# EDITORIAL

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Shareholder activists play a key role in monitoring managerial behaviour. **Suzette Viviers** undertook the study given the paucity of research on the shareholder activism as practised by individual shareholders. Accordingly, the motives, modus operandi and sources of salience of Mr Theo Botha, a well-known shareholder activist in South Africa, were investigate. Shareholder activists who wish to become more salient (irrespective of their size) could learn from Botha's experiences over the past decade.

**Gerhardus van Zyl** and **Kagiso Matswalela** performed a comparative competitor benchmark analysis of the level of competitiveness of the South African clothing and textile industry (CAT industry). The article employed both Revealed Comparative Advantage (RCA) indices and fixed-effect panel data estimates in order to perform an analysis of the level of competitiveness of the South African CAT industry and included export data from 1990-2013 for 18 sample emerging markets. The RCA indices indicated that the South African CAT industry has comparative disadvantages in both the clothing and textile sectors. Asian CAT industries are inclined towards a more dominant comparative advantage when compared to other emerging markets in both the clothing and textile sectors. The indices indicated a large and widening gap between the levels of competitiveness of the South African CAT industry and the CAT industries of sample countries (especially India and China). The fixed-effect panel data estimates suggested that increasing unit labour costs and declining export shares can be viewed as major determinants of the increasing lack of competitiveness of the South African CAT industry.

**Martinette Kruger & Melville Saayman** wanted to determine festival attendees' Willingness To Pay to support an increase, or prevent a decline, in arts performances and exhibitions. It showed how much, if anything, they are willing to pay per month over and above their current taxes, and their reasons for being willing or unwilling to pay extra. Apart from Snowball (2005), no studies to date have examined Willingness To Pay to support the arts in a developing country like South Africa. This study of the Aardklop festival shows how Willingness To Pay for the arts appears to have changed in South Africa over the past decade and it appears that arts patrons are less willing to pay than a decade ago.

**Melville Saayman** conducted a survey during a National Arts Festival held in Potchefstroom, South Africa, where 400 questionnaires were distributed, of which 374 were used in the statistical analysis. Results confirmed that different types of tippers exist and that those who tip always are more affluent; the quality of the food as well as the quality of the service were identified as further determinants of tipping. This research determined the reasons why people dine out and how those reasons influence tipping. In addition, reasons why people tip or do not tip were identified. This is one of just four studies conducted on this topic in Africa and the first of its kind in South Africa.

The role of chartered accountants in commerce has radically changed over the last decade. Regrettably, tertiary accounting education has not been able to keep up with these changes, resulting in a gap between the skills taught by universities and the skills required by commerce. To reduce this gap, SAICA issued the Competency Framework in 2010 which requires, in addition to the technical knowledge that chartered accountants are best known for, pervasive skills that all chartered accountants should possess upon entering the profession. However, the integration of these pervasive skills with the technical core subjects taught to accountancy students is limited. **Anne-Marie Eloff** investigated whether one of the listed pervasive skills (namely competency in information and information technology) can successfully be integrated with a technical core subject (namely financial accounting) in such a way that the technical knowledge of the student is improved due to the integration. A Microsoft Excel consolidation model was created and presented to students to complete. Formal assessments and a questionnaire were used to determine whether the completion of the Microsoft Excel consolidation model, affected students' performance. The results showed that the completion of the consolidation model improved students' understanding of financial accounting.

The use of active learning tools such as simulations in accounting education are increasingly stressed by accounting educationalists locally and abroad. **Rikus de Villliers** used this study to highlight the benefits of using simulations and how their challenges can be mitigated. The objective was to obtain students' views on the use of simulations in the field of auditing. A qualitative approach in collecting the data was followed, including focus group discussions with third-year audit students at a SAICA-accredited South African university. The results form part of a bigger project involving the development of a simulation instrument for purposes of audit education. The qualitative results showed that the use of simulations in specifically audit education is invaluable to the learning process. The recommendations made on the basis of the content analysis also hold value for lecturers in the wider accounting pedagogy.

**Marise Vermeulen** investigated the relationship between share returns and nine variables that had been proven to influence returns in previous research, using a multiple regression analysis. The impact of some of the variables on share returns proved to be insignificant, and some collinearity was identified between some of the variables. However, three significant variables were identified and the final regression model included the book-to-market ratio, dividend payout and leverage as the explanatory variables.

The savings rate among South Africans is too low and increasing the savings rate is critical for the financial wellbeing of citizens and for the country. Many South Africans do not make use of formal savings products, including unit trusts. **Chantal Rootman** and **Janine Krüger** investigated consumers' perceptions of unit trusts by identifying the factors which influence consumers' intention to use unit trusts as an investment vehicle. A quantitative study was employed and for the empirical investigation a convenience sample of 509 respondents completed a self-administered, structured questionnaire. The data was quantitatively analysed and the main results showed that the accessibility and benefits of unit trusts are the most important factors influencing consumers' Intention to use unit trusts. The strategies explained in this study may assist financial service providers in encouraging consumers to use unit trusts as an investment vehicle.

**Sanderson Abel** and **Pierre le Roux** assessed the level of competition in Zimbabwe's banking sector using the Panzar-Rosse H-statistic. The H-Statistic was assessed using the total revenues regression equation and applying the panel least square regression model with fixed effects. The results confirmed the presence of a monopolistic competition. On an annual basis, the results showed that the Zimbabwean banking sector is evolving towards perfect competition. There is need for the government to desist from tampering with market forces as this reduces the amount of competition. This study is an important contribution as there are limited studies on the competition of the banking sector in dollarized economies. Dollarized economies are peculiar in that their characteristics differ from non-dollarized economies.

