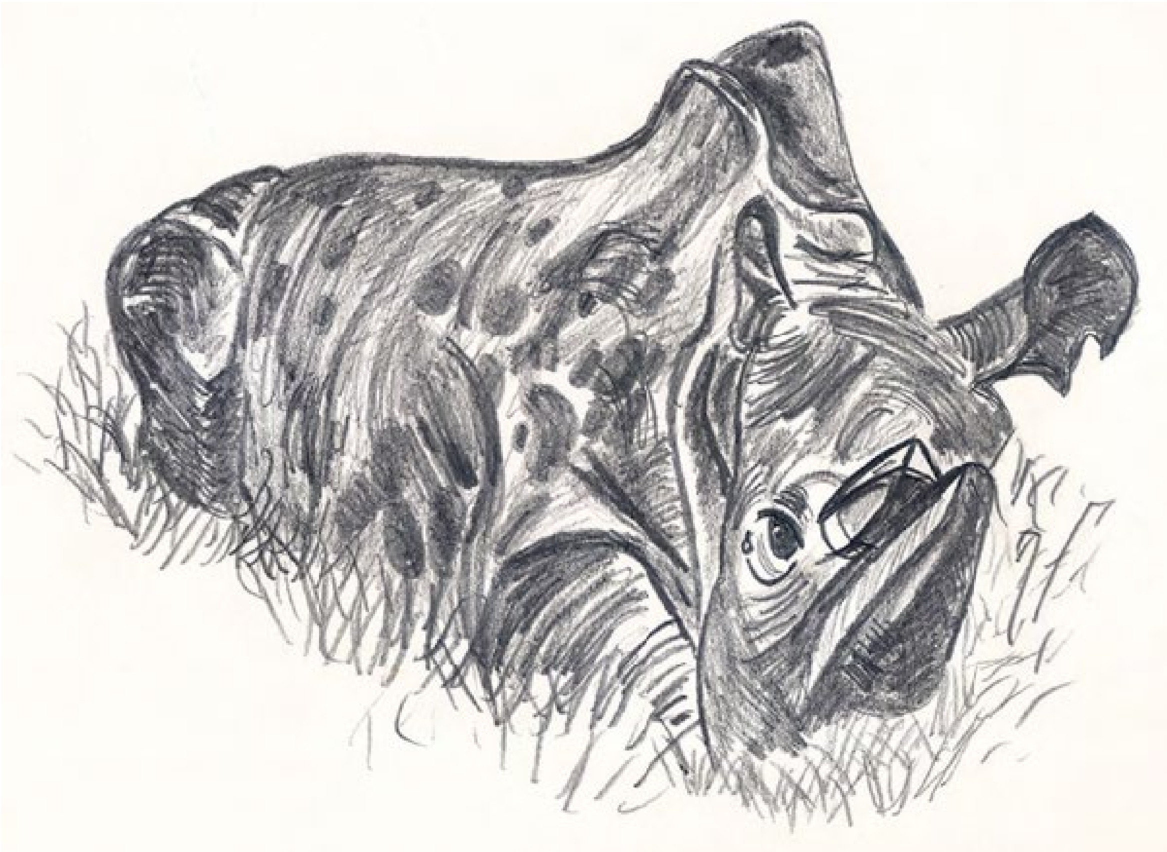
Centre for Critical Accounting and Auditing Research
Accounting Perspectives in Southern Africa Conference

Towards emancipatory accounting logic?



Conference Proceedings
Monday 15 July 2019
University of the Witwatersrand, Johannesburg

