

P A R T   I I I

ACCOUNTANCY AND ACCOUNTANCY EDUCATION

IN SOUTH AFRICA



CHAPTER 9

ACCOUNTANCY IN SOUTH AFRICA :

A HISTORICAL REVIEW AND THE STRUCTURE OF  
THE CONTROLLING BODIES OF THE PROFESSION

9.1 A Brief Historical Review<sup>1)</sup>

The first reference to auditors in South Africa appears to be with the appointment of an auditor-general under the Governorship of Lord Macartney towards the end of the eighteenth century. This regime was followed by a Dutch Government and J.A. de Mist was expected to report on the government of the Cape of Good Hope and this report refers to "*Administration of Finance*" and contains a statement, which states:

*"That books be kept in two sections, 'Receipts' and 'Expenditure', each under a separate heading, and at the end be summarised and 'closed' or 'balanced' so that it will be possible to see at a glance what the profit or loss for the year amounted to.  
... That in future the book-year should begin on January 1st and end on December 31st of each year, as is the custom in most offices."*<sup>2)</sup>

Noyce then indicates that the Receiver General of public funds was

*"required 'to balance all his receipts with his expenditure by means of accounts and vouchers filed in ONE book', because 'simplicity is a virtue, especially in financial matters'"*<sup>3)</sup>

Needless to say, accounting for financial affairs of the complex conglomerates would have been regarded as a vice by J.A. de Mist.

Criticism of auditors was also in vogue during the nineteenth century and the *Natal Times* in 1852 refers to an address by an auditor and states that a speech did not give:

*"... indications of practical business knowledge and habits as would, of themselves, induce a cautious speculator to fill up the blank in the form of application for shares."*<sup>4)</sup>

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1) This review is based mainly on an article by G.E. Noyce. "The History of the Profession in South Africa", *The South African Accountant*, March 1954, pp.3/12.

2) *Ibid.*, p.3.

3) *Loc. Cit.*

4) *Ibid.*, p.4.

The discovery of diamonds in 1886 led to large financial deals, amalgamations, flotations and the formation of limited liability companies. The discovery of gold also resulted in a boom on the Witwatersrand and the services of the accountant and auditor were required for the protection of the public. Noyce refers to a situation where a company issued shares to former shareholders, who discovered that they had sold more shares than they possessed and they adopted the

*"expedient of increasing the capital and issuing further shares for the adjoining property of doubtful value, acquired by the company from themselves." 5)*

The formation of an accounting profession in South Africa has been greatly influenced by developments in the United Kingdom. In 1854 a Royal Charter was granted to the Edinburgh Society, followed by charters to the Glasgow Society and the Aberdeen Society in 1855 and 1857 respectively. The Institute of Chartered Accountants in England and Wales was established in 1880, with the Society of Incorporated Accountants and Auditors being established in 1885. Other accounting bodies to be formed were the Corporation of Accountants Limited and The London Association of Certified Accountants Limited. All the aforementioned bodies were to become interested in the profession in South Africa.

During the mid-nineteenth century the auditor was recognised, but did not have any specialised training and generally occupied this position because of his standing in the community. The sixties and seventies of the nineteenth century saw the enactment of legislation referring to limited joint stock companies and the year 1892 saw the enactment of a Companies Act in which the auditor was to receive statutory recognition.

The year 1894 is an important date in the history of the profession in South Africa, as the first organised controlling body of accountants in South Africa was formed and established in the Transvaal under the name of the Institute of Accountants

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5) *Loc. Cit.*

and Auditors in the South African Republic. In 1895 the Society of Incorporated Accountants and Auditors of England established a branch in South Africa with its own local committee to look after the interests of its members. In the same year the Institute of Accountants in Natal, was formed. This caused some controversy as the institute did not provide for members from Maritzburg. It appears that the first examinations of the Institute of Accountants in Natal were set in 1899. The examination for admission as a Fellow comprised ten subjects involving separate papers, whereas to qualify as an Associate eight subjects had to be passed. The Natal Institute succeeded in 1905 in having legislation enacted which provided for auditors for the Boroughs of Pietermaritzburg and Durban. This position could be held by members of its Institute only, or of the Institute of Chartered Accountants or the Society of Incorporated Accountants. This step led to the formation of the profession in Natal and during 1909, the Natal Society of Accountants was established under a Natal Act. This act provided for the registration of accountants, and practice was restricted to those entitled to the designation "Registered Public Accountant (Natal)".<sup>6)</sup>

The year 1899 saw the approval of a Charter of Incorporation for the Institute of Accountants and Auditors in the South African Republic by the Transvaal Volksraad. The outbreak of the 1899 - 1902 war stopped further developments until the Society of Incorporated Accountants and Auditors formed a branch in the Transvaal. Noyce states that this body, together with members of The Institute of Chartered Accountants, was responsible for introducing traditions of best accounting practice to South Africa. Another body, known as the Institute of Chartered Accountants in South Africa, was formed by Scottish and English Chartered Accountants.

The Transvaal Society of Accountants was born in 1904, when the members of the overseas bodies of the Incorporated and Chartered Societies sponsored legislation which resulted

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6) *Ibid.*, p.6.

in the passing of Ordinance No. 3. (Private) of 1904.<sup>7)</sup>  
 A Provisional Council had the unenviable task of determining which members of established bodies would be entitled to registration. Prospective entrants had to be in bona fide practice as public accountants, and were admitted by virtue of their office and experience. This registration resulted in 593 members being placed on the register. The first examinations of the Transvaal Society of Accountants were set during 1905 and in the intermediate and final examinations five out of nine entrants passed each examination.

In 1907 the Cape Colony followed the example set by the Transvaal and Natal and the Society of Accountants in the Cape Colony was formed under the Companies Act of the Colony.<sup>8)</sup> One hundred and eleven members registered initially and the name of the society was changed in 1921 to "The Cape Society of Accountants and Auditors". The name has subsequently been changed to the Cape Society of Chartered Accountants. A voluntary body was created in the Orange Free State when a memorandum of association was signed by seven accountants. The first meeting was held during January 1908 and endorsed the action of the Cape Society by adopting the designation "Registered Accountant O.R.C."

It is interesting to observe that the societies were established in different ways. The Transvaal Society and the Natal Society were established by acts of parliament; the Cape Society was established as a company not for gain; the Orange Free State Society was established as a voluntary association.

After the formation of the Union of South Africa various attempts were made to secure uniform legislation. During the period 1911 to 1913 various conferences were held among the four recognised bodies of accountants, and an attempt to introduce a Union Accountants Registration Board was rejected by a select committee, because the preamble

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7) *Loc. Cit.*

8) *Loc. Cit.*

had not proved to be satisfactory and a majority of the committee did not approve of the compulsory principle. At the time of Union, Natal and Transvaal restricted admittance but in the Cape and Orange Free State there was no such restriction.

With reference to a unified profession Noyce states:

*"The Societies had, however, continued, since Union, to work towards the goal of unification of the profession in South Africa."* <sup>9)</sup>

It has been a long battle, as the year 1976 has not yet seen the formation of a truly unified profession. One of the first steps in this regard was undertaken by the Transvaal and Natal Societies in 1919 when they decided to co-operate in regard to examinations, which were identical except for company law. It is further interesting to observe that during 1919 for the first time women were allowed to become members of the Natal Society. Hopes of a uniform profession were brought one step closer in 1921 by the formation of the South African Accountants Societies General Examining Board, which was established by the four provincial societies. The Rhodesian Society of Accountants was included in this organisation and provision was made for uniform conditions of admission, examinations and regulations for service under articles. Further attempts at passing legislation to recognise a unified profession were made during 1923 and 1926 but failed because of objections made by bodies and individuals outside the provincial societies.

The designation, Chartered Accountant (S.A.), was given during 1927 when the Chartered Accountants Designation (Private) Act was passed, allowing members of the societies the use of the designation. The preamble to the Act reads:

*"... by the combined efforts of the said four Societies, a large body of highly qualified persons has been created throughout the Union, possessing a status warranting the conferring upon individual members of the said Societies of a statutory designation."* <sup>10)</sup>

9) *Ibid.*, p.7.

10) *Loc. Cit.*

At the time it was pointed out that certain hardships would arise, and that certain members who had practised public accountancy would be discriminated against because they were not members of one of the societies. In terms of a so called "Pearce Agreement" persons were allowed to appeal to a Special Appeal Board under the chairmanship of a Supreme Court Judge. Seventy-three applicants out of 245 succeeded in being admitted. The designation, Chartered Accountant (S.A.), was offered to persons of good character who had been in public practice for a period of not less than ten years. Members who had five years only in practice were required to pass a test of a moderate standard. In 1928 a new body, The Institute of Accountants of South Africa Limited, was formed in the Cape. In 1932 The Incorporated Society agreed to curtail its examinations or register articles independently of the South African Societies. It also agreed to accept the examinations of the General Examining Board for qualifications of its clerks, with the additional special final examination being set by the Incorporated Society. The gesture of the Incorporated Society was seen as a contribution to unifying the profession.

Serving articles was made compulsory after February 1934, the period being five years for matriculants, with graduates of recognised universities receiving a remission of two years. In 1934 Dr. H. Reitz introduced a private bill in parliament to provide for the registration of accountants in the Union, but it was unsuccessful and it did not proceed beyond a first reading.<sup>11)</sup> His second attempt in 1936 also proved to be in vain. An accountancy profession commission was appointed at the instigation of the late Hon. N.C. Havenga in 1936 and its terms of reference were:

*"(1) Whether it is advisable to place the profession of accountancy and auditing within the Union of South Africa on a unified basis by the incorporation of a representative body having control over the whole profession, and keeping a register in which should be inscribed the names of all qualified*

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11) *Ibid.*, p.8.

*members of the profession, and, if so*

- (2) *the method by which such register should be established and controlled.*"<sup>12)</sup>

This effort to unify the profession was unsuccessful as the Cape Society supported by two branches of the Incorporated Society, opposed registration on the grounds

*"that it would not result in finality, and that further agitation would in due course arise for the register to be re-opened to admit classes of persons previously ineligible, thus resulting in the lowering of the status of the profession."* <sup>13)</sup>

The report of the commission saw the formation of a register of accountants as practical and also an urgent necessity. The commission made the following statement:

*"Your Commissioners are satisfied that the societies referred to in the Chartered Accountants Designation Act have reached and maintained a professional status of a high order comparable to the best Societies overseas, and that any measure failing to recognise this fact or tending in any way to lower that status would be contrary to the interests of the public and the profession."* <sup>14)</sup>

The report favoured making concessions to existing practitioners, who complied with only certain requirements. They could practice provided they did not use the designation "Chartered Accountant". This was opposed by one of the societies which stated if these concessions were made it would be breaking faith with accountants who had passed through the usual channels. It also added that all cases of hardship had been discussed by the committee in terms of the "Pearce Agreement" less than ten years previously. This attempt, as well as subsequent attempts in 1936 and 1938, was futile. A private bill, introduced by Mr. P.V. Pocock in 1938, passed its second reading and was discussed in the House in Committee during February 1940. This attempt also failed as the outbreak of the Second World War interrupted the proceedings. From these examples it is obvious that the

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12) *Loc. Cit.*

13) *Ibid.*, p.9.

14) *Loc. Cit.*



process of attaining some unity in the profession was a long and painful one. This phenomenon was applicable not only to South Africa, but also very much to England where efforts to unify the profession had commenced as far back as 1902 and to date (1976) have not yet achieved this unification.

The year 1941 saw the formation of the Association of Practising Accountants of South Africa, which was an offshoot of the Institute of Accountants of South Africa Limited. A memorable year for the profession was 1945, with some form of consolidation of the profession through the formation of The Joint Council of Societies of Chartered Accountants in South Africa. The purpose of the Society was to ensure uniformity amongst the Societies themselves upon matters of policy affecting the profession, and the body was to be the forerunner to The National Council of Chartered Accountants (S.A.). This body has fulfilled an important public relations role by liaising between the profession and the government on taxation, amendments and alterations to company law, and has made recommendations on behalf of the profession when requested to do so. In the past The National Council of Chartered Accountants has relied very substantially on part-time and voluntary effort.

## 9.2 Post World War II Developments

Until 1950 the educational arrangements for articled clerks were in the hands of technical colleges, universities and correspondence schools. Different arrangements existed in each province and an important date in the history of the profession was 12 January 1950 when representatives of the universities and of the Chartered Societies met in Cape Town to co-ordinate the educational process.<sup>15)</sup> It was decided

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15) *Ibid.*, p.10.

that certain universities would examine articled clerks up to the final qualifying examination, and the scheme entailed articled clerks serving a period of five years, if matriculants, reduced to three years in certain cases. Universities would provide the courses and the syllabi would comply with standards laid down by the General Examining Board. The Final Qualifying Examination was not dispensed with, as it was felt it was essential in order to ensure a uniform standard. Examinations were set in accounting, costing, auditing and the general duties of a professional accountant, and the purpose of the papers was to test the fitness of candidates to practise. It is interesting to note that the examinations could not be taken before the last year of articles.<sup>16)</sup> It was another step in the proverbial right direction in the attainment of uniformity of the profession in South Africa.

The co-operation, as far back as 1950, between universities in South Africa and the profession was far-sighted planning indeed. Many of the other leading professional institutes in the rest of the world followed this trend only during the decades of the sixties and the seventies. It is during the last decade only that great strides were made in accountancy education at universities in the United Kingdom, and at Australian universities there were rapid developments only after the Vatter Report in 1964. The opinion has been expressed by the van Wyk de Vries Commission that universities must not influence the professions too much, and by the same token the professions must not influence the universities too much in their approach to education.<sup>17)</sup> A brief discussion about the role of universities in education appears elsewhere.

The latter half of the forties saw a certain amount of progress being made and in November 1946 the Treasury invited all organised bodies of accountants in the Union to submit

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16) *Loc. Cit.*

17) Department of Education, "Main Report of the Commission of Enquiry into Universities", Government Printer, Pretoria 1974, p.163.

a draft bill on the unification and control of the profession.<sup>18)</sup> A conference held in Bloemfontein during April 1947, was attended by representatives of societies and bodies of accountants comprising the whole profession in South Africa. A draft bill stating the requirements of various bodies was prepared and sent to the Treasury. This bill was supported by all the bodies represented at the conference, with the exception of one. The Treasury could not accept the bill in its entirety as it did not take into account the protection of all interests. The profession then amended the legislation, taking into account the criticism of the Treasury. This led to a meeting in Cape Town in March 1950 which was attended by thirty-four persons representing government departments and the profession. A revised bill, endeavouring to embody the decisions taken at the Bloemfontein conference, referred to previously, and at the same time accomodating the views of the Treasury, was prepared. It appears that this law had to be a compromise to a certain extent, but this compromise was in the best interests of the profession as it eventually led to the presentation of a bill which subsequently resulted in the formation of the Public Accountants' and Auditors' Board. Consensus of opinion was reached during November 1950 only. A breakdown with membership of professions in the Union at the time, who unanimously supported the Bill was:

	<i>Membership in 1950</i>	
<i>The Transvaal Society of Accountants</i>	1 115	
<i>The Natal Society of Accountants</i>	342	
<i>The Cape Society of Accountants and Auditors</i>	505	
<i>The Society of Accountants and Auditors in the Orange Free State</i>	<u>100</u>	
<i>Total for the Chartered Societies</i>	2 062	
<i>The South African Branches of the Society of Incorporated Accountants and Auditors</i>	520	
<i>The Institute of Accountants of South Africa</i>	106	
<i>The South African Branch of the Association of Certified and Corporate Accountants</i>	104	
<i>The Association of Practising Accountants of South Africa</i>	<u>54</u>	
<b>TOTAL MEMBERSHIP</b>	<u>2 846</u>	19)

18) Noyce, G.E., *Op. Cit.*, p.10.

19) *Ibid.*, p.11.

