

EDITORIAL

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It is unimaginable to think that this is the sixteenth' issue of the Journal of Economic and Financial Sciences. There will still be two further issues published this year – the normal, third issue of Volume 7 in October and also a special issue of the journal with a focus on competitiveness.

From next year the journal will be making use of ScholarOne Manuscripts™ to peer review manuscript submissions. This means that all manuscripts submitted to the journal will from then be done in an online manner. ScholarOne Manuscripts™ is the leading system for web-based manuscript submission, peer review and tracking.

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All stakeholders will be kept abreast of this new and innovative change timeously.

David Costa and **Lilla Stack** investigate the legal status of Double Taxation Agreements and the relationship between Double Taxation Agreements and the provisions of the Income Tax Act. An important conclusion reached was that as the Vienna Convention on the Law of Treaties represents customary international law and as such forms part of South African law, the principles contained in the treaty should be taken into account when interpreting South African legislation (including Double Taxation Agreements). The final conclusion of the research was that Double Taxation Agreements have a dual nature – forming part of domestic legislation and being classified as international agreements. The provisions of the Double Taxation Agreement should be taken as overriding any conflicting legislation in the Income Tax Act.

The South African Revenue Service has been exploring the possibility of implementing a form of taxation on gambling winnings since the Finance Minister' Budget Speech in 2010. On a superficial level it seems a logical mechanism for broadening the tax base – a case of increasing the tax collected from those who can afford the luxury of gambling. There are, however, a number of unintended consequences that government does not seem to have considered. As a result **Milton Segal** and **Warren Maroun** used a detailed content analysis of the prior academic and professional tax literature to explore possible weaknesses/flaws of a tax on gambling winnings in South Africa. These included the administrative burden of such a tax, certain economic consequences of allowing gambling losses as a tax deduction and the possible social consequences thereof. The article provides a meaningful contribution by critically assessing the proposed tax with the aim of informing policy development and future quantitative studies on a tax on gambling winnings.

Tax risk-management (TRM) is a little-studied area of corporate governance, despite the proliferation of ever more complex tax legislation that can have a material impact on the sustainability of organisations. In light of this **Tayla Segal** and **Warren Maroun** explored policies and procedures relied on by tax authorities in the USA, the UK and South Africa to encourage a culture of compliance with tax laws. For this purpose, the research differentiated between specific and generic tax risks and these included transaction, operational, compliance, financial accounting, portfolio, and management and reputation risk. The study highlights how each TRM-related policy or programme addresses these tax risks and compares the TRM systems in the three jurisdictions.

The popularity of client loyalty programmes has increased drastically over the past few years, with more than 100 suppliers in South Africa currently making use of them. On 1 July 2007 the IASB issued IFRIC 13 to give specific guidance to suppliers on the accounting treatment of client loyalty programme transactions. In the process of compiling a new revenue standard, the International Accounting Standard Board published Exposure Draft ED/2011/6 Revenue from Contracts with Customers to supersede virtually all existing revenue standards and interpretations under IFRS, including IFRIC 13. With her research, **Sophia Brink** investigated the proposed new model's impact on the accounting treatment of client loyalty programme transactions. The similarities and differences between the guidelines in IFRIC 13 and those of the proposed new model as well as the specific paragraphs in the proposed new model that are applicable to client loyalty programme transactions were considered. A specific recognition difference and a presentation difference has been identified between the accounting treatment of a client loyalty programme transaction under IFRIC 13 and that of the proposed new model.

The Competency Framework of the South African Institute of Chartered Accountants (SAICA) details specific competencies, but also places emphasis on the pervasive skills that need to be attained by candidates in order to qualify as South African chartered accountants (CAs (SA)). In her article, **Monique Strauss-Keevy** presents the results of a literature review and empirical work that provides conflicting results as to whether the education, the training or a combination of the programmes are responsible for ensuring that aspirant CAs (SA) are equipped with pervasive skills. This study returned significant findings, indicating that SAICA-accredited academics are not aware of their responsibility to ensure that aspirant CAs (SA) have achieved all the competencies as set out in SAICA's Competency Framework.