Programme			
Time Slot	**Details**	**Topic**	**Presenter**
10:00 - 10:15	Introduction	Introduction	Gary Marques
10:15 - 10:30	Head of School	Welcome	Nirupa Padia
10:30 - 10:50	1st Guest Speaker	Double Entry Accounting System for Biodiversity Impact Disclosure	Joel Hudert
Tea and coffee 10h50-11h00			
11:00 - 11:20	Conference Presentation	Can mandatory integrated reporting affect the value relevance of nonfinancial information? the case of the Johannesburg Securities Exchange	Frederica Doni
11:20 - 11:40	Conference Presentation	Audit quality and auditor independence in South Africa: An analysis of key perspectives surrounding the potential efficacy and necessity of audit firm rotation regulations	Michael Harber
11:40 - 12:00	Conference Presentation	The changing emphasis in corporate reporting: The emphasis of financial information in Integrated Reporting in South Africa	Wayne van Zijl
12:00 - 12:30	2nd Guest Speaker	Accounts of ecological succession - exploring the remains of the south Wales iron industry as traumascape and palkmpsest	Jill Atkins
Lunch 12h30-13h40			
13:40 - 14:00	Conference Presentation	Integrated Reporting, corporate governance practices, social sustainability policies and environmental disclosure. The case of South Africa	Frederica Doni
14:00 - 14:20	Conference Presentation	Mixed Methods Ideal for Emerging Economy Accounting Researchers	Phillip De Jager
14:20- 14:40	Conference Presentation	Has South Africa adequately addressed the income tax consequences of cryptocurrency transactions?	Shaun Parsons
Tea and Coffee 14h40-15h00			

Programme (continued)			
Time Slot	**Details**	**Topic**	**Presenter**
15:00 - 15:20	Conference Presentation	The recognition of goodwill and other intangible assets in business combinations - The South African Case	Gary Marques
15:20 - 15:40	Conference Presentation	Circular economies disclosures by South African mining companies	Marianne Kok
15:40 - 16:00	Conference Presentation	Trade-offs, compromises and disagreement: The audit regulator's attempt to balance priorities in South Africa	Michael Harber
16:00 – 16:20	Conference Presentation	Integrated thinking and its effect on integrated reporting	Shelly Hubert
16:20 - 16:40	3rd Guest Speaker	Emancipatory potential of extinction reporting in the public sector: an analysis of trends in SANParks	Michael Buchling
16:40 - 17:00	Closing Address	Closing Address	Jill Atkins

Abstracts

1: Integrated thinking and its effect on integrated reporting

Shelly Herbert
University of Cape Town

The purpose of this study is to better understand the relationship between the extent of integrated thinking and the quality of integrated reporting. In particular, it examines whether or not those companies where there is a greater extent of integrated thinking, evidenced by the number of capitals monitored for performance purposes, produce better quality integrated reports. The study found that there is a positive relationship between the number of capitals monitored, representative of the extent of integrated thinking, and the quality of the integrated report. The benefits of integrated thinking, as evidenced by the use of KPIs covering a broad number of capitals, are therefore being seen in the enhanced quality of the integrated report produced.

2: Integrated Reporting, corporate governance practices, social sustainability policies and environmental disclosure. The case of South Africa

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The principles of "good governance" issued by King III and then by King IV that was launched in November 2015 – can be also evaluated in the view of an innovative model of corporate reporting, i.e. Integrated Reporting (IIRC, 2013; Eccles and Krzus, 2009; 2014; Busco et al., 2013) that became a mandatory requirement for the South African listed companies since 2010 (Haji and Hossain, 2016). Recently the International Integrated Reporting Council (IIRC, November 2014) pointed out a strong link between the process of integrated thinking/reporting and corporate governance, as it is confirmed by the conference organized by the IIRC in partnership with the International Corporate Governance Network (ICGN) (London, December 2016, http://integratedreporting.org/iirclondondec2016/). In this view, the ICGN revised Global Governance Principles including the recommendation that boards should produce integrated reports. There is also growing evidence of benefits boards can obtain from the adoption of Integrated Reporting.

In light of these premises, the present empirical research is focused on a sample of large-size companies listed on the Johannesburg Stock Exchange (JSE), in order to evaluate if the adoption of King III can stimulate both some corporate governance practices and some firm social sustainability policies, with the aim to positively effect on the environmental disclosure, as a consequence of the mandatory preparation of Integrated Reporting (IR). We analysed a period from 2010 (the first time adoption of Integrated Reporting in South Africa) to 2015 (the early year of the release process of the King III). We gained several fields about some features of the corporate governance model (i.e. business ethics policy, CEO duality etc.) and about some firm social sustainability issues (i.e. health safety policy, human rights policy etc.) by Bloomberg database (Bloomberg, 2015). The expected findings may show an intriguing relationship between the firm environmental disclosure, as a result of the preparation of IR, and some determinants closely tied to the corporate governance practices and to the compliance with some social sustainability issues. The rationale of such relationship resides in the alignment to the King III (see figure 1).