It appears that a unique procedure was adopted in the passage of the Bill through Parliament. Pressure of work resulted in the Bill being submitted to the Senate first as the Upper House had time available, and it came before the House of Assembly only during June 1951, becoming operative on 1 November 1951.<sup>20)</sup> The constitution of the original Board in terms of Act 51 of 1951 consisted of seventeen members made up as follows:

Representatives of the Chartered Accountants	7	
Representatives of other bodies of accountants in South Africa	4	
University representatives	2	
Government representatives	4	21)

The first meeting of the Board was held on 24 October 1951 at the Union Buildings, Pretoria, and Mr. K. Lamont Smith was appointed the first chairman.

It may be appropriate to refer to some of the comments delivered by the former Minister of Finance, The Late Hon. N.C. Havenga, at the first meeting of the Public Accountants' and Auditors' Board on 24 October 1951. Referring to the Public Accountants' and Auditors' Act of 1951 he stated:

*"... The present satisfactory position has not been achieved without considerable effort, nor without frequent disappointments. But let us not look back. Let us rather consolidate our achievements and look forward.*

*In consolidating our achievements let us do so, firstly, by assuming the grave responsibilities entrusted to us by parliament, in a spirit of loyal public service (emphasis mine) as in accordance with the best traditions of being our 'brothers keeper' ... In the phraseology of Section 21 of the Act, let us take the steps which may be considered expedient for the maintenance of the integrity, the enhancement of the status and the improvement of the standards of professional qualifications of accountants and auditors."* 22)

20) *Loc. Cit.*

21) *Ibid.*, p.12.

22) Public Accountants' and Auditors' Board, *Manual of Information for the Guidance of Registered Accountants and Auditors*, Johannesburg, January 1974, p.1.

It was pointed out that the Minister of Finance had faith in giving the profession the privilege of a newly established monopoly and it was hoped that this would not be exploited. The point was made that the accounting profession owed a duty to the public, and Section 26(3) of the Public Accountants' and Auditors' Act, which refers to material irregularities, takes cognizance of public interest. The opening speech was concluded with the words:

*"Gentlemen, I now leave the affairs of the accountancy profession in your hands with complete confidence in your ability to build up and maintain a service that will be a credit not only to the profession, but also to our country."* 23)

During the last quarter of a century the structure of the profession has not changed dramatically. Name changes have come about and the name of the Joint Council of Societies of Chartered Accountants of South Africa, which came into force on 1 January 1946, was changed in 1966 to "The National Council of Chartered Accountants (S.A.). During 1958 The Joint Council of Societies of Chartered Accountants published its Report on Training and Education for the Profession. The Committee critically examined the professional education programme and suggested recommendations for its improvement.<sup>24)</sup> In 1962 a committee was formed to investigate the educational requirements of future accountants, and the educational structure required in South Africa.

The four basic essentials in any system designed to produce properly qualified accountants were defined by the committee as:

- (1) A minimum preliminary educational qualification of a reasonably high standard,
- (2) Academic training at university level.
- (3) An adequate period of practical training and experience in the office of a practising professional accountant.
- (4) A uniform qualifying examination conducted by the profession.<sup>25)</sup>

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23) *Ibid.*, p.3.

24) Wuth, Richard G., "A Graduate Profession", a paper presented at The Third National Congress of Chartered Accountants (S.A.), Cape Town, April 1966.

25) Public Accountants'  UNIVERSITEIT VAN PRETORIA UNIVERSITY OF PRETORIA YUNIBESITHI YA PRETORIA d, Annual Report and Accounts for the year ended 31 December 1967, p.24.

A brief summary of the recommendations of the report indicates the following:

- (1) A pass in either of the two official languages at the higher grade and in mathematics was defined as minimum entry requirements.
- (2) University education should comprise two stages. In the first stage, which was to be an interim measure, the length of the course leading to the Certificate in the Theory of Accountancy, which at the time took four years part-time by articled clerks, be increased to five years. The curriculum should be extended to include a special course in either of the official languages as well as a special course in economics. The emphasis in the language course was to be on expression. The second stage of this recommendation was that entry to the profession be restricted to persons who, either by full-time or part-time study, have obtained credit for a prescribed minimum number of courses towards a university degree. The first part of the recommendation was accepted, but the second was referred for further consideration.
- (3) It was recommended that the articles of clerkship be abolished and replaced by a system of registered trainee accountants who, within limits and subject to certain conditions, would have free transfer of their services from one practitioner to another. (A trite observation to state that this recommendation was not accepted).
- (4) That after accountants had obtained a Certificate in the Theory of Accountancy from one of the universities, they be required to pass a uniform final examination conducted by the Board. (Needless to say, this recommendation was accepted).

### 9.3 The Common Body of Knowledge Committee 1967—1969

In 1966 a Graduate Profession Sub-Committee was formed to consider how a graduate profession could be introduced in South Africa. This committee led to the formation of the Common Body of Knowledge Committee in March 1967, as it was

felt that the recommendations of the Graduate Profession Sub-Committee could not be based on possibly outdated educational standards.

The terms of reference of the Common Body of Knowledge were briefly as follows: to formulate the common body of knowledge required by newly-qualified chartered accountants; to define the knowledge and intellectual values which the newly-qualified chartered accountant will require to keep pace with future developments, which will form the basis for subsequent specialisation; to investigate and make recommendations on future relations between the profession and universities as well as other institutions of higher education; and note the possible effects the recommendations will have on the structure of the profession.<sup>26)</sup>

The findings of this report included a definition of the future common body of knowledge required, and looked at the contents of syllabi in the following subjects: accounting, auditing, management controls, financing, profit-planning and investment decision making, company law, mercantile law and regulatory legislation, taxation, practical business economics, management, data processing and comprehension and communication.

The main recommendations of the Common Body of Knowledge Committee are reproduced verbatim below:

- "1. Provisions should be made for a non-graduate candidate for the Certificate in the Theory of Accountancy to be able to attend at a university for a year on a full-time basis immediately prior to the period of practical training.
2. Consideration should be given to the substitution of accounting degrees for the C.T.A.

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26) The National Council of Chartered Accountants (S.A.), *Report of the Common Body of Knowledge Committee on the Knowledge Required by the Future Newly-Qualified Chartered Accountant and Other Matters,* Johannesburg, November 1969, Part 1, par.1.

3. *Greater emphasis should be placed on the positive training of entrants to the profession in addition to the provision of opportunity to gain practical experience.*
4. *Closer supervision by the Public Accountants' and Auditors' Board of training facilities is therefor desirable.*
5. *If greater emphasis is placed on positive training, the training period should be reduced from five to four years.*
6. *Under appropriate safeguards, practitioners' quotas for trainees should be extended by the Public Accountants' and Auditors' Board.*
7. *A second or junior tier of qualified accountants should be created which, although not allowed to practise as accountants and auditors, would be able to practise in subsidiary functions, such as secretarial and bookkeeping, which would be sufficiently qualified to relieve the chartered accountant of many of the routine tasks at present performed by him in a practice, in commerce and industry.*
8. *To qualify for the junior tier, a candidate should complete three years' service registered with the Public Accountants' and Auditors' Board in the office of a Registered Accountant and Auditor in public practice, but that this service may be transferable." 27)*

The question arises, "What has been achieved in six years since the publication of the COBOK Report?" Accounting degrees are now being awarded by every university, and it appears that generally universities are recommending that prospective chartered accountants take a degree prior to a Certificate in the Theory of Accountancy. Many degrees are awarded on completion of the subjects required for the Certificate in the Theory of Accountancy. The training facilities of the profession have been examined and requirements have been changed. Quotas have been increased, during 1975 to a maximum of five clerks and a minimum of three, whereas previously these figures were respectively four and two. The profession has not found the recommendation, that a

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27) *Ibid.*, Part 2, par.5.

In the actual text reference is made to the relevant paragraphs of the detailed text in which the recommendations and their motivation are discussed in greater detail.



junior tier be created, acceptable.

#### 9.4 Developments During the Seventies

In August 1970 a one-man committee was appointed to investigate the desirability of a National Society of Chartered Accountants (S.A.). The incumbent was L.F. Bowsheer and he was further required to recommend the form a National Society should take if he made this recommendation. If he did not recommend a National Society of Chartered Accountants he was to investigate alternatives to make the existing structure more effective and more economical in its administration, and he could consider any related matters he thought necessary. Two reports were submitted by Bowsheer. Bowsheer did recommend the creation of a national society of chartered accountants under the name, The Society of Chartered Accountants (S.A.). The findings of the report are discussed in some greater detail elsewhere.<sup>28)</sup>

The Accounting Practices Committee was established in 1971, and the catalyst for the formation of this committee was the knowledge that new company legislation would require annual financial statements to fairly present the financial position of the company and the results of its operations in conformity with generally accepted accounting practice, applied on a basis consistent with that of the preceding year. The auditors would have the responsibility of reporting on such conformity.

Research in South Africa has been done mainly on a part-time basis and as far as possible publications of overseas institutes have been adapted to suit South African circumstances. The Accounting Practices Committee has compiled various exposure drafts, which, after publication and subsequent amendment are submitted to the Accounting Practices Board, which has been referred to above. The exposure drafts of the Accounting Practices Committee are given wide publicity, as not only members of the profession, but also all companies listed on the Johannesburg Stock Exchange receive these drafts. Copies are also submitted to the financial press.

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28) For detailed discussions see pp.196/199.

In South Africa the National Council has decided not to opt for legislation to enforce generally accepted accounting practices, as this tends to lead to inflexibility which could inhibit the future development of accounting practices. This policy led to the formation of the Accounting Practices Board and the first meeting of The Accounting Practices Board was held towards the end of 1973.

The constitution of the Accounting Practices Board is of interest as representatives of the Stock Exchange, of the Chamber of Mines, of other organised commercial and industrial organisations, and members of the profession through National Council as well as representatives of the Public Accountants' and Auditors' Board serve on the Accounting Practices Board. It appears that all involved in financial transactions have some say in the acceptance of these pronouncements. It is further to be noted, as has been pointed out above, that the Accounting Practices Board does not draft the pronouncements as such, but after the acceptance of drafts by The National Council of Chartered Accountants(S.A.), which have been submitted by the Accounting Practices Committee, the Accounting Practices Board decides whether these pronouncements should be accepted. Two statements have been issued by the Accounting Practices Board and they are, *"The Disclosure of Accounting Policies"*, and *"Taxation in the Financial Statements of Companies"*.

In 1974 there were three interesting developments: South Africa joined the International Accounting Standards Committee as an associate member, the Accounting Development Foundation was formed and the Inaugural Meeting of the South African Society of University Teachers of Accounting was held during 1974.

South Africa is an associate member of the International Accounting Standards Committee and the opinions of this body will be examined with care, but it must be observed that the pronouncements of the Accounting Practices Board are still applicable in South Africa. No doubt, if there are major differences of approach between pronouncements of the International Accounting Standards Committee and those of the Accounting Practices Board, the latter will investigate the differences.

It has been stated that necessity is the mother of invention, and the Accounting Development Foundation was established early in 1974 in order to facilitate the research of the Accounting Practices Committee. Voluntary contributions by the members of the accounting profession and from listed companies will finance the Accounting Development Foundation. The Accounting Practices Committee, at the time of writing appears to have a substantial amount of work in research, which has to be finalised.

It is believed the structure of the controlling bodies of the profession in South Africa is very complex, and it is therefore necessary to look at these controlling bodies in greater detail, to determine what their functions are.

#### 9.5 The Public Accountants' and Auditors' Board

The Public Accountants' and Auditors' Board was established in terms of Section 2 of Act No. 51 of 1951, which is now known as the Public Accountants' and Auditors' Act, as amended. The general powers of the Board are defined in Section 21 of the Public Accountants' and Auditors' Act and may be stated briefly as checking the regulation of service under articles of clerkship, conducting examinations for articulated clerks, determining who the entrants to the profession shall be, prescribing the norms of conduct on the part of accountants and auditors registered in terms of the Public Accountants' and Auditors' Act and defining what will

constitute improper conduct. It not only has disciplinary powers but also is entitled to provide educational facilities for articled clerks and other persons desirous of becoming registered accountants and auditors.

The constitution of the Board is in terms of Section 3 of the Public Accountants' and Auditors' Act and four members are selected by the Minister of Finance. These members may be from the incumbents of the offices of Secretary for Inland Revenue, the Chairman of the Board of Trade and Industries, the Registrar of Co-operative Societies, the Registrar of Financial Institutions, the Registrar of Companies and the Master of the Supreme Court. Two representatives are nominated by the Committee of University Principals and they are either professors or lecturers in accounting or accountancy matters at any university in the Republic. Each provincial society is entitled to nominate one person and if the membership of the society exceeds 250 members it is entitled to nominate an additional member. Membership of the three provincial societies exceeds 250 with the result that provincial societies have seven representatives on the Public Accountants' and Auditors' Board. In terms of Section 3(d) of the Act, the Minister of Finance may appoint another member, who is resident in the district of Johannesburg or adjoining districts, after consultation with the other members appointed above.

There are various committees operating under the auspices of the Public Accountants' and Auditors' Board and they are the Executive Committee, Education Committee, Investigations Committee and Disciplinary Committee.

The membership statistics of the Public Accountants' and Auditors' Board as at 31 December 1975 indicate the following:

Registered Accountants and Auditors -	
In Public Practice (Resident)	2741
Not in Public Practice (Resident)	<u>815</u>
	<u>3556</u>

There were eighty-nine persons registered as non-resident accountants at 31 December 1975. There were 3418 articled clerks on register at 31 December 1975.<sup>29)</sup>

#### 9.6 Provincial Societies

There are four provincial societies in South Africa and they are: Transvaal Society of Chartered Accountants, established in 1904 by Act of Parliament.

Cape Society of Chartered Accountants, established in 1907 as a company not for gain.

Orange Free State Society of Chartered Accountants, established in 1908, as a voluntary organisation.

Natal Society of Chartered Accountants, established in 1909 by Act of Parliament.

The main functions of the provincial societies are disciplinary and the registration of chartered accountants. It is to be observed that for a person to use the designation "Chartered Accountant (S.A.)", it is necessary that he be registered with one of the provincial societies of chartered accountants. Other functions of the provincial societies are the furtherance of the interests of members and students within a province, as well as the promotion of good external relations.

A development that has been fostered by the provincial societies has been the formation of regional associations to promote professional development, study and education, as well as to organise social and sporting activities on a regional basis. It is also hoped that the formation of these regional associations will give members in outlying areas a greater motivation to show a more direct interest in the affairs of the provincial societies and in the National Council of Chartered Accountants (S.A.). The number of

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29) Statistics supplied by Mr. L. Myburgh, assistant secretary of the Public Accountants' and Auditors' Board.

regional associations in each province is as follows:

Cape Province	4
Natal	1
Orange Free State	4
Transvaal	9

The membership of the various provincial societies at 31 December 1975 is detailed below:

	Members in Public Practice	Members not in Public Practice	Absentee Members	Other	Total
Cape Province	637	878	315	56	1 886
Natal	383	627	247	58	1 315
Orange Free State	105	24	62	-	191
Transvaal	1 538	1 984	623	107	4 252
	<u>2 663</u>	<u>3 513</u>	<u>1 247</u>	<u>221</u>	<u>7 644</u>

30)

The provincial societies have various committees and the major committees are as follows: advisory committees, education committees, disciplinary committees, investigation committees and vacation school committees.

#### 9.7 The National Council of Chartered Accountants (S.A.)

The first step towards unifying the accountancy profession in South Africa was the formation of the Joint Council of the Societies of Chartered Accountants of South Africa, which came into force on 1 January 1946, by agreement among the four constituent provincial societies. The name was changed to "The National Council of Chartered Accountants (S.A.)" in 1966. All four provincial societies have representation

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30) The abovementioned statistics are based on letters received from the respective societies. The figures quoted above may differ slightly from the final figures that may appear in the annual reports of the societies, as these had not been finalised at the time the letters were written.

on National Council and the individual representation is as follows:

Cape Province	4
Natal	3
Orange Free State	2
Transvaal	<u>9</u>
TOTAL	<u>18</u>

The National Council has no disciplinary powers as these are vested in the Public Accountants' and Auditors' Board and the provincial societies. Chartered Accountants in South Africa are not directly members of The National Council of Chartered Accountants (S.A.), as they are members of the provincial societies.