The decline in the world economy that followed the 2008-2009 global economic crisis had detrimental effects on most economies. Not enough attention has been paid to the process through which crisis-related pressures affected regional economies and sub-national governments. **Helene Maisonnave, Jugal Mahabir, Margaret Chitiga** and **Ramos Mabugu** developed a regional computable general equilibrium model to analyse impacts of the crisis on the regional economy of the Free State province in South Africa. Key results included a general fall in prices in the province, a fall in demand in sectors that are more vulnerable to global conditions, falling wages and declining incomes for agents and provincial government

Debt reduction in business is recognised for the economic relief afforded to the debtor involved. The new debt reduction regime was introduced in the Income Tax Act (section 19 and paragraph 12A of the Eighth Schedule) with the aim of minimising the tax impact so as not to negate the economic benefit. The new regime introduced an exclusion for debt reduced by way of a donation and uncertainty exists on instances where this exclusion would apply. In his article **Rudie Nel** and **Andrea Herron** considered four broad categories of factors indicative in the classification of a debt reduction as a donation and concluded with the formulation of such factors. The classification as connected persons is regarded as the most indicative of a debt reduction being classified as a donation, which could result in tax arbitrage if the creditor and debtor are taxed at different rates on the taxable income result of the debt reduction.

The location-independent nature of cloud-based transactions results in many source-related difficulties for normal tax purposes. In their study **Rudie Nel** and **Shene Steenkamp** considered the source determination for each of the possible classifications of cloud-based income (lease, service and royalty income, and/or income from know-how) by performing a doctrinal study based on South African and international literature. This study identified and formulated the challenges in applying traditional source tests in the context of cloud-based transactions. These challenges stem from the potential absence of physical presence of the provider in the country of consumption, in contrast to traditional source tests where physical presence indicate a tax presence; as well as the location-independent nature of cloud-based transactions from the perspective of both the provider and the consumer. The findings of the study suggested that the source determination for cloud-based transactions could be based on the source of the payment or residency of the payer, rather than the physical location.

The way a firm manages its working capital can have a decisive influence on the firm's profitability and liquidity. In view of the prominent role that the retail industry plays in the South African economy, **Elmarie Louw, John Hall** and **Leon Brümmer** investigated the effect of working capital management on the profitability of South African retail firms. Eighteen retail firms that were listed on the Johannesburg Securities Exchange for a period of nine years (2004-2012) were analysed. The findings showed that a strategy of reducing investment in inventory and trade receivables, while increasing trade payables, appears to improve the profitability of South African retail firms. Inventory management seems to have the strongest statistically significant impact on a firm's profitability.

Section 164(3) of the Tax Administration Act No. 28 of 2011 gives a senior SARS official the discretion to suspend the payment of disputed tax or a portion thereof, having regard to relevant factors. Limited guidance is available in this regard. **Linda van Zyl** and **Danielle van Wyk** wanted to establish the concerns and uncertainties regarding the relevant factors and to determine whether a 'suspension of the payment of disputed tax' in terms of section 164(3) constitutes the granting of 'credit' in terms of a 'credit agreement' in terms of the National Credit Act, Act No. 34 of 2005. This is achieved by adopting an explanatory research approach and performing a literature review and comparative analysis respectively. The conclusion is reached that the current factors listed are not necessarily the most relevant ones. Recommendations are made to simplify the process and to revise and improve the wording regarding the relevant factors.

Beta and the capital asset pricing model have traditionally been the preferred measures of risk. However, there is growing literature against the use of the capital asset pricing model to determine the cost of equity in emerging markets where investors display mean-semi variance behaviour and, where share returns are non-normal and asymmetric. Downside risk measures such as semi deviation, downside beta and the downside capital asset pricing model have been found to be plausible alternate measures of risk. **Kwasi Okyere-Boakye** and **Brandon O'Malley** empirically investigated the relationship between risk and return in a downside risk framework and a regular risk framework using returns on companies listed on the JSE Securities Exchange. The empirical evidence from this study indicated that while downside beta and semi deviation significantly explain the variation in returns, they do not support them as being more appropriate measures of risk over beta and standard deviation.

Internal auditing has been called upon to enhance its value proposition for organisations and one way of doing this is to demonstrate its effectiveness. By using the responses of participants from the BRICS countries on the 2010 global Common Body of Knowledge survey of the Institute of Internal Auditors in conjunction with the elements of the Internal Audit Capability Model, **Karin Barac, Philna Coetzee** and **Marianne van Staden** examined the convergence towards internal audit effectiveness by the BRICS countries. The study used a neo-institutional perspective to demonstrate how internal auditing in the BRICS countries has responded to coercive, normative and mimetic pressures to demonstrate effectiveness. The study showed that coercive pressures for internal auditing exist in all the BRICS countries, but owing to the voluntary internal audit structure in Russia, such pressure appears to be lower in that country. Using professionalism to demonstrate normative pressures, the emphasis on internal audit in the King III report of South Africa was evident. The results of this study seemed to indicate that South Africa has responded more to mimetic pressures in relation to people management, professional practices and organisational relationships than other BRICS countries.