That said, the mandatory adoption of King III therefore may represent an important turning point not only in terms of a new corporate reporting model, such as the IR, but also as a "driver" for potential improvements in firm environmental disclosure, thanks to the acknowledgment of some corporate governance practices and to the implementation of specific corporate social sustainability policies meant to promote the health safety and the safeguard of human rights.

3: Can mandatory integrated reporting affect the value relevance of nonfinancial information? The case of the Johannesburg stock exchange

Federica Doni[a]; Andrea Gasperini[b]; Murad Harashesh[c] and Andrea Amaduzzi[d]
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[b] Association of Italian Financial Analysts (AIAF)

This research aims to investigate the field of nonfinancial information analysing a new model of corporate reporting, i.e. Integrated Reporting. Assessing the convergence of three different frameworks, i.e. GRI Framework, IIRC International <IR> Framework and the South African corporate governance code, King III, this study examines whether the adoption of Integrated Reporting by listed South African companies could enhance the disclosure of nonfinancial information. More specifically, we performs a value relevance study on nonfinancial information in order to understand the usefulness of the adoption of Integrated Reporting for investors. Our empirical analysis uses a sample of 131 listed companies on the Johannesburg Stock Exchange to test the association of a nonfinancial disclosure index with firm's market value (i.e. market value of equity to book value of equity). We find that the adoption of Integrated Reporting, as a mandatory listing requirement for the Johannesburg Stock Exchange, is able to exert a positive influence on the disclosure of nonfinancial information. On the other side, using the linear regression of the Ohlson's model we do not find a significant association between firm's market value and nonfinancial information disclosure index. This result seems to confirm that regulations can obstacle innovatory corporate disclosure approaches. Although South Africa is a pioneer country in adopting an innovative reporting model, the negative reaction of financial market does not support this new listing requirement. These findings can provide relevant implications for policy regulators, practitioners and investors.

4: An investigation into quality and independence concerns in the South African audit industry

Michael Harber [a] and Ben Marx [b]
[a] University of Cape Town
[b] University of Johannesburg

Audit quality in South Africa is perceived by the audit regulator to be deteriorating, with the primary cause being a compromise of auditor independence, mostly as a result of excessively long audit firm tenures. The regulator has responded with mandating audit firm rotation (MAFR). The purpose of this research is to employ field surveys to collect the views of experienced audit committee chairs, chief financial officers and auditors of JSE-listed companies on the necessity for, and potential efficacy of, this regulation. An additional focus of the paper is to explore potential unintended outcomes, as well as identify preferred alternatives and provide recommendations and practical solutions to negative effects. Findings show that auditors, CFOs and AC chairs are strongly opposed to MAFR in South Africa on a cost-benefit analysis. Respondents do not believe that audit quality and independence has deteriorated and feel that existing measures to safeguard auditor independence are sufficient. In addition, the loss of knowledge and experience of the clients that will result from firm rotation, together with other unintended consequences such as unmanageable cost increases, provide further reasons not to implement MAFR. Findings also indicate that MAFR will not contribute towards decreasing the dominance of the market by the 'Big 4' firms. Practical recommendations are suggested based on the findings.

5: Trade-offs, compromises and disagreement: The audit regulator's attempt to balance priorities in South Africa

Michael Harber, University of Cape Town

Mandatory audit firm rotation is causing considerable debate globally, motivated by increasing concerns over the quality of audit opinions in capital markets. Currently, most countries have decided against adopting firm rotation regulations, despite the 2014 European Union ruling in its favour. The debate is often controversial and politically motivated, with the larger audit firms able to exert significant influence on the outcome. This paper describes the controversial debate in South Africa leading up to the 2017 adoption ruling, including the influence of the nationally recognized priority to racially transform the private sector following apartheid. There is push-back against the regulation from many stakeholders in the industry, with claims that forced firm rotation would counter-intentionally impair audit quality, further concentrate the dominance of the 'Big 4' and reduce the ability of firms to pursue their own transformation objectives. The paper illustrates the need for further research.

6: The changing emphasis in corporate reporting: The emphasis of financial information in Integrated Reporting in South Africa

Yash Shah and Wayne van Zijl
University of the Witwatersrand

Integrated reporting is fast becoming the dominant corporate reporting tool in South Africa. In light of this trend, this paper seeks to assess the extent and form of annual financial information included in integrated reports of the top 81 companies listed on the Johannesburg Stock Exchange (JSE) over the years 2015-2017.