The functions of the National Council detailed below are:

- (a) To co-ordinate the activities between provincial societies.
- (b) To advise provincial societies on various matters.
- (c) To be responsible for internal and external public relations, and to liaise with government and provincial departments; to represent the profession concerning any matters or legislation which may affect the accountancy profession.
- (d) To develop the profession and to encourage a high standard of professional and general education.
- (e) To be responsible for issuing statements on accountancy and auditing matters.
- (f) To provide research into accounting, auditing and other professional matters. However a substantial amount of research is done on a voluntary basis.
- (g) To publish the monthly journal, *The South African Chartered Accountant*.

Many other functions are performed by the National Council and the detailed list of the committees indicates that the National Council does endeavour to look after the interests of the profession. The committees are: Accounting Practices Committee, Auditing Standards Committee, Company Law Committee, Courses Committee, Education Committee, International Congress Committee, Library Committee, Liquidations and Insolvencies Committee, Management Advisory Services Committee, National Society Committee, Parliamentary and Law Committee, Public Relations Committee, Supplementary Practical Training Committee, Taxation Committee, Uniformity of By-Laws, Rules of Professional Conduct etc. Committee. There are joint committees with the Public Accountants' and Auditors Board, namely the Combined Membership List Committee, the Education Task Committee and the Training of Non-Whites Committee, Claims for Negligence Committee.

National Council has representation on the Accounting Practices Board. It is interesting to observe that one of the committees of National Council is the National Society Committee. One of the objects of National Council is the ultimate formation of a national body, i.e. a National Society of Chartered Accountants. This matter is discussed in greater detail below.

The Accounting Development Foundation was established by National Council and the affairs of the Accounting Development Foundation are controlled by three trustees. Its object is primarily to support and promote research and education. The affairs of the Accounting Development Foundation are administered by The National Council of Chartered Accountants (S.A.). The National Council of Chartered Accountants (S.A.) is financed by a levy on the provincial societies.

#### 9.8 The Accountancy Profession in South Africa 1975 / 1976

A trite observation indeed is that the challenges to the profession in the next decade will be great. A vexed problem facing the profession in South Africa is the shortage



of manpower. The manpower situation within the profession has deteriorated quite dramatically during the last fifteen years. In a very interesting analysis, A.P. Zevenbergen investigates the possibility whether the profession in South Africa does have additional scope to render the much-needed management advisory services for the small firm. Zevenbergen states that he has serious doubts whether the profession will have the necessary manpower to be able to render management advisory services to the small firm.<sup>31)</sup>

In his analysis of the possible reasons for this critical staff position, he sees the following factors contributing to the situation: the growth of the economy in the country over the past few decades has greatly increased the demand for the services of the public accountant and auditor; an additional burden has been placed on the accountancy profession because of the promulgation of new company legislation, namely, The Companies Act 1973; the avenues of employment open to the chartered accountant in commerce, industry, finance, education and other spheres have drawn many accountants away from practitioners' offices; the number of new entrants to the profession has not been sufficient to meet the demands of all the interested parties.<sup>32)</sup> In substantiating his arguments, A.P. Zevenbergen has compiled some very interesting statistics, extracts of which appear in Table Number 1. These statistics have been updated to reveal the situation as at 31 December 1975.

An analysis of extracts of the statistics prepared by A.P. Zevenbergen reveals a disconcerting picture. If the index figure for the number of companies is taken as 100 in 1960, we find that the comparable index figure at the end of 1975 is 303. If the number of accountants in 1960 is taken at an index of 100, then the comparable index in 1975 is 166. The number of companies has increased from approximately 64000 to more than 194000 at the end of 1975. It is to be observed that the number of companies has increased by approximately 200% whereas the number of

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31) Zevenbergen, A.P., Commentary on the paper, "The Practising Accountant and the Smaller Business", by Michael G. Lickiss presented at the Fifth National Congress of Chartered Accountants (S.A.), Durban, 1975.

32) *Ibid.*, pp.19/22.

registered accountants has only increased by 66%. There has thus been a complete disparity between the rate of growth in the number of companies and the rate of growth of registered practising accountants. It appears that approximately 24000 companies may have been dormant at 31 December 1975. This is based on the fact that only 164417 companies submitted returns during the year ending 31 December 1975, and taking the formation of new companies during the said period into account, namely, 4789, it may be assumed that the number of active companies at 31 December 1975 is approximately 170 000.<sup>33)</sup> This represents a growth of approximately 166% during the relevant period, whereas the number of accountants increased by 66% only. In 1973 and 1974 there was a net decrease in the number of companies, and this may be attributed to the fact that it is an expensive operation to keep a dormant company registered. This can also be attributed to the fact that the number of de-registrations has increased considerably and the years 1976 and 1977 will no doubt show a substantially larger number of de-registrations. It is very much doubted whether the volume of work on the shoulders of practising auditors will be reduced substantially by the fact that as many as 24000 companies may be de-registered during the next few years. If these companies were dormant anyway, the volume of work appertaining to them would not have been substantial, although the secretarial duties may have taken up considerable time. It appears that many companies have not lodged these forms and it may be assumed that these companies will thus be de-registered.

It appears that the commercial, industrial and financial world is a very lucrative field of employment for chartered accountants and there can be no doubt that the practitioner's office is a major training ground for financial personnel in the commercial, industrial and financial world. It is very disconcerting to observe that of the 4534 successful candidates in the Final Qualifying Examination of the Public Accountants' and Auditors' Board for the years 1961 to 1975, only 1905 registered with the Public Accountants' and Auditors' Board as practising accountants, representing 42% of the successful candidates. The percentage of successful candidates ending up in public practice is no doubt higher,

33) Information furnished  
See Table No. 1.



as many employees with public accounting firms do not register with the Public Accountants' and Auditors' Board. It appears that the perks offered by commerce, industry and the financial world will no doubt still be attractive to the chartered accountant, and the prospects for an immediate improvement in the situation are rather bleak as the increase in the number of articulated clerks, (trainee accountants) has not been substantial during the last few years. In 1975, however, there was a net increase of 196 trainee accountants. The position should improve further as a result of the increased quotas allowed by the Public Accountants' and Auditors' Board with effect from 1975. An analysis of the number of articles of clerkship cancelled, reveals a disconcerting picture, although it is acknowledged that the position has improved during the last fifteen years. During 1961, 615 articles of clerkship were registered, whereas 139 were cancelled, representing 22,6% of new registrations. There appears to be an improvement in the situation as this percentage during 1975 represented 16,4% only. (164 out of 1001 new registrations.)

The profession faces a great challenge to attract many more entrants and it is acknowledged that this will be a very difficult task, as all the professions are trying to get the top-quality students into their professions. Zevenbergen refers to statistics, published by the Human Sciences Research Council, which show that the accountant and auditor is ranked fourth out of twelve professions, according to median income. The first three places are occupied by the medical specialist, medical practitioner (general) and the engineer respectively. These statistics were as at 1 March 1973.<sup>34)</sup> Chartered accountants working as employees are ranked sixth out of twelve professions cited in the study.<sup>35)</sup> The profession must accept that commerce, industry and the financial world will always attract a large

34) Wolmarans, C.P., *Die Loonstruktuur van Hooggekwalifiseerde Blankes soos op 1 Maart 1973*", Human Sciences Research Council, Pretoria, 1974, as quoted by A.P. Zevenbergen, *Op. Cit.*, Table A7.

35) *Loc. Cit.*

proportion of the candidates who succeed in the Final Qualifying Examination. The chartered accountancy profession must endeavour to improve its image and also a large source of recruits for the profession has not yet been tapped. According to latest statistics the ratio of Afrikaans to English speaking is approximately 60 to 40 whereas it is estimated that the ratio of English to Afrikaans-speaking chartered accountants is 85 to 15. Therefore the profession must endeavour to contact the Afrikaans-speaking matriculants and Afrikaans-speaking graduates. A very disturbing fact is that at one or two universities fewer than 5% of the students who enroll for Accounting I eventually end up in the terminal course in Accounting. Thus it is obvious that a substantial amount of public relations work will have to be done by the profession to persuade many scholars and students that the designation Chartered Accountant (S.A.) is an attainment worthwhile achieving.

Table No.: 1.

Comparative Statistics Appertaining to the Accountancy Profession for the Period 1960 - 1975 <sup>36)</sup>

Index 1960 = 100

	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>
<u>Statistics According to Indices</u>				
Companies	100	147	250	303
Registered Accountants and Auditors in Public Practice	100	111	138	166
Trainee Accountants	100	112	133	164
<u>Actual Numbers</u>				
Companies	63961	93773	159666	±194000
Registered Accountants and Auditors in Public Practice	1651	1828	2278	2741
Trainee Accountants	2088	2337	2771	3418
Number of Registered Articled Clerks per Registered Accountant	1,26	1,28	1,22	1,25

35) Zevenbergen, A.P., *Op. Cit.*, and amendments to update statistics to 1975.

Table No.: 1 continued - Other StatisticsFinal Qualifying Examination

Total number of entrants for the years 1961 - 1975	8833
Number of successful candidates	4534
Percentage successful	51,3%

Registrations as Registered Accountants and Auditors

Number of new registrations as practising accountants and auditors for the period 1961 to 1975	1905
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	<u>1975</u>	<u>1960</u>
<u>Number of Companies per Registered Practising Accountant</u>	71	39

<u>Number of Companies per Practising Accountant on the Assumption that Active Companies Total 170000</u>	62
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Percental Comparison of Number of Articles Cancelled to New Registration

	<u>1961</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>
Number of articles of clerkship cancelled	139	136	125	164
Number of New Articles of Clerkship registered	615	600	725	1001
Percentage	22,6%	22,7%	17,2%	16,4%

9.9 Rationalisation of the Controlling Bodies of the Profession

It does not need a very intelligent person to conclude that the structure of the profession is indeed very cumbersome. The present structure, namely the Public Accountants' and Auditors' Board, The National Council of Chartered Accountants (S.A.), four provincial societies together with regional societies, typifies a sense of provincialism, which in the long term cannot be beneficial to the profession itself and is not in the best interest. It is averred

that a very small minority of chartered accountants in South Africa really know what the true functions of the various organisations are. The present structure of controlling bodies, which appears to have come about because of certain compromises, may have served its purpose.

The National Council of Chartered Accountants (S.A.) decided in August 1970 to appoint Mr. L.F. Bowsher to investigate the desirability of a National Society of Chartered Accountants (S.A.). If he was in favour of this, he was to recommend the form such a national society should take. If he was not in favour of such a recommendation, he was expected to review the existing structure of the profession in South Africa and recommend alterations to make it more effective and to reduce the costs of administration. The terms of reference concluded with an instruction that he consider any related matters that he may deem desirable.<sup>36)</sup>

Two reports were published, namely, the main report during August 1971 and a supplementary report during January 1972, which dealt mainly with the desirability of a federal basis as opposed to a unified basis for the profession.

The synopsis of the Bowsher Report gives the arguments for and against a National Society. The arguments for a National Society, briefly are:

- (a) The present size of the profession (1976 approximately 7200) cannot justify the retention of the structure of four autonomous provincial bodies.
- (b) The report further asserts that provincial boundaries do not necessarily constitute natural and suitable units with common interest, and that when national issues are studied, provincialism sometimes does cloud the issue.
- (c) It is felt that if members were elected by direct voting of members, instead of the present nominees from the provincial societies, a national society would be received more enthusiastically.

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36) The National Council of Chartered Accountants (S.A.), *Synopsis of a Report by Mr. L.F. Bowsher on the Desirability of a National Society of Chartered Accountants (South Africa)*, p.1. par.1.

- (d) An anomalous situation arises in that a smaller society could effectively veto any necessary amendments in the bye-laws of the other societies. The statistics of the membership of the different provincial societies do reveal a greater disparity in the membership of the various provincial societies.
- (e) The subscription rates differ quite substantially in the various provinces.
- (f) It is affirmed that the fear of domination, especially by the urban areas of the Transvaal, can be overcome by the drafting of a proper constitution.
- (g) It is further stated that the formation of a national society should strengthen the profession greatly, provided that a strong secretariate is established and maintained for the central body, and that the regional associations are supported and stimulated by the body of members.
- (h) Before the ultimate unification of the profession can be considered, that is that all the controlling bodies including the Public Accountants' and Auditors' Board, are unified to form one controlling body for the profession, it is necessary that a strong national society be formed as an intermediate step, to assist in the achievement of ultimate unification; it is further maintained that a federal basis will prolong the present expensive set-up.<sup>37)</sup>

The Bowsler Report then examines and summarises the arguments against a change, as follows:

- (a) The provincial societies do have a beneficial influence in that they hold members together.
- (b) Members tend to lose interest in the affairs of the profession if it is controlled by a remote body.
- (c) It is averred that the unification of the profession will not result in a saving in administration cost, as regional associations will need funds for their secretariates.

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37) *Ibid.*, p.2. par.6.

(d) It is maintained by advocates of the status quo that the task of the National Council is lessened because of the present work done at provincial level, and the disappearance of provincial societies, it is submitted, will render the task of an executive committee of the controlling body very onerous indeed; it is further felt that the present National Council effectively represents the profession on a national basis.<sup>38)</sup>

The question, why the structure of the national controlling bodies of the profession is discussed in a thesis on accountancy education, may be posed. There are far too many education committees for this profession. The Public Accountants' and Auditors' Board, The National Council of Chartered Accountants (S.A.) and provincial societies and some regional associations have education committees. There appears to be overlapping of interests between certain of the committees, as well as a lack of co-ordination on a country-wide basis as to what the approach to accountancy education should be.

Although it is not the aim of this thesis to investigate the arguments for and against, in detail, it is believed that a very important argument in favour of the rationalisation of the controlling bodies of the profession has been overlooked in the Bowsher Report, and that is public interest. The profession must ask itself whether it is serving the best interests of the profession as well as the best interests of the public. It is a trite observation that the chartered accountant does have a duty towards "John Citizen" and one wonders whether the present complex system of controlling the profession is in the best interests of the profession as well as in the public interest. It appears that the decision-making process within the profession, because of the present structure, is very long and clumsy. It is imperative that the profession move with the times, and it is sincerely believed that members of the profession must not think simply of the immediate future, but plan now for the late 1980s and early 1990s.

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38) *Loc. Cit.* par. 7.



There is always a natural tendency to resist change. If what is born, is in the long term not only in the interests of the profession but also in the interests of the public, a change of attitude is indeed necessary in those persons controlling the profession in the Republic of South Africa. Without casting aspersions on members of the councils of the various provincial councils of chartered accountants, it may be submitted that a direct channel of communication between regional associations and a national body could have fruitful results. This is recommended because a constructive suggestion made by a member of a regional association to the provincial society may be rejected by the powers that be, notwithstanding the fact that it may be in the best interest of the profession nationally.

Mr. Bowsher recommended the formation of a national body, named, "The Society of Chartered Accountants (S.A.)", which would take control of the assets and liabilities of the provincial societies as well as those of National Council. This would result in the dissolution of the provincial societies. He also recommended that a referendum be held to gauge members' feelings, and suggested if a national society be established, it be a voluntary association, or a company in terms of Section 21 of the Companies Act. The recommendations also included a suggested scheme of representation for the various regions. Out of a total of 15 representatives, Cape Western and South West Africa would have three, Johannesburg four, and Natal coastal region two<sup>39)</sup> It may be stated that these regions, together with some of the other Transvaal representatives could dominate the profession. It is believed that responsible persons will be elected to such a national body, and as they represent by far the greatest number of chartered accountants in South Africa, it would not be entirely undemocratic for the few regions to control the profession.

The importance of a national society is examined by the present chairman of The National Council of Chartered

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39) *Ibid.*, p.3.

