EDITORIAL

Gideon Els
University of Johannesburg
gels@uj.ac.za

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As IFRS 6 allows junior exploration companies to develop their own accounting policies with regard to exploration and evaluation expenditure, it may result in inconsistent accounting practices among different companies. **Joline Sturdy** and **Christo Cronjé** thus identified various accounting treatments of exploration expenditure and developed recommendations for consistent application of accounting practices. Their study showed that, despite the time and resources expended by the International Accounting Standards Board (IASB) in the extractive activities project, nothing has changed in the last 40 years.

Ethical issues and standards of property professions are being scrutinised. To date, no research has been carried out on the ethical standards in the property valuation profession in South Africa. In their research **Brent Currin**, **Nompilo Msibi**, **Tsebang Chuene** & **Andre Kruger** compared the content of codes of ethics and professional conduct of the South African property valuation profession to international standards, and investigated the ethical standards and moral values held by registered valuers in South Africa. A self-administered survey, administered to professional and professional associate valuers, measured five constructs of unethical behaviour layered into a survey adapted from Hoyt, Wright and Croft (2002). No statistically significant differences were found between different demographic factors in the ethical beliefs of South African valuers. A literature review comparing South Africa's codes of conduct with those in the United States of America, Australia and New Zealand showed that the standards of ethics and professional practice in South Africa are not in line with international standards. South African valuers appear to be ethical and resist external pressures which could lead to unethical behaviour.

Dirk Visser and **Gary van Vuuren** assembled and tested a stress-testing model to evaluate liquidity and systemic risk in banks of developed and emerging economies. The Liquidity Stress Tester model (LST) was applied to Dutch and UK markets during crisis and non-crisis periods in previous research and now it was applied to South African banks. The flexibility and adaptability of the LST allows different banking systems and reactions of system participants to be evaluated comprehensively. Feedback effects arising from bank reactions to severely stressed haircuts and

increases in systemic risk caused by reputation degradation are considered, as is the effect of enhanced contagion from other banks.

The Constitution of South Africa imposes a burden on municipalities to engage in local economic development. Municipal local economic development practitioners are often in doubt regarding the various mechanisms available to them to implement local economic development. In his article, **Marius Venter** provides insight into the processes and issues surrounding the use of an external mechanism as a local economic development agency. The lessons learnt from the Overstrand Local Economic Development Agency are compared with findings of an international study of the Organisation for Economic Co-operation and Development on 16 local economic development agencies.

Much has been written in economic circles about the rising investment of the BRICS countries in Africa, yet there is scant literature on the determinants of FDI from these countries to Africa, and no studies have reported on that from India. In 2012, Indian FDI surpassed that of China, making India the largest developing country that is a direct investor in Africa. In their study **Henri Bezuidenhout**, **Susanna Cloete** and **Carike Claassen** focused on understanding the determinants of Indian FDI in Africa using structural equation modelling (SEM), which includes factor analysis and regression estimations. The specific determinants that influence the number of Indian FDI deals in Africa include government effectiveness, control of corruption, crude oil price, school enrolment and exports. The value of the investments is influenced by government effectiveness and rule of law.

Studies confirm that developing countries could be hardest hit by climate change given that they have to contend with extreme poverty levels and harsh geographic conditions and even Africa will not escape the adversity that climate change will engender. Climate change could impact negatively on water resources, land quality, forestation and ecosystems, which may threaten livelihoods and food security, making it foremost a development issue. Existent socio-economic conditions in developing countries place them at greater risk to climate change as these inequities are likely to be reinforced by climate change, thereby jeopardising their future economic development. **Pinky Lalthapersad-Pillay** and **Eric Udjo** investigated the implications of climate change for Africa's economic development. The results of the analysis showed that eleven African countries are high risk countries whose future economic development may be impeded by climate change.

The year 2013 marked the 21st anniversary of responsible investing (RI) in South Africa. During all this time no systematic analysis of the nature of RI strategies and criteria has been conducted. Utilising content analysis of the investment mandates of 73 RI funds. **Suzette Viviers** revealed that the majority of asset managers employ impact investing strategies which address social issues such as infrastructure development and economic empowerment. Semi-structured interviews with eight experts in the RI field also highlighted growing interest in impact investing and screening strategies. If RI in South Africa is to reach its full potential, then a broader range of investment strategies and criteria needs to be adopted.