The completion of a Certificate of Theory in Accounting (CTA) is an essential and challenging part of qualifying as a chartered accountant (CA) in South Africa. **Gretha Steenkamp** used her research to determine how certain pre-admission student characteristics impact CTA performance at a South African residential university. Current CTA students were asked to complete a questionnaire requesting information pertaining to students' characteristics upon admittance into the CTA programme. Past performance in undergraduate studies showed the strongest correlation with CTA performance, and is thus a valid admission criterion. Characteristics that relate to reduced performance in CTA studies include inter alia not completing the undergraduate programme in the minimum amount of time, being an extrovert, underdeveloped literacy skills and focusing on the details rather than the big picture.

Lebogang Chiloane, Marinda Pretorius and **Ilse Botha** investigated the relationship between the exchange rate and the trade balance in South Africa. They tested for the existence of the J-curve effect and to show whether the Marshall-Lerner condition holds in the South African manufacturing sector. Using quarterly data from 1995 to 2010, the study uses the vector error correction modelling technique as well as impulse response functions to attain the research

objectives. The results show that a long-run equilibrium relationship exists between the manufacturing trade balance and the three explanatory variables: real effective exchange rate, real domestic and foreign income levels. Overall, the results show that a depreciation in the domestic currency results in a deterioration in the manufacturing trade balance in the short run, and that this is followed by an improvement in the long run. The study also found evidence of the existence of the J-curve in the South African manufacturing sector and the long-run dynamics suggested that the Marshall-Lerner condition holds.

Despite the fact that it has existed for over ten years, the Competition Act has had little impact in diluting the dominance of big business in the South African manufacturing sector. **Julia Kupka** and **Adele Thomas** sought to ascertain the extent of anti-competitive behaviour in two sub-sectors of the South African manufacturing sector and to determine whether the competition authorities should focus on supporting SMEs as competitors to big business. The findings indicated that SMEs in these two sub-sectors face unique difficulties in fighting anti-competitive behaviour, and that there is scope for the competition authorities to facilitate the participation of SMEs in the economy through the use of tools such as market inquiries, the Corporate Leniency Policy and structural remedies.

Several studies of the Capital Asset Pricing Model (CAPM) in South Africa have previously found that that beta cannot explain returns. These studies did however not consider the effect of bull and bear markets and yet, over the period 1995-2009, excess market returns were positive in only 98 of 180 months. **Ailie Charteris** examined the influence of market conditions on the risk-return relationship internationally by evaluating the conditional risk-return relationship where risk premiums are allowed to vary in bull and bear markets, and the dual-beta CAPM, which allows for the sensitivity of an asset to the market to vary under the two economic states. The ability of these two models to explain returns on South African shares is compared to the CAPM using the Fama and MacBeth and panel data approaches. The dual-beta model was found to be more successful than either the conditional relation or CAPM, as bull- and bear-market betas differ; but the estimates of the risk premiums in this model were significant only after adjusting for market segmentation. The findings thus indicated that asset-pricing models with time-varying risk should be the focus of future asset-pricing tests.

Hardus van Zyl wanted to determine the impact that employee diversity attributes have on labour productivity in the South African workplace. Given the perceived general low levels of labour productivity in the South African economy, this research aims to serve as a further contribution to the understanding of the labour productivity debate when a broad range of employee attributes at firm and individual levels are considered. A firm-based model was used for the estimation of the link between the employee group demographic characteristics and labour productivity, and an employee remuneration model was used to estimate the link between individual employee diversity demographics and labour productivity. The main conclusions of the estimation results were that a less age-diverse workforce, higher education/training levels, greater levels of gender diversity and a more racially diverse workforce are pre-requisites for higher real remuneration and labour productivity benefits.

The Seventies saw a significant increase in the volume of research on individuals' subjective experience of well-being. The subjective well-being of university students has received less attention, however. Student well-being is important, given the widespread concern over the high dropout rates at institutions of higher learning in South Africa. **Marinda Pretorius** and **Derrick Blaauw** add to the existing body of literature by exploring the overall subjective well-being of first-year economics students at a comprehensive university. Variables that displayed a

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significant and positive contribution to subjective well-being were first-year and extended-degree students, the university being the institution of choice, feeling at home, knowing exactly how the university functions, and watching or participating in sport. Variables that were found to be significant with a negative contribution to subjective well-being levels were worries about tests, studying less than 10 hours per week and, interestingly, living on campus.