Accountants (S.A.). Mr. M.R. Lindhorst states in this regard:

*"I believe that the time has come for us to effect changes in the structure of the Profession which at present is unnecessarily complicated and, with good reason, not readily understood by many members.*

*The existing system is open to much duplication of effort which is proving a costly waste in manpower hours and I am convinced that with a certain amount of goodwill we can agree a formula for integration which will be acceptable to all Provincial Societies and Regional Associations. The profession is on a fast upward trend and we must now consider streamlining operations and decide on a structure which will prove effective in decision-making processes and assist those entrusted with the administration of the profession.*

*There is also the question of finance to be considered. Members are well aware of the fact that administration of the profession is becoming increasingly costly. The formation of a National Society should effect a saving in this sphere.*

*... It is my firm opinion that the climate is changing and that responsible members are once again thinking seriously of unifying the profession. We should also work in ever-closer liaison with the Public Accountants' and Auditors' Board. Given fair representation on that Board, I can see no problem being encountered which would not enable us to fit into the overall framework of a unified profession. The outgoing Chairman of National Council, in his valedictory speech, supported this view."<sup>40)</sup>*

A former president of the Transvaal Society of Chartered Accountants, P.C. Nel, had this to say about the structure of the controlling bodies of the profession:

*"... During my travels over this past year I was unable to find many people who could lucidly and authoritatively explain to me the exact workings and structure of our profession in this country through the medium of Provincial Societies, National Council and the P.A.A.B.*

*... I am reiterating previous requests and injunctions that serious consideration should be given to greater co-ordination and unification*

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40) Lindhorst, M.R., "Planning Ahead", *The South African Chartered Accountant*, January 1976, p.7.

of the profession through the establishment of a National Society. Recent mergers of many auditing firms throughout the country indicates, I believe, that provincial barriers have not only been overcome but that it is both desirable and beneficial to those concerned that they should be overcome."<sup>41)</sup>

It is interesting that the executive committee of National Council is presently revising the synopsis of the Bowsher Report, and it appears that National Council is committed to the establishment of a National Society, in terms of a resolution passed at a meeting on 7 March 1972. In the questionnaire sent to chartered accountants in South Africa, a question was posed about the structure of the controlling bodies.

Table No.: 2.

Analysis of Responses to Question 21

	PERCENTAL ANALYSIS OF RESPONSES
<i>"How do you envisage the structure of the controlling bodies (or organisations) of the profession 10 years hence?</i>	
<i>a) As presently structured, consisting of the Public Accountants' and Auditors' Board, The National Council of Chartered Accountants (S.A.), provincial societies and regional associations.</i>	17,4%
<i>b) The Public Accountants' and Auditors' Board, a national society of Chartered Accountants (S.A.) and regional associations.</i>	32,0%
<i>c) One national statutory controlling body together with regional associations</i>	46,7%
<i>d) Other"</i>	0,6%
No Opinion	<u>3,3%</u>
	<u>100,0%</u>

This question has caused a fair amount of controversy as certain members of councils of provincial societies took exception, asserting that their members were not fully informed

41) *The Transvaal C.A.*, Newsletter of the Transvaal Society of Chartered Accountants, No.7., June 1975, Annexure to newsletter.

on the full implications regarding the matter. It was further stated that the wording "How do you envisage the structure ... 10 years hence?" does not indicate how members would like to see the structure of the controlling bodies 10 years hence. It is believed that the responses to the questions, as Table Number 2 indicates, counter both arguments.

It is significant that only 17,4% indicated a preference for the status quo, whilst 3,3% did not express an opinion. Assuming that the 3,3% do not want change, it still means that only 20,7% favour the status quo. 32,0% and 46,7% are in favour of alternatives (b) and (c). It is very significant that 46,7% favour the formation of one national statutory controlling body together with regional associations, notwithstanding the allegations that the members may possibly have been uninformed about the issues involved. The signs are clear that the members do wish that some form of rationalisation of the controlling bodies should be effected.

It is significant that an analysis of responses according to all criteria, used indicates that all groups prefer one national statutory controlling body with regional associations.<sup>42)</sup>

#### 9.10 Conclusion and Recommendation

The abovementioned analysis must make it emphatically clear that the time is possibly right for a re-structuring of the controlling bodies of the profession. The formation of a National Society may be an interim step in achieving the ultimate step of true unification. Many members interviewed believe that this is supreme optimism, and that although nearly all of them favoured the formation of a national society or one national controlling body they could not see this materialising in the next decade.

It is believed that the time is ripe that chartered accountants, holding the responsible offices in the provincial societies,

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42) For detailed statistics see Annexure B.17.

must not lose sight of their responsibilities, must cast aside their prejudices resulting from provincialism, and most of all must bear in mind that if the formation of a national society results in the improvement of effectiveness of the profession, a national society and ultimately one controlling body must be formed. It is time that the winds of change affected the profession in South Africa, as the last quarter of a century has seen no significant change in the structure of the controlling bodies, and most of all, what is best in the public interest must be considered. It is time that the profession stopped thinking in the past and worked rapidly for the future. The importance of public interest cannot be stressed sufficiently and it is sincerely hoped that this will motivate the leaders.

It is therefore recommended that the implications of the complete rationalisation of the controlling bodies of the profession be examined in detail, and that the opinions of the members be tested in this regard by a referendum. However, if the complete rationalisation is not found feasible, the formation of a national society be encouraged as an intermediate step in achieving the ultimate aim of a unified profession in the true sense of the word. It is feared that if the latter suggestion is found acceptable at least another quarter of a century or longer will have passed before another rationalisation is effected.



CHAPTER 10ACCOUNTANCY EDUCATION AND TRAINING IN SOUTH AFRICA10.1 Requirements for the Professional Qualification

The studying and examinations leading to the Chartered Accountant (S.A.) designation, which is highly cherished, is considered to be difficult by many candidates. Of late much criticism has been expressed about the length of time and the difficulty in attaining this qualification. A brief review of the educational requirements and practical-experience requirements is necessary. The application of the C.A.(S.A.) designation in practice seems to cause its fair share of problems and complexities. The final qualifying examination is set by the Public Accountants' and Auditors' Board and the person who wishes to practise as a public accountant and auditor, may do so if he has successfully completed the final qualifying examination as well as the practical experience laid down by the Public Accountants' and Auditors Board. It is essential that he register with the Public Accountants' and Auditors' Board as a practising accountant. This, however, does not entitle him to the use of the designation, Chartered Accountant (S.A.). He is entitled to the use of the designation C.A.(S.A.) only if he has registered with one of the provincial societies of chartered accountants in South Africa.

The Certificate in the Theory of Accountancy, or its equivalent, is awarded by participating universities that have contracted with the Public Accountants' and Auditors' Board in terms of the Accountants' Clerks University Education Scheme.<sup>1)</sup> Another requirement is that the clerk must have served a minimum period of practical experience (articles). The practical-experience requirement is five years for a matriculant and three years for a graduate. A remission of three months is granted for military service.

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1) For a list of participating universities see Annexure E.

South African universities have played a major role in the education and training process of chartered accountants in South Africa. The curricula of the various universities are very diverse as a summary thereof reveals.<sup>2)</sup> The different qualifications offered by the universities are Bachelor of Computationis, or Bachelor of Accounting, Bachelor of Commerce (Honours), followed by a Certificate in the Theory of Accountancy or simply a plain Certificate in the Theory of Accountancy or Bachelor Rationalium.

The period required to achieve the various degrees differ quite substantially. A few universities offer candidates a four-year full-time Bachelor of Commerce (Honours) degree. Graduates of these universities have been given special permission by the Public Accountants' and Auditors' Board to write the Final Qualifying Examinations earlier than is normally permitted. This will be done on an experimental basis until 1978, when the temporary ruling will be reviewed. Some graduates take six years on a part-time basis to complete a Bachelor of Accountancy degree. Other universities offer a three-year part-time course for a Bachelor of Commerce degree. A fourth year will lead to a Bachelor of Commerce (Honours) degree and at the end of the fifth year a Certificate in the Theory of Accountancy is awarded. The anomalous situation arises that at one university students can complete a four-year full-time Bachelor of Commerce (Honours) degree, and at the same university a Certificate in the Theory of Accountancy may be completed on a four-year part-time basis. This approach within one department is found incompatible. It is submitted that although these part-time students may possibly successfully complete the present Final Qualifying Examination, reservations are expressed whether they have been educated in the true sense of the word.

An analysis of the curricula of the various universities shows that certain curricula are very technique-oriented, whereas others are more management oriented, in the sense that a major in business economics is required. The exposure

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2) For detailed comparative summary see Annexure G.1 and G.2.

of candidates to subjects such as economics and business economics is rather limited.

During 1966, Richard G. Wuth expressed an opinion that the education of the chartered accountant, after the implementation of the five-year part-time courses was still heavily loaded with specialist subjects and

*"it cannot be expected to make any real contribution to the broad catholic education of those who take it."*

He then refers to the early specialisation and states:

*"Many educationalist argue that too much specialisation in the early stage of study has the effect of stultifying mental development and produces students with a false idea of attainment and lack of desire to apply themselves to further study."<sup>3)</sup>*

It is submitted that notwithstanding the introduction of most of the COBOK suggestions, the present syllabi are too technique-oriented. A review of the curricula at various universities reveals a dearth of broadening subjects. Accepting the time constraints, it is submitted that greater exposure to certain aspects of management, and greater exposure to economics could be fitted into the present curricula and this will have a broadening effect.

## 10.2 The Practical-Experience Requirement

In terms of section 21(c) of the Public Accountants' and Auditors' Act, the Board has the power to regulate service under Articles of Clerkship. In terms of section 24(1) of the Public Accountants' and Auditors' Act it is necessary that articles of clerkship be registered with the Public Accountants' and Auditors' Board, and the principal must also obtain the necessary consent of the Board to engage a clerk under articles. A chartered accountant in public practice must submit information to the Board proving that the practice can give the clerk a sufficiently wide and general practical-training and experience. In terms of section 24(1) of Act No. 51 of 1951, a principal is required to furnish

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3) Wuth, Richard G., *A Graduate Profession*, a paper presented at the Third National Congress of Chartered Accountants (S.A.), Cape Town, April 1966, p.8.





information on the nature of his practice and specifically on the type of work performed in his practice which is divided into five categories.

An analysis of the five categories reveals the following:

- a) Category A work can basically be described as pure auditing, as the client prepares the financial statements and only an audit is required; alternatively the client writes up the books and the accountant is required only to balance the books, make adjusting entries, closing entries and draft the final accounts. The accounts would still basically require an audit and this does not entail the routine accounting work.
- b) Category B work includes the write up of books, as well as the preparation of final accounts and the reporting thereon. (The nature of this work requires a qualification in terms of section 26(1) of the Public Accountants' and Auditors' Act, to the effect that the public accountant and auditor was also responsible for writing up the books).
- c) Category C work applies only where the applicant is responsible for writing up books of clients and the audit is performed by another practitioner. If secretarial, besides accounting work is also required, this is included under category C.
- d) Category D work requires secretarial work only and no write up work is involved. Appointments such as executorships, liquidations, trusteeships, completion of income tax returns, investigations, prospectuses and management services are all to be included under this section.
- e) Category E refers to supplementary practical training, as distinct from on-the-job training. Supplementary practical training is defined as:
 

*"All forms of training in addition to formal university education whilst under Articles of Clerkship by way of formal lectures, sessions or any other means so as to equip a clerk for his role as a professional accountant."* 4)

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4) Public Accountants' and Auditors' Board, Form 30, p.2.

The Board requires various analyses of the present number of articled clerks and a break-down of the number of hours spent on the various work categories as defined above. The number of partners and staff at the office, as well as the anticipated number of clerks at the office, in the event of the application being successful, is required, with an estimate of the number of hours for the ensuing year which are to be allocated to the various work categories. The Board also requires a summary of the number of hours spent the previous year on supplementary practical training of all articled clerks on the following: organised lectures; individual discussions with clerks; case studies or test papers; other, which must be specified.

A description of the practice at which clerks will be employed must be given and must show the following: number of appointments to be detailed in various categories, which categories are: public companies, co-operative societies, private companies, other corporate bodies registered under statute, charitable, religious and similar, partnerships and individuals. The total estimated fee income is also to be indicated.

For each category the total annual chargeable hours are to be broken down into the various work categories A, B, C and D.

The norms by which quotas are allocated are confidential to the Board and are not published. It must be assumed that the exposure to work category A must be critical in the decision whether to allow a quota of clerks.

The recommendations of the Common Body of Knowledge Committee have been accepted by the Board, and stricter control over quotas of articled clerks has been established. In future quotas of articled clerks will be established separately for partners in each office of a practice, and not on a general basis. The introduction of a triennial review of all offices, where articled clerks are employed, took effect

from 31 December 1975. If information furnished reveals an unsatisfactory situation, the Board is entitled to call for more information. This triennial review is to be commended, and the hope is expressed that the necessary action will be taken where deficiencies are discovered.

It is essential for the future public accountant and auditor to have sufficient exposure to category A work, as well as a fair spread of exposure to work in the categories B to D. It has been stated that a schism exists in accounting practices in all parts of the world, and it is submitted that in large firms the clerk is basically exposed mainly to category A work with very little work in other categories. In the smaller firms the clerk will have exposure to categories B, C and D but the exposure to category A may leave much to be desired.

As stated elsewhere, for the practical-experience requirement to be meaningful, it is essential that the quality of practical experience be rigorously controlled. It is, therefore recommended that the Public Accountants' and Auditors' Board establish an accreditation board, similar to the Accreditation Board of the Institute of Chartered Accountants in England and Wales. This accreditation board interviews principals and enquires about auditing standards and procedures. Members of the board may pose any questions they deem necessary prior to granting the chartered accountant the right to employ trainee accountants. It is recommended that the South African accreditation board or committee have the same powers, as the right to inspect any documentation with regard to its practice, and to examine complaints lodged by trainee accountants, who may possibly be receiving inadequate training. It is further recommended that free transferability be allowed, so that the market-place will determine which firms are giving quality experience. It is suggested that there be one constraint, namely that periods of less than six months will not be recognised as complying with the practical-experience requirements. A very important question to be decided by the profession is whether articles of clerkship or a service contract is really necessary.

A perusal of the articles of clerkship indicates the principal has many noble intentions. The same applies to the clerk. The principal gives certain undertakings, which, judging by complaints mentioned by students, are very difficult to execute; similarly the student gives certain undertakings which in practice prove to be impracticable.

An examination of paragraph 1 of the Articles of Clerkship indicates that the principal, or his partners, undertakes to educate a clerk under personal supervision.<sup>5)</sup> Paragraph 1(b) states their remuneration shall not be less than certain sums. It is submitted that, whereas in the past articulated clerks were always regarded as cheap labour, the market place decides what should be paid. Clause 1(d) states that the principal agrees that the clerk will be trained and instructed in the practice and profession of a registered accountant and auditor including proper instruction in professional standards and ethics. It is submitted that many firms do not have the facilities to give this instruction. Clause 1(e) refers to the principal allowing a clerk all the facilities for regular attendance at lectures and tutorial classes. It is again submitted that many principals do not comply with this requirement because clerks are sent out to country areas when they have to attend lectures, and in many instances are not in the position to write tests. Clause (g) of paragraph 1 states that the principal will allow a reasonable period of study leave immediately prior to the examination the clerk is required to write. Judging from comments of students, the study leave granted by various firms differs greatly. Some students are fortunate if they have study leave of one day per subject, which may give them a total of a week's study leave, whereas other students are given three weeks' study leave. It is suggested that this clause depends on one's interpretation of a reasonable period. From the abovementioned comments, it is seen that many of the intentions are very noble in theory but are difficult to execute in practice. The validity of putting down these noble intentions on paper, is questioned.

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5) Public Accountants' and Auditors' Board, Articles of Clerkship.