Some prior studies have investigated using analyses of financial statements to reveal companies' financial health, but the usefulness of using such analyses to reveal the financial health of companies and possible presence of accounting irregularities in South African companies needed further investigation. **Elda du Toit** and **Frans Vermaak** examined whether users and compilers of financial statements believe that analysing financial statements can provide clear indications of companies' financial health. The study was conducted by means of a

structured questionnaire based on statements made by experts in the field of accounting and financial statement analysis. The results from 237 respondents show that the compilers and users of financial statements are convinced of the usefulness of financial statement analysis in evaluations of companies' financial health. This suggests that close scrutiny of a company's financial statements, with an attitude of scepticism, has the potential to reveal possible irregularities and raise red flags about unhealthy company practices.

Wilbrie Fourie, **Merwe Oberholzer** and **Pieter Buys** designed a case study where a number of management accounting evaluation techniques (e.g. performance measurement, capital investment evaluation and risk) were identified to compare the financial results of different scenarios between Boer goat, mutton breeds and beef cattle farming. The contribution of the study is that it simplifies the decision-making regarding the choice between the types of red meat farming used for different scenarios, namely farm size and available capital.

Trusts have long been associated with elaborate tax avoidance schemes, primarily as a result of their flow-through nature. The Minister of Finance has indicated that the government was proposing several legislative measures during 2013/2014 regarding trusts to control abuse. At this stage the proposals are vague and confusing, but it is intimated that the conduit pipe principle may be under review as the proposals state that trusts should no longer act as a flow-through vehicle, meaning that the amounts distributed to the beneficiaries will no longer retain their original identity. In their article, **Sophia Brink** and **Leonard Willemse** wanted to clarify the proposed changes to the taxation of trusts, to investigate the potential impact(s) of these proposals and to assess whether discretionary trusts still have a future in South Africa given these proposals. In order to meet this objective, a qualitative approach based on a literature study of pure theoretical aspects was used.

Section 9H and paragraph 40 of the Eighth Schedule of the Income Tax Act No. 58 of 1962 determines that a person is deemed to dispose of all of his assets at market value when that person ceases to be a South African resident or passes away, respectively. This deemed disposal is treated as a disposal event for capital gains tax purposes in terms of the Eighth Schedule of the Act. The question that arises is whether this deemed disposal event gives rise to a recoupment in terms of section 8(4)(a). **Carien Straus** and **Leonard Willemse** investigated the interaction between sections 8(4)(a), 9H and paragraph 40 of the Eighth Schedule in order to determine whether a section 8(4)(a) recoupment should be included, or not, in the taxpayer's gross income according to paragraph (n) of the gross income definition found in section 1 of the Act.

In her article, **Linda van Zyl** wanted to form an opinion on the sharpness of the 'sword' of the new mandatory understatement penalty regime of the Tax Administration Act 28 of 2011 (as amended). Based on a review of the new bona fide inadvertent error exclusion and the burden of proof, it was found that it is imperative that comprehensive guidelines be issued expediently in order to prevent inconsistent application by South African Revenue Service (SARS) officials as well as to clarify the alleged automatic penalty position. The conclusion reached is that this sword is very sharp indeed based on its mandatory nature, the effect of the application of the highest penalty percentage and the current lack of guidance from SARS, especially regarding the practical application of the new bona fide inadvertent error exclusion.

Adeleke Omolade and **Harold Ngalawa** examined the impact of oil revenue on the growth of the manufacturing sector in Africa's oil-exporting countries and focused on six major net oil-exporters in Africa. Both static and dynamic panel data techniques were used to explore the

effects of oil on the manufacturing sector of the countries between 1970 and 2010 and the findings showed that the African countries investigated do not exhibit significant country-specific effects, and the existence of Dutch disease is confirmed. The negative relationship between oil and manufacturing sector growth, which might be regarded as a symptom of the presence of Dutch disease, is significant in the panel dynamic model while it is not in the static model. The study also revealed that there is a dearth of capital formation in the countries' manufacturing sectors. It is further shown that the more capital-intensive the manufacturing sector is, the less the negative effect of the oil sector's dominance.