This paper found that in 2015 49% of companies simply included their full annual financial statements, thereby significantly increasing the report's length and detracting from a concise and understandable report. This did improve, with 54% of companies in 2017 presenting summarised financial information.

The industry does not appear to be a strong determinant of the extent and form of reporting. However, the statements of comprehensive income and financial position appear to be most important as these are often included in the most detail.

7: The recognition of goodwill and other intangible assets in business combinations - The South African Case

Kekeletso Joseph Modise, Dannielle Cerbone, Warren Maroun and Gary Marques
University of the Witwatersrand

Since the repeal of International Accounting Standard 22: Business Combinations (IAS 22) and the introduction of International Financial Reporting Standard 3: Business combinations (IFRS 3) by the International Accounting Standards Board (IASB), there have been significant changes in the recognition of intangible assets. The value of goodwill that arises in business combinations that are entered into by South African companies listed on the Johannesburg Securities Exchange (JSE) is evaluated by this study. The compliance of these companies with the main disclosures required by IFRS 3 is also considered. An empirical archival approach is used in gathering information from the annual reports of the sample companies. This study analyses 76 business combinations and illustrates that the value of intangible assets and goodwill continues to be material when recognised. Additionally, preparers of the companies sampled are found to not be in compliance with the disclosure requirements of IFRS 3. This study provides empirical evidence in South Africa as to the trend in the JSE companies regarding the recognition of goodwill and other intangible assets.

8: Mixed methods are a necessity for emerging economy accounting research

Phillip De Jager and Michael Harber.
University of Cape Town

Purpose: The purpose of this paper is to add our voice to the debate on the 'correct' research paradigm to use for accounting research. Accounting researchers frequently disagree on whether the dominant positivist (quantitative) paradigm is really superior to the also popular alternative interpretive (qualitative) paradigm. We do not argue for a preference but rather that the pragmatic middle way of mixed method research has much potential given that quantitative and qualitative methods can complement each other and allow for more robust analysis. In doing so, we wish to encourage (especially emerging economy) accounting researchers to also consider using mixed methods as their context favours the approach.

Design/methodology/ approach: Our paper is in the form of a literature review. We draw on a variety of literature from both social sciences and accounting to illustrate the advantages and nuances of mixed methods research. We then illustrate the four major mixed method designs with examples from emerging economies.

Findings: We find that the mixed method approach is infrequently used by emerging economy accounting researchers and thus that our identification and illustration of the four major mixed method designs should be of use to encourage increased mixed method research.

Contribution/Value: There is sparse literature encouraging the use of mixed methods in emerging economy accounting research.

9: Has South Africa adequately addressed the income tax consequences of cryptocurrency transactions? Consideration of the April 2018 SARS media statement and 2019 amendments to the Income Tax Act

Shaun Parsons, Zanele Musekiwa and Taryn Adams
University of Cape Town

In April 2018 the South African Revenue Service (SARS) released an official media statement giving its interpretation of the taxation of cryptocurrency. This was the first time South African taxpayers had received anything approaching guidance from SARS on the income tax consequences of cryptocurrency transactions. Isolated amendments pertaining to cryptocurrency in the Taxation Laws Amendment Act of 2019 represented the first specific references to cryptocurrency in South African tax legislation.

This study explores the nature of transactions specific to the largest five cryptocurrencies by market capitalisation in order to determine whether they are appropriately catered for within the existing South African income tax legislation and the extent to which the income tax consequences thereof are adequately addressed within the guidance provided in the SARS media statement of 2018.

This study finds that, while the income tax consequences of cryptocurrency mining are adequately addressed in the SARS media statement, the consequences of a number of transactions specific to other cryptocurrencies are potentially complex in nature and were not addressed in the statement. The study recommends that such transactions be addressed within an Interpretation Note on the income tax consequences of cryptocurrency.

This study recommends further that consideration should be given to the expansion of the scope of section 8C of the Income Tax Act to achieve equality between restricted equity instruments and restricted cryptocurrency.