An analysis of the undertakings by the clerk also reveals many noble intentions such as that he will diligently pursue his studies in the theory and practice of the profession of registered accountant and auditor. It is submitted that these intentions, noble as they are, in many cases will not apply. The abysmally poor test results of candidates may be because the students have to work during the day and study part-time, or alternatively because the students are not disciplining themselves. Many other undertakings by the clerk are very noble indeed, but it is submitted that when the clerk puts his pen to paper it does not ensure that he will abide by this agreement in which he undertakes to maintain certain ethical standards. It is submitted that the same result could be achieved if the supplementary practical training programmes of firms inculcated a feeling of loyalty and integrity. Integrity is also affected by the home environment. It is therefore submitted that articles of clerkship are redundant and an employment certificate should suffice to ensure the necessary control. Firms can also submit half-yearly returns which will reflect the names of trainee accountants who are employed by the firm and who are in the process of completing the practical-experience requirement. Firms must submit duplicates of employment certificates annually to the Board. This will ensure additional control, as upon registration the employment certificate of the trainee accountant can be double checked. Further, to ensure that malpractices will not arise, all approved employers will have to display the necessary regulations with regard to the practical-experience requirement. It is further submitted that these regulations should contain the entry requirements and, in the event of a student being unsure of the requirements, he be entitled to approach the Public Accountants' and Auditors' Board directly.

It is disturbing to observe that in the past so many articles of clerkship have been cancelled. In 1975, 164 articles of clerkship were cancelled, whilst 1 001 new articles of clerkship were registered. It has been stated that the cancellations occur because matriculants prefer to change to full-time study. This trend is to be welcomed,

but it is disturbing that prospective accountants waste time before deciding to study full-time. It is submitted that many accountants advise school-leavers to study on a part-time basis and it is suggested that this advice is given out of self-interest and possibly out of ignorance.

### 10.3 The State of Accountancy Education in South Africa

It has been stated that the South African universities have made a substantial contribution to accountancy education in South Africa. The question that arises is: How effectively are the universities in South Africa educating the accountant in South Africa? It may be stated that the winds of change are affecting accounting academics at universities in South Africa, and they are thinking seriously about their approach to the teaching of the subject.

The fact that accountancy education has been discussed so often at workshops and other get-togethers of Provincial and Regional Societies, does indicate that the profession is concerned with education, and it also appears that members of the profession are not entirely satisfied with the approach of certain South African universities. An examination of the viewpoints of academics as well as those of practitioners should be fruitful.

An academic, W.A. Joubert, recently questioned the professional-oriented approach in an address entitled: "*Is the new C.A. adequately equipped for his Role in Society?*"<sup>6)</sup> Joubert questions the validity of the present system of articles in that the quality of the office training, which the future chartered accountant might receive, is not particularly relevant to obtaining the C.A. qualification. He maintains further that the "education" of the prospective accountant is too profession-oriented, in the sense that from the first year he is taught subjects that are useful to him in the office environment, but in effect this usefulness is the greatest shortcoming in the long term. He further asserts that there

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6) Joubert, W.A., *Is the New C.A. Adequately Equipped for his Role in Society?*, an address presented at the Orange Free State and Transvaal Societies of Charter nt Summer School, November 1975.



is insufficient mathematics, economics and behavioural sciences in the curriculum for the future chartered accountant. He does not favour the use of a case study as such, but admits to being forced to teach it to ensure a reasonably successful percentage in the final qualifying examination. He favours a more conceptually-oriented approach as he finds it difficult to simulate the working environment in a classroom. He makes the statement, in no uncertain terms, that universities have been degraded to high schools for technical education.

Another observation made by Joubert is that the decision-making process within the profession, as well as the implementation of such decisions takes too long.

An academic, P.J.C. Seneque, has observed that the education of accountancy students at South African universities has been too technique oriented, instead of being critical and analytical.<sup>7)</sup>

Douglas Garbutt, another academic, questions whether accountancy academics should collaborate in creating or maintaining a monopoly for any one body. He is in fact questioning whether accountancy academics should be involved only with the educational scheme of the Public Accountants' and Auditors' Board and states:

*"A point which must be made is that a university must take a much longer time-horizon in deciding the problems to which its staff must address themselves. ... Their concern must be with human knowledge and the full range of situations in which that knowledge may be applied: government, industry, commerce, as well as the more limited fields of professional practice. While they properly co-operate with the professional bodies, they should not collaborate in creating or maintaining a monopoly with any one such body."* <sup>8)</sup>

Garbutt questions the value of practical experience and states in this regard:

*"Can the unstated assumption that everyone calling himself an accountant must have three to five years experience in a*

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7) Seneque, P.J.C., *Accounting: A Social Discipline in Transition*, inaugural address delivered at the University of Natal, Durban, pp.16/17.

8) Garbutt, Douglas, "Views on a Burning  ican Accountants - Conflicting Views on a Burning  ant, 27 February 1975, pp.280/281.

*professional office really be supported by argument and evidence? and, if it cannot, should the universities not lead the profession into dropping it?" 9)*

It has been stated elsewhere that the Final Qualifying Examination has had a detrimental effect on the teaching of accountancy at the various universities. This is because the proficiency of a university lecturer is measured by the success of his candidates in the Final Qualifying Examination of the Public Accountants' and Auditors' Board. It is further submitted that the Final Qualifying Examination has resulted in the application of double standards at universities, depending on whether a candidate is going to write the Final Qualifying Examination of the Public Accountants' and Auditors' Board. This statement must be qualified in that it may not be the case at all universities. There can be no doubt that the Final Qualifying Examination has resulted in the approach at universities becoming more technique-oriented. This can only be detrimental in the long run. It is submitted that the form of the Final Qualifying Examination will have to be changed, and this could possibly lead to a more conceptually-oriented approach to the teaching of accountancy at South African universities.

The view, that South African accountancy education has been too technique-oriented, can be concurred with and also that a de-emphasis of techniques is required, and emphasis be placed on the reading of journals and books so that a better balance may result between the teaching of concepts and techniques.

Many complaints have been levelled at accountancy academics and some are: accounting academics are out of touch with the modern auditing techniques; accounting academics, too obsessed with their own ego, fail far too many students to ensure that they perform well in the Final Qualifying Examination. Other indications are that graduates do not know how to write up a set of books. In the discussion of a

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9) *Ibid.*, p.282.



conceptual approach it has been pointed out that practitioners have thrown up their arms in horror, because the students are not proficient in doing bank reconciliation statements and balancing cash books. Is this the purpose of a university education?

There can be no doubt that there is room for improvement at many South African universities. But before being hyper-critical, it is possibly necessary to analyse certain reasons for the *status quo*. Certain universities find it impossible to staff their departments. The reason for this is that the salaries paid by commerce and industry, and public practice are substantially higher than those offered by universities. It is generally known that at certain universities the departments are completely inadequately staffed. Inadequate staff can only mean that classes are too large, and this results in one-way communication instead of the desirable two-way communication found between students and lecturer in smaller classes. In the advanced classes it is imperative that there be two-way communication.

At universities, where the department is not understaffed, the position can occur where members of staff are allowed to supplement their income by doing consultancy work. Unfortunately a situation may develop where the consultancy work becomes more important than the academic work, with the result that the academic work suffers. However, it is acknowledged, that it is desirable for academics to maintain contact with the latest developments in their field and this can be achieved by doing consultancy work at an advanced level.

Certain members of the profession have stated that teaching accountancy at a university is a vocation, and it should, therefore, not be a problem to attract the necessary staff. It is submitted that teaching accountancy at a university, to a certain extent is a vocation, but the financial implications cannot be ignored. It is an absurd situation that junior partners, most probably below the age of 30 years, are earning substantially more than what professors and heads of departments are earning at universities.

The question that the profession as well as the universities must ask is: How effectively are the teaching resources being utilised in this country? An analysis of the statistics reveals a very alarming trend. It is generally known that the largest number of accountants qualify at the University of the Witwatersrand. In South Africa between 1971 and 1975, of the 1 672 chartered accountants who qualified, approximately 39% came from the University of the Witwatersrand.<sup>10)</sup>

93,4% of the chartered accountants that have passed during the last five Final Qualifying Examinations of the Public Accountants' and Auditors' Board have attained their Certificate in the Theory of Accountancy certificates from seven universities. If the "special case" candidates are taken into account, with the larger universities, one finds that the remaining six universities have only produced 5% of the total number of chartered accountants qualifying during the last five years. In fairness it must be stated that a few universities have had candidates qualifying for their Certificates in the Theory of Accountancy only for one or two years. However, the number of Certificates in the Theory of Accountancy awarded by these universities is so low that it cannot really have affected the statistics, even if they had awarded Certificates in the Theory of Accountancy for the last five years.

A review of the statistics of one or two of the smaller universities reveals that these universities' statistics are excellent. The ability of the lecturers of these smaller universities to teach the relevant subjects is not questioned. The question is posed whether resources at these universities could not be utilised more effectively. Unfortunately, statistics have not been published of the number of final year candidates at these universities at the beginning of the year, and the number actually qualifying for the Certificate in the Theory of Accountancy. However, academics have often been heard to remark that if there is any doubt about a candidate

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10) University of the Witwatersrand, Faculty of Commerce 1976 Year Book, p.6. and the Public Accountants' and Auditors' Board Annual Reports for the years 1972 to 1975, and Final Qualifying Examination Statistics 1975.

being successful in the Final Qualifying Examination, he is not given the benefit of the doubt. Many academics have been accused of being egocentric and this possibly illustrates the point. It is more important to the academic that his department show good statistics the following year than the fact that a student, who by other standards would have qualified for a degree, is now going to add an additional year to his academic life at a university. It is submitted that the Final Qualifying Examination has had a detrimental effect on the teaching.

The Van Wyk De Vries Commission has stated that with mutual co-operation of universities better utilisation of scarce resources could be made.<sup>11)</sup> The smaller departments must find it difficult to teach all the relevant subjects. Time available for research must be absolutely minimal. It is realised that there are certain political implications in the broader and narrower sense. In the broader sense Government policy expects the ethnic universities, such as Durban Westville and the University College of the Western Cape, to cater for the needs of their own people. Blacks are allowed to do post-graduate studies at certain White universities. This should result in better utilisation of scarce manpower resources. In the narrower sense the prestige and image of the smaller universities are at stake. It could be argued that the universities are performing a service for the community in their area. Universities with very small departments could utilise their resources more effectively if the departments specialised in certain directions. These universities could endeavour to build up specialisations in specific areas such as taxation, estate planning, modern auditing techniques or auditing of computer installations. Alternatively, they could become feeder organisations for the larger universities, but on the condition that the standard of their graduate is acceptable. Furthermore the academics at these universities could assist the profession by doing empirical research which would be possible if they were not

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11) Department of National Education, *Main Report of the Commission of Enquiry into Universities*, under the chairmanship of The Honourable Mr. Justice van Wyk deVries, Government Printer, Pretoria, 1974, p.287.

burdened with the additional subjects which have to be taught for the Certificate in the Theory of Accountancy. South African accountancy academics can be criticised for the lack of empirical research being done.

Another disturbing trend is that many students who are awarded a Certificate in the Theory of Accountancy struggle to qualify. Even at those universities where the great majority of students pass the Final Qualifying Examination, there are certain students who never qualify. These questions must be asked: Are the standards at certain universities too low? Were the universities too lenient in the application of their standards? This sometimes does happen when a university has transitional regulations, and is inclined, possibly, to give the benefit of the doubt to the candidate before changing to the new regulations. The 1976 Commerce Yearbook of the University of the Witwatersrand reveals that in 1971, 181 Certificates in the Theory of Accountancy were awarded at the university, and according to their statistics only 161 have passed.<sup>12)</sup> It means that the unsuccessful candidates had four attempts at passing the Final Qualifying Examination, subject to the assumption that they wrote every year. The question arises: Was the university too lenient?

It is recommended above that the number of contracting universities be reduced, and that the smaller universities be used more effectively for research and at the same time contribute to continuing education, that no doubt in future will be required on a greater scale. The universities concerned will be able to play a great role in contributing to continuing education and research.

No reference to the subventions paid by the Public Accountants' and Auditors' Board has been made in justifying a reduction in the number of contracting universities. It is submitted that the financial implications are of no consequence. Members of the profession may prefer a cost-benefit analysis in solving the problem, but it is not envisaged that the

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12) University of Witwatersrand, Commerce Faculty, Handbook, 1976, p.6.

subventions of the smaller universities should be eliminated, because it is imperative that chartered accountants teach at the universities. If the subventions do assist in drawing staff to universities, which is doubted, these subventions should be paid.

#### 10.4 The Final Qualifying Examination of the Public Accountants' and Auditors' Board

In terms of section 25(1) of the Public Accountants' and Auditors' Act, No.51 of 1951, a qualifying examination is set by the Public Accountants' and Auditors' Board. The regulations applying to the Final Qualifying Examination are gazetted from time to time.<sup>13)</sup> The qualifying examinations of accounting institutes in most countries of the world seem to cause controversy, and it is therefore necessary to examine the Final Qualifying Examination of the Public Accountants' and Auditors' Board in some detail.

The Education Committee of the Public Accountants' and Auditors' Board consists of twelve members, three of whom are university academics. The Education Committee is responsible for defining the educational requirements of future chartered accountants at the point of entry. It is also responsible for compiling the Final Qualifying Examination. The examination paper is compiled by the chairman and vice-chairman of the Education Committee from a pool of questions compiled by the Question Composers Panel. The papers are submitted to members of the Education Committee, who are not university academics, for their comments. The Education Committee is also responsible for the appointment of the Question Composers Panel. The members of the Panel consist of practising accountants, chartered accountants in industry, and university academics.

Members of the Question Composers Panel are required to submit three questions, together with suggested solutions, annually.

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13) The promulgation of the latest rules applying to the qualifying examination appeared in the Government Gazette of 6 February 1976, No. 4980, No.156 Department of Finance.

The questions are scrutinised by the chairman or co-chairman of the Question Composers Panel and if the questions appear to be satisfactory, they are submitted to members of the Question Composers Panel, who are expected to provide the answers. Members providing these answers comment on the questions, whether there are any ambiguities, or inaccuracies and whether the questions are possibly too easy or too difficult. Marks to be allocated to the questions are also indicated as well as a suggested time for the completion of each question. On receipt of the suggested solutions submitted by the two members of the Question Composers Panel, the chairman will compare these answers with the original answers submitted. If there are major differences which cannot be reconciled, the questions will be rejected, or depending on the objections lodged, may be redrafted and again submitted to other members of the Question Composers Panel for their suggested solutions and comments. The revised questions are submitted to two members of the Question Composers Panel, one member being in public practice and the other an academic. This is to ensure that the questions can be judged from the practical as well as the theoretical aspects involved. It could happen that a question could be exposed to comments of eight different members of the Question Composers Panel. If no unanimity is achieved, then the question will be rejected.

The marking procedures of the Final Qualifying Examination do ensure fairness as every answer is marked twice and in some cases even three times. There are two examiners and a moderator (umpire) for every question. Every question is marked by two examiners and they mark a small batch of answers, so as to ascertain what problems may be encountered during the final marking. Any adjustments to suggested solutions are discussed with the moderator for the particular question. Once the problems with regard to the marking of an examination question have been ironed out, the marking commences, and from 1976 the marking will be independent, in the true sense of the word. The first marker will indicate his mark on a mark sheet and the second marker will indicate his mark on the inside cover. The moderator will compare the mark of the first marker with that of the second marker. A compromise mark may be allotted or alternatively a remark may be necessary.

The marks are collated by the administrative staff of the Public Accountants' and Auditors' Board and borderline cases are subjected to adjudication by the Education Committee of the Public Accountants' and Auditors' Board.

It has been mentioned above that qualifying examinations throughout the world do cause their fair share of controversy. The Final Qualifying Examination of the Public Accountants' and Auditors' Board has also caused a fair amount of controversy during the last few years. Besides allegations of leaks of information, the controversy extends to whether the examinations are fair. With regard to the former, the Public Accountants' and Auditors' Board appointed an advocate to enquire into the allegations of possible leaks of information. In the findings, it was found that there was no substance in the allegations whatsoever.

Much criticism has been levelled at the Final Qualifying Examination because of the fluctuating results from year to year. It has been asserted that large failure rates may be attributed to the fact that the contents of the papers are unbalanced, and that if a difficult question in one paper could be moved to another paper, this may result in many more candidates passing the examination. It has been observed that the high percentage of successful candidates may be attributed to the fact that accounting, or management accounting questions have been included in the auditing paper. It appears that when an auditing paper consists purely of auditing questions, the percentage of successful candidates drops quite dramatically.

