as governance frameworks, standards and practices that assist with this task, but these frameworks are generic and need to be customised in order to be useful. The research uses COBIT 5 to develop a mobile technology risk exposure and best practices control checklist, as well as an executive controls summary, to assist those parties charged with the implementation of governance structures and those charged with its oversight to evaluate an entity's mobile technology controls.



**Henriette
Scholtz**

Henriette Scholtz and Suzanne Kieviet recently published a paper entitled "The influence of board diversity on company performance of South African companies" in the *Journal of African Business*.

A board of directors forms one of the pillars of a robust corporate governance framework.



**Suzanne
Kieviet**

Board diversity can offer both challenges and opportunities for a company.

This article investigates whether diversity of a board influences company performance as well as the change in company performance for the Top ten South African companies listed on the Johannesburg Securities Exchange in 2013–2015. Tobin's Q and Return on Assets are used as performance measures. The findings show that the proportion of women on a board, the number of directors with a business qualification and board size are significantly positively related with the performance of South African companies, whereas the ethnic diversity of a board is significantly negatively related with the performance of South African companies.



Danielle van Wyk and Mareli Dippenaar's article entitled "A critical analysis of the meaning of the term 'income' in sections 7(2) to 7(8) of the Income Tax Act no. 58 of 1962" was published in the 2017 Volume 20 Issue edition 1 of *The South African Journal of Economic and Management Sciences*.

Section 7 of the Income Tax Act 58 of 1962 (the Act) was introduced as an anti-avoidance measure to prevent tax avoidance by means of a donation, settlement or other disposition in various types of schemes. In terms of this section, in certain circumstances, 'income' is deemed to be income received by or accrued to a taxpayer.

Despite the fact that the term 'income' has been used in Section 7 from the time that it was first introduced into the Act and the fact that it is defined in Section 1 of the Act, there still remains uncertainty regarding the intention of



the legislature and the actual meaning of the term in terms of Section 7. The objective of the study is to understand whether the term 'income', as used in sections 7(2) to 7(8) of the Act, is used in its defined sense or if it should be ascribed a different meaning. A non-empirical study of existing literature was conducted by performing a historical analysis within a South African context. A doctrinal research approach was followed. The conclusion reached is that the meaning of 'income', for purposes of sections 7(2) to 7(8), remains an uncertainty, and it is recommended that the wording of Section 7 be amended to reflect the intended meaning thereof.

Ellane van Wyk and Tertius Troost co-authored an article in the *South African Journal of Accounting Research*. The article is entitled "The normal tax implications of a carried interest in South Africa".

"Carried interest" is not defined in the Act, nor has it been subject to scrutiny in South African courts. Uncertainty prevails regarding the classification of a carried interest for normal tax purposes in SA.



poses in SA. This article investigated the possible normal tax treatment of a carried interest for a fund manager regarding the definition of a fringe benefit, or, alternatively in terms of the gross income definition of the Act.

Distinction was made between the initial receipt of a carried interest and the subsequent cash flow therefrom upon liquidation of the fund. The effect of Section 9C of the Act was also considered. The current normal tax treatment of a carried interest in the USA and the Netherlands facilitated an interesting comparison and provided some perspective. Finally, the effect of the guidelines formulated by the South African courts on the underlying investments of, and consequently on a carried interest in, an investment fund was also considered. It was concluded that the cash flow from a carried interest and its subsequent distribution to fund managers is capital in nature, except where one of three exceptions are present. The authors conclude that the guidelines are required that consider the hybrid character of a carried interest. It is suggested that specific legislation is considered for the taxation of a carried interest. Such legislation must be researched to ensure that the change will not result in the withdrawal of foreign investment from SA, or an exodus of current resident investment funds. ■

Is there a link between EI and effective leadership?

The BComHons in Management Accounting (CIMA) students must complete a research project as part of their degree every year. The research is normally on a specific business-related issue or problem. The completed research projects are presented in groups to students and staff of the School of Accountancy. The abstract below is of a group of students (Carmen Gerber, Henri Laurie, Charlton Roux, Fanie Schoeman and Matthew Spanjaard) who presented their research titled "The relationship between emotional intelligence and effective leadership".

One look at the television news reports and it becomes shockingly evident that there is a dire need for great leaders. But what makes a true leader? Is it their intelligence quotient (IQ) that makes them great? While all high level leaders are seemingly smart individuals, some of the most intellectual minds are found in science and education, and neither obtain nor pursue influential leadership roles. There is no doubt that a certain level of technical skills is a minimum requirement for success. However, in a reputable financial services organisation where a premium is placed on superior cognitive and analytical abil-

But what makes a true leader? Is it their intelligence quotient (IQ) that makes them great?

ities, there is very little variance in IQ amongst employees, as it is the base entrance criteria. This led to the introduction of the concept of emotional intelligence (EI) in the 1990s, which was identified as the prominent differentiating factor for job performance.

In short EI is defined as the ability to accurately perceive one's own emotions and the emotions of others. It is the intangible aspect that determines how one interprets subconscious signals, handles social complexities and makes decisions. The study focused on the four key clusters of EI: relationship management, self-management, self-awareness and social-awareness.

The purpose of the study was to determine whether a link between the EI of a leader and the effectiveness of their leadership exists – i.e. whether the leader's level of EI influences the job satis-

faction and organisational commitment of their subordinates. More specifically, do the followers of leaders with higher EI have higher levels of job satisfaction and organisational commitment? As well as examining this question, this study focused on leadership and EI in financial services organisations.

The results from the case study proved that there was a positive correlation between a leader's EI and leadership effectiveness. The correlation was statistically significant with a correlation coefficient of 0,82 between the two. This significant finding demonstrates the importance of how a leader's EI impacts follower behaviour. This is an exciting area for future research in the emotional intelligence field.■



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