10: Circular economies disclosures by South African mining companies

Jerome Thulsie and Marianne Kok
University of the Witwatersrand

The past few years have seen a significant increase in environmental related issues, the main ones being water shortages and climate change. Furthermore, in the mining sector, there have also been multiple incidents relating to wastes produced, oil spills and an increase in greenhouse gas emissions. This has led to significant regulations and pressures on mining companies to disclose their environmental impact. This paper explores whether businesses incorporate or provide disclosures that evidence a circular economy logic. It establishes a normative framework of how businesses could incorporate the circular economy approach as a strategic objective and provides a disclosure checklist to assess whether current company disclosures are reflective of a circular economy logic.

11: Evaluating business model disclosures in the integrated report

Thomas Gutmeyer and Dan Cerbone
University of the Witwatersrand

Purpose – This paper assesses the extent to which integrated thinking has been applied in the construction of business models by exploring business model disclosures in the integrated reports of a sample of companies listed on the JSE for their 2016 financial years.

Methodology – This paper uses a content analysis to identify disclosure themes in the integrated reports.

Findings – The correlations between disclosure themes evidence the absence of integrated thinking in the construction of business models.

Research limitations – Since the sample consists of only listed companies, it may not be possible to generalize the results to non-listed companies. Furthermore, the absence of a framework governing business model disclosures may negate the comparability amongst integrated reports.

Originality/Value – This paper adds to the limited body of knowledge on integrated reporting and integrated thinking. It also sheds light on how one of the key principles of King IV is being interpreted and applied in a South African context, which is a relatively new area of study.

12: Exploring the role external audit regulation in Namibia plays in ensuring the quality of financial statement audits in the country

Miriam Dikuua
National University of Sciences and Technology

This study explores the role external audit regulation in Namibia plays in ensuring the quality of financial statement audits in the country. Research relating to the Namibian audit profession is limited. This study is relevant and important because it aims to shed light on whether or not the current external regulatory measures are sufficient to enhance audit quality in Namibia. The researcher aims to measure whether a correspondence exists between external regulation and audit quality. Regulators and audit practitioners are the key beneficiaries of this research. Regulators will find the research relevant because it deals with how the current regulation affects audit quality and whether or not this regulation is adequate. Audit practitioners may gain a better understanding of how external regulation is aimed at enhancing audit quality instead of merely being the perceived 'tick-the-box' exercise

13: The 2018 Conceptual Framework: An investigation of evidence of neoliberalism and stewardship in submitted comment letters

Janey van Wyk
National University of Sciences and Technology

This paper investigates the level of propensity towards a neoliberal or stewardship paradigm that may be prevalent in the comment letters addressing the 2018 Conceptual Framework Revision project. Previous research explored the two paradigms namely the neoliberalism and stewardship paradigms evident in accounting and the impact of isomorphism on the views users of financial statement take. This study will seek to provide an indication of the level of consensus between the key stakeholders identified in the implicit paradigm in the Conceptual Framework and the resulting expectation of its perceived legitimacy in financial reporting around the world, which has not yet been addressed in previous research. This paper also seeks to understand whether the stakeholders of financial statements are more inclined toward the either paradigm irrespective to which jurisdiction they may belong to. This research adopts a cost-effective methodology by utilising existing data available in the comment letters as the source of data for this study. The key objective is to understand what direction the interested stakeholders recommend the Conceptual Framework should take, as the Conceptual Framework has a direct impact on the formulation of existing and future accounting standards.

14: Does independent director quality matter for large banks?

Sabur Mollah, Asma Mobarek and Eva Liljeblom
University of Sheffield, Cardiff University and Hanken School of Economics

The working paper provides a review of the benefits of board monitoring activities. The prior research consistently reports contradictory results concerning the relationship between board independence, bank risk-taking and performance. This research adds to this body of literature by offering additional empirical evidence on the relevance of board monitoring in the UK. The study finds that there is no relationship between independent directors, risk taking and firm performance in general while the relationship is U-shaped for banks.

Number of Papers per University	
Name	Count
University of Cape Town	5
University of the Witwatersrand	4
National University of Sciences and Technology	2
University of Milano-Bicocca	2
Cardiff University	1
Hanken School of Economics	1
University of Foggia	1
University of Johannesburg	1
University of Pisa	1
Sheffield University	1
University of Sheffield	1