With effect from 1976, a candidate is expected to have an aggregate of 300 marks out of a possible 600 marks, with an aggregate of at least 50% in the first two papers, namely Advanced Accounting paper I and Advanced Accounting paper II. The third paper, Auditing, requires a sub-minimum of 40%, and as long as the candidate attains an aggregate of 300 marks for the examination in its entirety, he passes the examination.

Prior to 1976 a candidate was expected to have an aggregate of 300 marks out of a possible 600 marks, with a sub-minimum of 40% in any one paper.

Statistics showing pass percentages for the years 1958 to 1975 appear in Table Number 3.

Table No.: 3.

Statistics for the Final Qualifying Examination of the Public Accountants' and Auditors' Board for the period 1958 to 1975

Year	<u>Percentage Passes</u>	<u>Percentage Passes of Candidates</u>
	<u>for all Candidates</u>	<u>attempting the examination</u> <u>for the first time</u>
1958	48,3	
1959	36,5	53,2
1960	40,7	56,6
1961	42,7	43,3
1962	32,4	48,7
1963	59,2	67,5
1964	42,1	54,4
1965	50,6	62,0
1966	41,7	55,0
1967	61,2	76,9
1968	48,7	66,4
1969	51,7	56,1
1970	53,4	70,7
1971	68,8	80,5
1972	45,3	53,4
1973	67,9	77,2
1974	48,7	59,6
1975	51,8	57,0

Academics have expressed concern at the major fluctuations in the percentage of successful candidates during the last five years. An examination of the earlier years also reveals major fluctuations. The major fluctuations between the highest percentage of successful candidates and the lowest rates of successful candidates have caused some concern. A review of the abovementioned percentages indicates that the lowest percentage of successful candidates was in 1962, with



32,4% passing the examination. The highest percentage of successful candidates was in 1971 when 68,8% passed the Final Qualifying Examination.

How does one account for these major fluctuations? It has been stated that a factor to be borne in mind is that the participants of the examinations are from thirteen different universities and have been trained and educated according to the standards and norms of these universities. It must be acknowledged that the standards of tuition at the universities will differ because of different circumstances prevailing at each university. Another contributing factor to the fluctuation may be the tendency of universities to be more lenient during transitional times when there are changes in regulations and syllabi. It appears that "old timers" get the benefit of the doubt during this period.

Academics have expressed concern over the fact that brighter students sometimes fail the Final Qualifying Examination of the Public Accountants' and Auditors' Board, whereas some mediocre students pass the examination. The observation has been made that this may be because the standard of the questions set in the papers of the Final Qualifying Examination tend to vary too much. The argument of the academics may be countered by the fact that some of the mediocre students may have been exposed to more practical experience which has been of valuable assistance. On the other hand academics may argue that good theory should always be good practice.

Another reason advanced for the difference in the performance of candidates at universities and the Final Qualifying Examination, is that universities take year marks, which tend to favour the candidate, into account, whereas the Final Qualifying Examination only takes the performance in that particular examination into account in determining whether a candidate has passed or failed the examination.

Academics have also criticised the Public Accountants' and Auditors' Board for not publishing suggested solutions to the questions in the Final Qualifying Examinations. It appears

that the Education Committee of the Public Accountants' and Auditors' Board is reluctant to publish these answers. It is submitted that if candidates know the marking procedures and also know that alternative answers are accepted, and that the solution given is not necessarily the best one, but an acceptable one, there should be no reason for suggested solutions not being published. Some institutes overseas do publish suggested solutions, although they are regarded as being unofficial. The most notable example is that of the American Institute of Certified Public Accountants.

#### 10.5 Influence of the Final Qualifying Examination on the Teaching of Accountancy at Universities

Another problem that arises is that the detailed syllabi of the Public Accountants' and Auditors' Board influences the teaching of accounting at universities. The Education Committee of the Public Accountants' and Auditors' Board stresses that these are the minimum requirements of the Board, and that if any universities wish to teach the subject in greater depth they are free to do so. A fear that arises from setting detailed syllabi is that the minimum "floor" levels prescribed often tend to become ceilings.

It may be appropriate to examine the findings of the Van Wyk De Vries Commission of Enquiry into Universities. The report states as follows:

*"Although the Board has the statutory powers to prescribe to the universities, in practice there has proved to be a reasonable measure of flexibility in co-operation in laying down and modifying curricula. There appears to be a sound measure of consultation. However, the fact that the Board conducts its own examinations for admission to the profession means that the teacher at the university sometimes has to sacrifice his own academic approach because he is, after all, giving training for an external examination."*<sup>14)</sup>

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14) Department of National Education, *Main Report of the Commission of Enquiry into Universities*, Government Printer, Pretoria, 1974, p.154.

The question arises to what extent the detailed syllabi have influenced the teaching of accounting and related subjects at universities. Many universities teach various topics such as partnership accounts, in Accounting I and it is also taught in subsequent courses. Enquiries reveal that this is done so that the proficiency of the student may be kept at a high level in case he is required to answer a partnership question in the Final Qualifying Examination.

Certain universities place an undue emphasis on tutorials. Besides six accounting tutorials there are tutorials in other subjects, and this could result in a student, whether he be full-time or part-time, being required to complete anything from ten to fourteen tutorials per week, depending on the number of subjects he is taking. The answer to this question is quite simple, and that is that the student improves his speed and proficiency when he answers so many tutorials. A lecturer will give many tutorials to improve the proficiency of the student, and the more tutorials a student has been exposed to, the greater his chances are of getting a similar question in the Final Qualifying Examination. Thus the chances of the student doing well in an examination improve. Unfortunately as the proficiency of the lecturer is gauged by the success of his candidates in the Final Qualifying Examination of the Public Accountants' and Auditors' Board, it is only natural for the lecturer to place so much emphasis on tutorials.

The question that really should be answered is this: Is it really necessary for the student to be exposed to so many tutorials? It is submitted that a student could do half the number of tutorials and still understand the underlying principles. This will allow the student to do much more reading, which it is submitted has been neglected by many universities in this country. The part-time students have just not had the time to do the reading required of them.

There have been certain changes in the accountancy curricula of the universities as well as in the structure of departments, which it is believed have been influenced by the effects of

the Final Qualifying Examination. In some instances, it is submitted the changes have resulted in a course of narrower content compared with the original courses and thus a retrogressive step. The Final Qualifying Examination's results of universities may improve as a result of such changes, but there are doubts whether the accountants have a broader education. Another question which arises is: Why does the accounting course take four or five years at most universities, whereas in many overseas universities two or three years are needed to complete the course? The influence of the Final Qualifying Examination of the Public Accountants' and Auditors' Board is no doubt a contributing factor to the situation.

A sad indictment may be directed at universities. This is that certain private tutors are providing tuition for students at certain universities and for candidates of the Final Qualifying Examination. A question that arises is why this tuition is necessary. Is there such a great difference between the standard at certain universities and the standard of the Final Qualifying Examination? The fact that these private tutors are apparently financially successful indicates that there must be a need for such tuition and this leads to the conclusion that the tuition at certain universities leaves much to be desired. It also possibly indicates that students are spoonfed at universities and are not taught to teach and motivate themselves.

A Standing Committee was formed during 1972 to review the educational requirements of the profession continuously.

The terms of reference of this Standing Committee are:

1. To review and update the content of the Board's minimum C.T.A. syllabi on a continuing basis.
2. To satisfy itself that the syllabi of all participating universities and the Board's education scheme comply with the minimum requirements of the Board.
3. To approve immediately the syllabi complying with the Board's minimum requirements.
4. To draw up a schedule of courses mounted, or to be mounted, by participating universities and the Board's

education scheme.<sup>15)</sup>

An academic is at liberty to recommend to the Standing Committee alterations to this syllabus content. This committee officially still exists, but is not very active at present.

#### 10.6 Analysis of Overall Statistics of the Final Qualifying Examination of the Public Accountants' and Auditors' Board

Various statistics are detailed in Table Number 4., individually for the years 1973 to 1975. The cumulative percentage for the years 1957 to 1975 are also given. A few deductions can be made without fear of contradiction. It is obvious from these statistics that candidates employed in the profession have a much better chance of successfully completing the examination than those not employed in the profession. The overall percentage for the years 1957 to 1975 indicates that 55,1% of candidates who wrote the examination whilst employed in the profession were successful and only 31,2% of those employed outside the profession were successful during the same period.

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- 15) Public Accountants' and Auditors' Board, Minutes of a Conference between members of the Board's Education Committee and Teaching Staff of the universities, held at the Oklahoman Motel, Pretoria, on Thursday and Friday, 12 and 13 April 1973, p.10
- 16) The Public Accountants' and Auditors' Board made their detailed statistics available to me for the purposes of this study. Their assistance in this regard, particularly Mr. M.L. Myburgh, is acknowledged with thanks.

Table No.: 4.

Certain Statistics of the Final Qualifying Examination of the Public Accountants' and Auditors' Board for the years 1973 to 1975 individually and cumulatively for the years 1957 to 1975.

(Percentages indicate successful candidates. Failures will be the difference between 100% and the percentage stated).

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>Years 1957 to 1975</u>
A. Candidates who wrote the whole examination	67,9%	48,7%	51,8%	48,8%
B. Candidates employed in the profession	72,2%	53,8%	55,0%	55,1%
C. Candidates not employed in the profession	54,5%	26,5%	38,8%	31,2%

Analysis of periods of Absence from Profession, of Candidates in C above

Periods for which candidates have been employed outside the profession:

Less than one year	72,9%	42,8%	58,0%	45,2%
One to two years	58,8%	30,0%	33,3%	35,3%
Two to three years	50,0%	6,6%	52,0%	32,2%
Three to four years	38,1%	-	37,5%	24,8%
Four to five years	44,4%	12,5%	-	21,8%
More than five years	33,3%	22,7%	9,0%	19,3%

Another fact that emerges, which can also be stated without fear of contradiction, is that the longer a candidate is employed outside the profession, the more difficult it is for him to pass. Candidates who have been out of the profession for less than one year, have a 45,2% chance of passing, whereas those employed outside the profession for more than five years have only 19,3% chance of passing the examination.

The analysis in table number 5., according to the period of articles served by the candidates, indicates that graduates have a much better chance of passing the examination than non-graduates. The statistics for the overall period 1957 to 1975 reveal that 52,4% of graduates were successful compared to 48,1% of the five-year articulated clerks. An aggregate of the three years ending in 1975 shows that 60,8% of the trainee accountants, serving three years articles, were successful compared to 52,9% of those serving five years' articles. This trend is indeed welcomed and should be an incentive to future trainee accountants, who have the finance to attend universities full-time, as it does appear that their chances of being successful are greater than the chances of trainee accountants who serve five years' articles.

Table No.: 5.

Analysis of Candidates according to Period of Articles

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1973-1975</u>	<u>1957-1975</u>
5 years' articles	66,0%	38,8%	50,9%	52,9%	48,1%
3 years' articles	70,3%	61,1%	53,9%	60,8%	52,4%

The Public Accountants' and Auditors' Board has granted a concession to Honours graduates of certain universities. These students, who have studied four years full-time to attain the B.Com.(Honours) qualification, have been allowed to write the Board Qualifying Examination during the first year of their articles. This concession has been granted on an experimental basis and the situation will be reviewed in 1978. In 1974, 74,4% were successful and in 1975, 42,2%, giving an overall percentage of 50%, but two years is not long enough for a fair assessment. It has been stated that, as the Final Qualifying Examination is basically a re-test of what has been taught at universities, students do not need that much practical experience, if any, to complete the examination successfully. It has been stated that good theory should be good practice and thus practical experience is not imperative for the successful completion of the Board Final Qualifying Examination. It must be remembered that the students who are admitted to these courses are supposed to be the best. If the content of the Final Qualifying

Examination becomes more practice oriented, it will be interesting to observe the performance of these candidates during the next three years.

Statistics according to the expiry of articles applicable to all candidates in Table Number 6. again show that the longer a candidate is out of articles, the more difficult it is for him to be successful in the examination. The statistics for the period 1957 to 1975 show that those clerks who had twelve months articles left had a 71,5% chance of passing, whereas those candidates whose articles had expired less than twelve months before the examination had a 67,3% chance of passing. The cumulative statistics for the three years 1973 to 1975 indicate a reversal in the trend: namely, that students, whose articles had expired twelve months or less prior to the examination, had a 71,8% chance of passing and those who had twelve months articles to run had a 67,4% chance of passing. Candidates whose articles had expired more than five years previously had a 22,7% chance of passing if statistics for the nineteen years are taken into account. This can be compared with 27,9% for the last three years. It is only natural that the longer a person has been out of articles, the more difficult it will be for him to succeed in the examination.

Table No.: 6.

Analysis of Candidates according to Expiry of Articles

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1973-1975</u>	<u>1957-1975</u>
3 years to run	-	71,4%	41,2%	50,0%	50,0%
18 months to run	76,9%	54,8%	39,4%	55,6%	60,2%
12 months to run	76,5%	64,6%	64,3%	67,4%	71,5%
Expiry less than 12 months ago	83,4%	69,6%	64,9%	71,8%	67,3%
Expiry less than 2 years ago	80,6%	51,2%	59,4%	63,5%	55,9%
Expiry less than 3 years ago	69,8%	45,5%	63,9%	62,8%	50,4%
Expiry less than 4 years ago	63,5%	32,4%	46,2%	47,7%	40,0%
Expiry less than 5 years ago	54,5%	34,2%	45,5%	44,5%	36,4%
Expiry more than 5 years ago	39,5%	16,5%	25,7%	27,9%	22,7%



In the past, concern has always been expressed about chartered accountants in the country areas. It is acknowledged that these chartered accountants do render an invaluable service to their communities. It is suggested that policy makers in the profession in their endeavours to accommodate the chartered accountant in the country areas in the formulation of their policy, are mis-placing their priorities. This is because statistics for the period 1957 to 1975 indicate that successful candidates who served articles in the country areas only contributed approximately 3,2% of all the successful candidates for the same period. In real terms this is less than 10 chartered accountants annually. Statistics detailed in Table Number 7. indicate that articled clerks in a university centre have the best chance of passing, whereas their colleagues in large centres without universities, and in country towns have difficulty in passing. As the statistics show, however, the results of the latter two groups have improved immensely during the last three years. A question that arises is what has caused this improvement. It may be questioned whether the tuition offered by certain private organisations has not contributed to this improvement. If this is the case, the private tuition offered should be encouraged. Another less likely contributory factor, could be that in certain areas partners may show greater interest in the welfare of their clerks.

Table No.: 7.

Analysis of Candidates according to where Articles Mainly Served

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1973-1975</u>	<u>1957-1975</u>
University Town	69,5%	49,3%	52,3%	56,7%	50,1%
Large Centre	50,0%	38,7%	47,6%	45,3%	41,8%
Country Town	51,4%	46,7%	42,1%	47,8%	30,3%

10.7 Review of Statistics of Individual Universities

An argument always mooted for the retention of a Uniform Final Qualifying Examination of the Public Accountants' and Auditors' Board, is the difference in the various standards of the

universities. This argument requires investigation to determine its validity. In Annexure F. the results for the years 1973 to 1975 have been ranked according to performance by universities in each paper, as well as the aggregate performance. A ranking of successful first-timer candidates is also given. (This is the successful first-timer candidates over total number of first-time candidates expressed as a percentage). There has been a tendency among academics to judge the performance of universities utilising this criterion. It is submitted that this approach is fallacious as the standard of teaching at a university should be measured by the performance of all first-timers. Also a small university may have a 100% success having ten candidates only, whereas a large university may have 80% success with possibly over 100 candidates. It is therefore important to keep everything in its true perspective. Comparisons of percentages may be misleading and in certain circumstances one should look at the performance in real terms.

To ensure anonymity of universities a random code has been allocated, but it is important also to give an indication of the size of the university concerned. The basis of the first division is those six universities which have produced the most chartered accountants during the last three years. Category 2 represents the remaining universities. One university has been omitted because it had one candidate only during the three years that are being used for the comparison. In the case of the University of Natal, for the 1975 year, the statistics of the Pietermaritzburg department have been incorporated with the Durban department to facilitate comparison, as the Pietermaritzburg statistics are not available for earlier years.

