EDITORIAL

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Even though this issue of the ***Journal of Economic and Financial Sciences*** is numbered as the second issue of the fourth volume, this is actually the third issue this year after a special issue focussing on the field of competition economics was successfully published in August 2011. Another feather in this issue's cap is the fact that for the first time two articles in Afrikaans have been published. In line with the aim and the scope of the journal, various articles published have a very strong focus on an emerging market field.

In her paper, **Offiong Solomon** adapts a dynamic real business cycle model to examine the effect of fiscal policy on the relative size of the informal sector in Nigeria. The results of the model show the presence of an inverted U-shaped relationship between the tax rate and the size of the informal sector. The model finally shows that there is a proportional relationship between the agent's welfare and the size of the informal sector.

Hsin-Yu Liang and **Alan Reichert** focus in their article on alternative ways to measure financial sector development and the external factors that both directly and indirectly influence economic growth. They further suggest three major conclusions drawn from empirical results based upon panel data from 1985 to 2003 for a sample of emerging countries.

The unavailability of high frequency weekly or daily data compels most studies of price transmission in developing countries to use low frequency monthly data for their analyses. Analysing price dynamics, especially in agricultural markets, with monthly data may however yield imprecise price adjustment parameters and lead to wrong inferences on price dynamics. **Joseph Amikuzuno** investigates the relevance of data frequency in price transmission analysis by using a standard and a threshold vector error correction model to estimate and compare price adjustment parameters for high frequency semi-weekly data and low frequency monthly data obtained from five major fresh tomato markets in Ghana.

Abel Ezeoha examines the impact of profitability on the financial leverage of firms operating in an unstable macroeconomic environment such as Nigeria. Using fixed and dynamic panel models, he finds consistent evidence that the profitability of a firm significantly and negatively affects its short-term debt, but not its long-term debt capital and attributes this to the unstable nature of the Nigerian business environment and the relative inefficiency of its financial markets.

Lastly **Abel Sindano** and **Esau Kaakunga** investigate the causal relationship between financial development and economic growth in Namibia. In order to test for the existence of long-run relationships between the variables, their study employs a cointegration and vector error correction model (VECM) technique. The results show that there is a stable long-run relationship between financial development and economic growth. The results suggest that the real sector of the economy should be developed further in order to stimulate further development in the economy through policy interventions like industrial development for example.

Even though the IFRS for SMEs does provide some relief in respect of the financial reporting burden for non-public entities, there still seems to be a need for an even lower level of financial reporting. In recent years South Africa embarked upon the development of a financial reporting framework for non-public entities and various versions of this so-called micro GAAP have been issued. **Hentie van Wyk** and **Cobus Rossouw** highlight the South African accounting practitioners' views from different professional bodies on micro GAAP concluding that the majority of accounting practitioners believe that there is a definite need for a third tier of financial reporting in South Africa.

As higher education institutions are facing many challenges, sound management and governance are essential and this brings the governance model of HEIs more in line with business corporations. **Karen Barac, Ben Marx** and **Tankiso Moloi** provide an overview of the state of governance practices at higher education institutions in South Africa and an assessment of their corporate governance disclosures as reported in their annual reports. The study found that, although most of these institutions are providing disclosure on their corporate governance structures and practices in line with the recommendations of the Higher Education Act and King II, such disclosure is often lacking in detail and could be improved.

Very little country-specific information is available on the effects of the global financial crisis on developing countries. In her article, **Thea Voogt** focuses on the effects of the global financial crisis on the chief financial officers (CFOs) of the 40 largest listed companies on the JSE Ltd. She also provides perspectives on the effects of the global financial crisis on South Africa; details a literature review on the effects of the crisis on CFOs globally; and present a model of the roles and responsibilities of CFOs.

Until recently little research have been done to determine the expenditure and foreign revenue impact of international students on South Africa. **Naum Aloyo** and **Arnold Wentzel** conducted research at six South African universities that admit the largest number of international students and show that international students (mainly from Africa) contribute significantly to South African GDP and balance of payments, but that South Africa still lags behind in exploiting and enhancing these benefits.

A wholesaler of petroleum products is prohibited in terms of section 12(2)(c) of Regulation 287 of the Petroleum Products Act, No. 120 of 1977, to own a retail licence for purposes other than that of training. As a result, petroleum companies make use of franchises to sell their products. **Leonard Willemse** investigates the deductibility of franchise fees in terms of the current South African Income Tax Act and includes an evaluation of Australian Income Tax Act sections that might offer deduction possibilities for franchise fees if applied within a South African context.

The amounts set aside for the provision for employee-related contingent liabilities, such as the provision for leave pay, are often considerable. According to current Income Tax law, it is highly unlikely that the former employer will enjoy a tax deduction. Furthermore, it is also unlikely that the prospective employer will enjoy a tax deduction. In contrast to this, both the former and prospective employers are held liable according to the Labour Relations Act in cases where a business is sold as a going concern. In her article **Suzanne Kieviet** concludes that the Draft Taxation Laws Amendment Bill 2011, as envisioned, finally provides clear tax legislation, but still needs to be aligned with the objectives of the Labour Relations Act. In doing so, contradictory legislation will be avoided.