To what extent do the standards really differ? If the difference between the highest mark and the lowest mark is expressed as a percentage of the lower mark then it is found that the differences are quite substantial. The overall differences for papers I, II and III of the 1975 examination were respectively 34,7%, 27,0% and 32,0%. The difference for the aggregate was 22,8%. The 1973 percentages reveal an even

greater disparity and the differences in papers I, II and III are 47,0%, 43,9% and 38,4% respectively. If the differences between the different sizes are compared one still finds a substantial variance. If the category 1 universities are compared, one finds in the first paper for 1975 that the difference between high and low expressed as a percentage of the lowest mark in the first paper was 18,32%; in the second paper it was 10,54% and in auditing it was 12,26%. The difference on aggregate was 9,8%. The difference of the category 2 universities is the same as for all universities as the highest marks and the lowest marks for all three papers came from this category. This also illustrates that universities concentrate on certain areas at the expense of other areas. In one instance the auditing achievements are the highest, which illustrates a poor standard in the other areas.

Standards at individual universities also tend to vary from year to year. Academics have been heard to remark that the standards in a particular year have been more lenient because of certain transitional regulations. Another reason advanced for different standards is the possibility of members of staff being on sabbatical leave. Annexure F. reveals that university H has the following rankings in paper III for the years 1973, 1974 and 1975 respectively, namely 5, 2 and 2. Rankings in auditings for university G for the same years reveals a greater disparity namely 2, 8 and 6. University D had a ranking in the third paper of 10 in 1973, 3 in 1974 and 9 in 1975. University D's ranking for the first paper shows 1973 with 10, 1974 with 9 and 1975 with 5. University E in paper III reveals a ranking of 4 in 1973, 6 in 1974 and 11 in 1975. How does one account for such a change? Was there possibly a change of lecturer in that particular subject?

It has been stated that comparisons of the success attained by first-timers as a means to determine a university's proficiency is fallacious. University A based on this criterion is ranked 8 in 1975 with an aggregate revealing that it ranked number 4. This must lead to the conclusion that the university was unfortunate and had many borderline

cases. University M, a small university with a ranking, according to the successful first-timers, of 7 has an aggregate ranking of 1. This is misleading as university M is in category size number 2 and the number of candidates is relatively small. University K is ranked 3 for 1975 on successful first-timers with an aggregate ranking of 9. This again is a category 2 university and the number of candidates involved is small with the weaker candidates materially affecting the average. From this it can be deduced that the criterion of successful first-time candidates is a fallacious one. A review of the rankings in the years 1973 and 1974 also reveals a similar manifestation.

To overcome the problems of annual fluctuations, and of staff being on leave, the marks for the various papers were aggregated for the years 1973, 1974 and 1975 as well as the aggregate marks for the three years. The aggregate marks for the three years are also ranked, in Annexure F. This reveals that three category 2 universities are in the top four based on aggregate. No doubt the recommendation made that the number of universities contracting with the Public Accountants' and Auditors' Board should be drastically reduced will be questioned if university K is ranked third and university M is ranked fourth.<sup>17)</sup> These two universities would possibly not cater for final year students. University K had one exceptionally good year and the total number of first-timers for the two universities during the three years was only 25. Viewed realistically the contribution made by these two universities is very small. It would be interesting to see how many students enrolled for the final year at these universities, and how many were awarded the Certificate in the Theory of Accountancy. The university with the highest ranking has produced fewer than 50 chartered accountants during the last three years. It must be reiterated that the whole question of statistics must be seen in its true perspective.

It can be stated categorically that there is substance in the argument that the standards among the various universities differ substantially. It is therefore imperative that a

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17) For recommendations with regard to contracting universities see pp. 403/404.

uniform final examination be held to ensure uniformity of standards under existing circumstances.

A review of the statistics of first-timers for the last three years as reflected in Table Number 8., shows that the percentages in the first two papers have been reasonably consistent and the third paper has varied. In 1973 the first-timers attained a mark of 54,2%, in 1974, 43,3% and in 1975, 45,0%. The high average for 1973 can be attributed to the fact that there was a costing question as well as an accounting question in the auditing paper. It is interesting to observe that in 1973 and 1974 the performance of first-timers was better than that of previous candidates. In the 1975 examination the performance of other candidates was marginally better on aggregate than first-timers.

Table No.:

National Averages of all Candidates, those writing the Examination for the first time and subsequently

	<u>Paper 1</u>	<u>Paper 2</u>	<u>Paper 3</u>	<u>Aggregate</u>
1973 - First	56,4	54,9	54,2	55,2
All	55,3	53,2	53,1	53,9
Other	53,9	51,2	51,7	52,3
1974 - First	55,6	55,5	43,3	51,5
All	53,9	53,6	42,6	50,0
Other	49,9	49,3	41,0	46,7
1975 - First	54,1	54,3	45,0	51,1
All	56,4	51,8	45,3	51,2
Other	60,3	47,6	46,0	51,3

It is suggested that the statistics of the Public Accountants' and Auditors' Board be expanded to show the averages of first-timers, the national average and the average of other candidates. It is further recommended that the Public Accountants' and Auditors' Board investigate the possibility of computerising the compilation of the mark sheets so that various statistical analyses can be made to determine the fairness of questions, as well as differences in standards between questions and papers. These tabulations

could be of substantial assistance to the Education Committee in the adjudication process.

#### 10.8.1 Alternatives to the Present Final Qualifying Examination

A trite observation is that the Final Qualifying Examination of the Public Accountants' and Auditors' Board has caused a fair amount of controversy. Many academics have proposed that the Final Qualifying Examination be replaced by examinations set at universities. This proposal is made subject to the proviso that members of the Education Committee of the Public Accountants' and Auditors' Board will be moderators and external examiners at contracting universities. Opponents of this suggestion state that as standards at universities are so diverse, at this particular point in time, this suggestion is unacceptable. It is further asserted that inadequate control of examination papers would result in a complete lack of necessary uniformity of standards at the various universities. An alternative suggestion has been made that a uniform final-year Certificate in the Theory of Accountancy examination set by academics be adopted by all universities as the final examination. The suggestion is again subject to the proviso that moderators and external examiners be appointed by the Public Accountants' and Auditors' Board. It has been suggested that this uniform final-year examination be followed by a professional examination on auditing and general professional knowledge, for those who wish to register as practising accountants with the Public Accountants' and Auditors' Board. A reason for suggesting a uniform final examination set by academics, is that uniformity of standards will still be maintained and that, as the present Final Qualifying Examination has tended to re-examine questions already examined on by universities in their final Certificate in the Theory of Accountancy examinations, this will eliminate unnecessary duplication. If a uniform final examination was to be accepted by the universities, the Board could change the nature of its practitioner's examination to cover practical aspects of auditing as well as general professional knowledge.

Needless to say, most academics favour the universities setting a final examination individually, whereas generally, practitioners favour a uniform final examination set by academics and used by all universities. Academics counter the latter suggestion by stating that it interferes with the traditional autonomy and freedom of a university to teach what it likes and how it likes. Another argument against the uniform qualifying examination is that diversity of approach to accountancy education should be welcomed.

The Final Qualifying Examination of the Public Accountants' and Auditors' Board has resulted in the following comments being attributed to L. Kritzinger:

*"I may say that the need for a Board examination after the student has successfully pursued his university studies is heartily contested in some university quarters, they consider it something of an insult that the Board does not accept the level of the universities' degrees as sufficient for automatic acceptance into the ranks of the profession, always assuming of course, that the man has also had the requisite professional experience and articles. From the Board's standpoint, of course, one can see their wishes to have a uniform standard of member in that one university's degree may not be of the same standard as another's - how would the Board be able to monitor any changes? The advent of the Society (South African Society of University Teachers of Accounting) may well be the first step towards the development of a common and universally acceptable minimum standard amongst all the teaching bodies, in which case the Board might be persuaded in due course to drop its own examination and accept the examination results awarded by the universities, one can't tell." 18)*

It has been contended that a uniform examination set by academics is preferable to the *status quo* because the examiners will be the teachers and not practitioners, who have no experience of teaching. Another viewpoint has been expressed by Douglas Garbutt, who states:

*" ... It is one of the fundamental functions of a professional body to determine the qualifications which potential entrants to membership require and to test their professional competence*

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18) Kritzinger, L., as quoted in the *South African Chartered Accountant*, October 1974, p.343.

*before admission. If C.T.A. and F.Q.E. are essentially identical it is probably better for the university to drop the C.T.A. than for the profession to drop its F.Q.E."* <sup>19)</sup>

Another argument against the introduction of a uniform final examination is that certain universities award an honours degree in lieu of a Certificate in the Theory of Accountancy. The authorities at these universities will not accept the examinations of an external body as a qualification for a university degree. The anomalous situation could arise that candidates will still be required to write two different examinations: a uniform examination as well as an examination set by the universities.

#### 10.8.2 Analysis of Responses to Questions Relating to the Final Qualifying Examination <sup>20)</sup>

Two questions were included in the questionnaire to test the views of chartered accountants in South Africa with regard to the Final Qualifying Examination. One question tested the opinion on the possibility of approved universities individually examining prospective entrants to the profession without a subsequent examination. Certain alternatives were given to this. Another question was whether the Final Qualifying Examination should be replaced by a uniform final examination, which would be set by university teachers of accounting. The responses to questions 10 and 11 are shown in Table Numbers 9 and 10 respectively.

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19) Garbutt, Douglas, *Ibid.*, p.280.

20) For detailed statistics, see Annexures B.8 and B.9



Table No.: 9.

Analysis of Responses to Question 10

Percentals  
Analysis  
of Total  
Responses

Indicate which of the statements made below is most acceptable to you:

a) Approved universities should have the power to examine prospective entrants to the profession without the Public Accountants' and Auditors' Board setting a subsequent final examination.	12,5%
b) Approved universities should have the power to examine prospective entrants to the profession, but the Public Accountants' and Auditors' Board should set an examination for those desiring practising certificates	17,8
c) The Public Accountants' and Auditors' Board should set an examination for all prospective Chartered Accountants	67,9
d) Other	0,9
No Response	<u>0,9</u>
	<u>100,0%</u> 21)

The responses in Table Number 9. indicate that respondents overwhelmingly support the Final Qualifying Examination set by the Public Accountants' and Auditors' Board for all prospective chartered accountants. Protagonists of the *status quo* accounted for 67,9% of the responses, with only 12,5% being in favour of a university examination. 17,8% were in favour of a university examination together with an examination set by the Public Accountants' and Auditors' Board for those desiring practising certificates. Other suggestions accounted for 0,9% and no opinions also accounted for 0,9%.

An examination of the views according to occupation classification indicates a close correlation between the views of those in public practice and those not in public practice. University teachers of accounting seem to favour the alternative, that chartered accountants desiring a practising certificate should write an examination set by the Board. An analysis of the responses based on age classification reveals a very similar trend without any great variances. The same

21) For detailed statisti



applies to an analysis based on whether chartered accountants have a degree or not.

The views of the special group interviewed indicate that 59,2% favour the retention of the *status quo*, 22,5% favour an examination set by universities with no subsequent examination and 14,3% favour a university examination together with an examination set by the Board for those accountants desiring to be in public practice. An analysis of the above statistics proves that the profession as such does not favour the final qualifying examination being delegated to the universities.

Table No.: 10.

Analysis of Responses to Question 11

	Percental Analysis of Total Responses
<i>In the event of universities agreeing to set a uniform final examination in lieu of the Certificate in the Theory of Accountancy, indicate which statement is most acceptable to you:</i>	
a) <i>That no further examination whatsoever be set by the Public Accountants' and Auditors' Board and the designation C.A. (S.A.) may be used upon registration with one of the provincial societies.</i>	18,5%
b) <i>That the Public Accountants' and Auditors' Board should set an examination for those desiring practising certificates, and this examination be written during the last year of the practical experience period and the C.A.(S.A.) designation may be used upon registration with one of the provincial societies.</i>	17,8
c) <i>That the Public Accountants' and Auditors' Board should set an examination for all prospective Chartered Accountants.</i>	61,7
d) <i>Other</i>	0,4
No Response	<u>1,6</u>
	<u>100,0%</u>
	22)

22) For detailed statistics see Annexure B.9

Table Number 10, reveals that respondents again prefer the retention of the *status quo* is preferred by 61,7% of the respondents, with 18,5% of the respondents favouring a uniform final examination with no subsequent examination set by the Public Accountants' and Auditors' Board. Only 17,8% of the respondents favoured a uniform final examination followed by a practising examination set by the Public Accountants' and Auditors' Board.

An analysis of the views of university teachers of accounting reveals a preference for a uniform examination set by university lecturers together with a subsequent practising certificate examination set by the Public Accountants' and Auditors' Board. This proposal is favoured by 45% of the academics, whereas 25% prefer the *status quo*. 21,7% of academics favour a uniform final examination with no subsequent examination set by the Board.

The views of the special group interviewed indicate 42,9% prefer a uniform final examination. The retention of the *status quo* is favoured by 40,8% of the respondents with 8,2% favouring a uniform final examination together with a subsequent practising certificate examination set by the Board. Other suggestions and no opinions account for 8,1% of the responses. The interviewed group may have been influenced by being told that a uniform final examination would be subject to moderation and external examination by members of the Education Committee of the Public Accountants' and Auditors' Board.

A few suggestions were made for the Final Qualifying Examination by the respondents. One respondent obviously influenced by Solomons' "*Prospectus for a Profession*",<sup>22)</sup> suggested an open-book examination to be set by the Public Accountants' and Auditors' Board as a test of professional competence. Another respondent put forward that candidates be allowed only three attempts to complete the Final Qualifying Examination. The Final Qualifying Examination of

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22) Solomons, David with Berridge T.M., *Prospectus for a Profession - The Report of the Long-Range Enquiry into Education and Training for the Accountancy Profession*, London, Gee & Co., Limited, 1974.

the English Institute was also preferred by a few respondents. The professional examination set by the Institute of Chartered Accountants in England and Wales, consists of two parts. Certain respondents also favoured the introduction of oral examinations.

It appears from the abovementioned analysis that the majority wish to retain the Final Qualifying Examination set by the Public Accountants' and Auditors' Board. The principle of the profession determining who shall be the entrants to the profession is accepted beyond any doubt, but the format of the examination may require alteration.



CHAPTER 11

THE ATTITUDE OF RESPONDENTS TO CERTAIN CONTROVERSIAL  
ISSUES IN THE PROFESSION AND ACCOUNTANCY EDUCATION

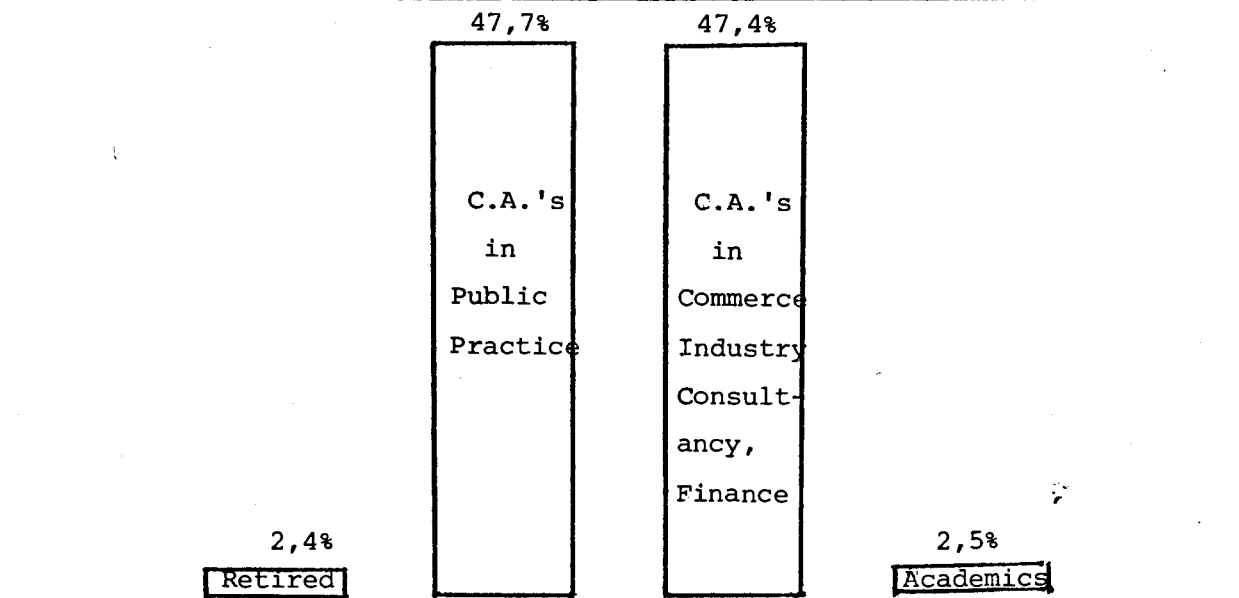
11.1 Introduction

The views of the profession regarding many controversial issues were tested, utilising a questionnaire distributed to all chartered accountants in South Africa. The response to the questionnaire<sup>1)</sup> was satisfactory, seen in the light of the controversy the questionnaire caused. Certain provinces initially refused to distribute the questionnaire, but it was ultimately distributed under a different covering letter.<sup>2)</sup>

It is averred that the responses are representative of the views of the profession. The breakdown of the respondents, according to occupation classification, is shown in Figure 1. From this it will be observed that the distribution of the respondents, according to occupation classification, corresponds closely to the estimated distribution according to occupation classification for all chartered accountants in South Africa.<sup>3)</sup>

Figure 1.

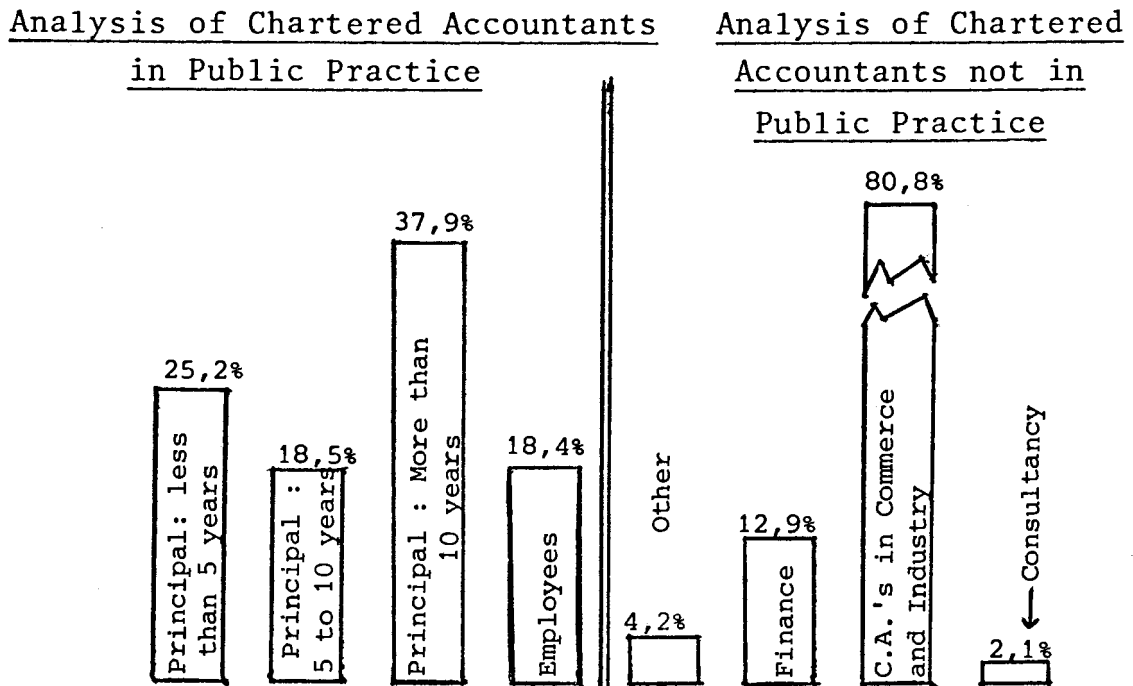
Analysis of Respondents according to Occupation Classification<sup>4)</sup>



- 1) For questionnaire and covering letter, see Annexure A.
- 2) The response was approximately 37,8% - certain provincial societies could not give accurate figures of questionnaires distributed. The 37,8% response includes those rejected questionnaires as well as those that arrived too late for processing
- 3) For a breakdown of a detailed occupation classification according to age, see Annexure B.1.
- 4) For a breakdown of respondents according to occupation classification see Annexure B.1.

In figure 2 a further breakdown of respondents within the above occupation classification is given. Chartered accountants in public practice are classified into four groups, namely principals - for less than five years, five to ten years, more than ten years and employees. Their colleagues not in public practice, are classified into four groups, namely, commerce and industry, consultancy, finance and other.<sup>5)</sup>

Figure 2.



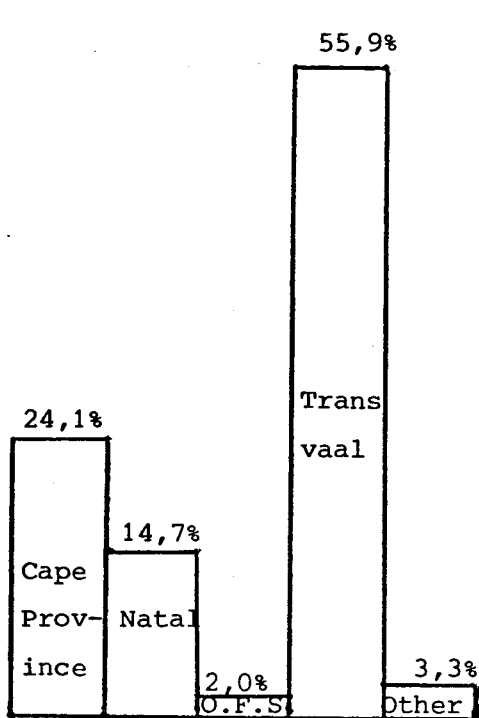
The geographical distribution of respondents, as well as all chartered accountants in Southern Africa is shown in figure 3.<sup>6)</sup> This indicates that there may be a slight bias because of more responses from chartered accountants in Natal and Transvaal.

5) For further details of respondents in commerce, industry *et.al.* see Annexures B.1, B.5 and B.6.

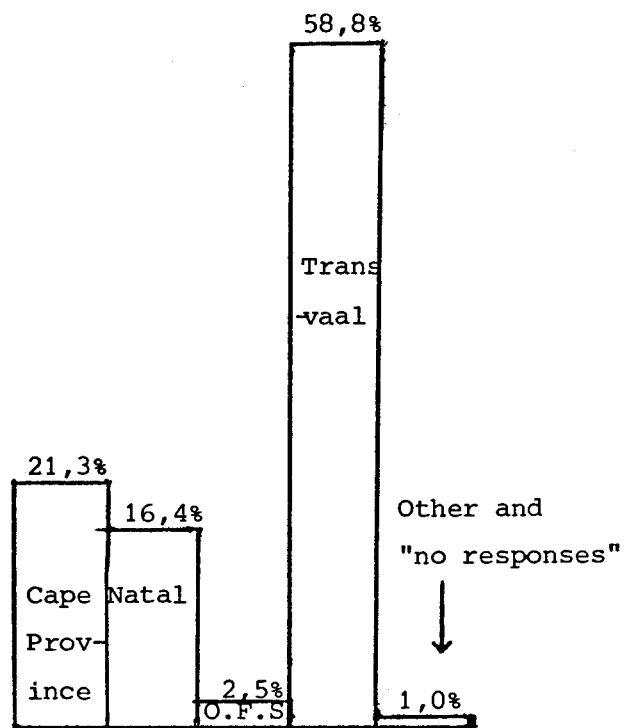
6) Information furnished by the Administrative Manager of The National Council of Chartered Accountants (S.A.), Mr. N. Neate.

Figure 3.

Geographical Distribution of  
Chartered Accountants in  
Southern Africa



Analysis of Respondents  
According to Region  
where Employed



The breakdown of respondents, according to age and year when C.A. qualification was attained, is shown in figures 4 and 5 respectively.

Figure 4.

Analysis of Respondents According to Age

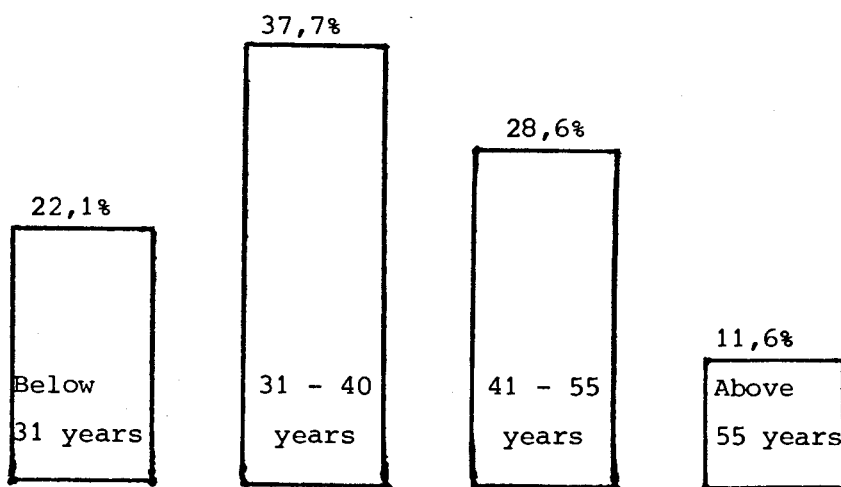
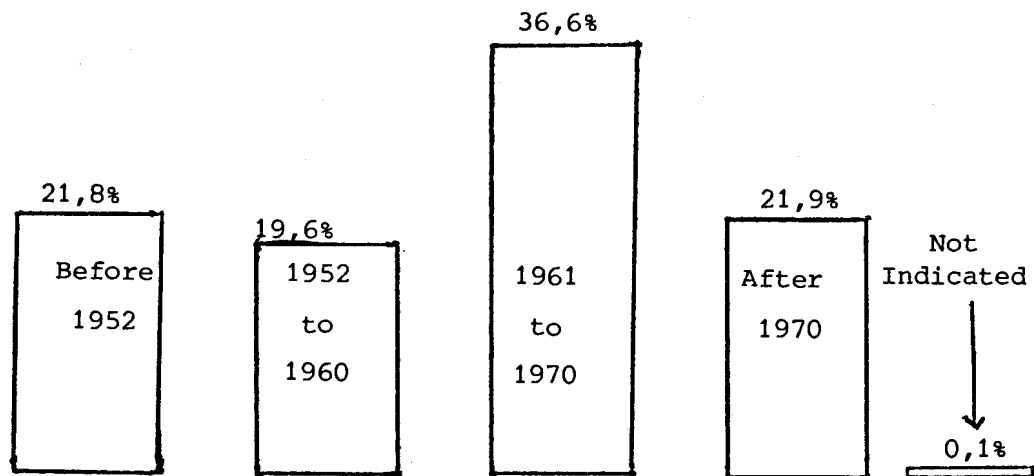


Figure 5.

Analysis of Respondents according to year when  
C.A. Qualification attained



The academic qualifications of respondents are detailed in Annexure B. <sup>7)</sup> Slightly more than 30% have degrees and of these 70% have Bachelor of Commerce degrees. It is interesting to note that more than half of these respondents attained their degree full-time. Particulars relating to post-qualification specialisation are shown in Annexure B. <sup>8)</sup> From the responses to the questionnaire, it appears that only 15,1% (of 2 367 respondents) regard themselves as specialists, with the major field of specialisation being management accounting. These qualifications were mostly attained by correspondence, part-time or through personal initiative.

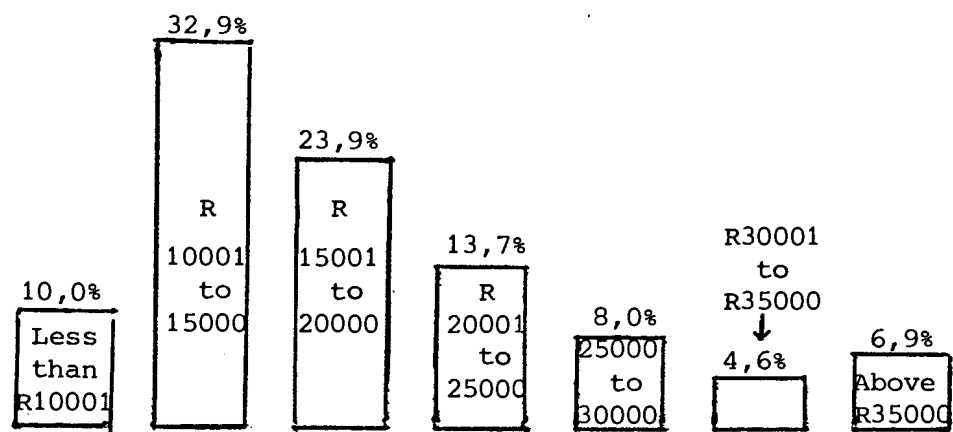
The breakdown of the earnings of the respondents is shown in figure 6. <sup>9)</sup>

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- 7) For further details see Annexure B.3.  
 8) For further particulars see Annexure B.4.  
 9) For a breakdown of incomes according to occupation, age and academic qualifications, see Annexure B.5.



Figure 6.

Analysis of Respondents according to Income  
(based on 2 280 replies)



### 11.2 Practical-Experience Requirements, Articles and Graduate Entry

With regard to the practical-experience requirements and graduate entry, four questions were posed in the questionnaire. Question 7 was basically designed to see whether practical experience should be in the office of a chartered accountant only, or whether certain options should be allowed. Question 8 was designed to check desirability of articles, a service contract and free transferability. Question 9 assessed whether graduate entry was desirable and question 37 tested the opinions of chartered accountants not in public practice, as to whether their experience during articles was of assistance to them in their present careers.

Table No.:11.

Analysis of Responses to Question 7

	Percental Analysis of Responses
<i>Indicate which of the statements made below is most acceptable to you:</i>	
a) <i>All prospective Chartered Accountants must undergo some period of supervised practical experience (articles) in a practitioner's office prior to qualification.</i>	61,7%
b) <i>Prospective Chartered Accountants wishing to enter public practice must undergo some period of supervised practical experience (articles) prior to qualification.</i>	4,6
c) <i>Practical experience is not required of the prospective Chartered Accountant.</i>	0,3
d) <i>Prospective Chartered Accountants should, prior to qualification, either undergo a period of supervised practical experience in a practitioner's office or combine experience in a practitioner's office with a period in commerce and industry.</i>	32,6
e) <i>Other</i>	0,1
No opinion	<u>0,7</u>
	<u>100,0%</u> 10)

From the analysis in Table Number 11. it is apparent that the retention of the present system of practical experience is preferred. An analysis of responses according to occupation classification reveals that 72,2% of chartered accountants in public practice favour the *status quo*, whereas 51,7% only of their colleagues not in public practice favour it.

The 1968 COBOK Survey had a question reading:

*"Do you consider that some period of service under articles of clerkship or other supervised training is an essential part of training of a chartered accountant?"* <sup>11)</sup>

10) For detailed statistics see Annexure B.7.

11) The National Council of Chartered Accountants (S.A.), *Report of the Common Body of Knowledge Committee on the Knowledge Required by the Future Newly Qualified Chartered Accountant and other matters*, Johannesburg, 1969, Appendix B, p.3.

The responses were: Yes - 98,7%

No - 1,3%

In the 1975 survey, we find that "no opinions" and protagonists for no practical experience whatsoever, account for 1%, with 99% in favour of some form of practical experience.

There has definitely not been any change in the views of the profession.

The importance of the practical-experience period is further underlined by the responses to a question posed to chartered accountants not in public practice, (excluding university teachers of accounting and retired accountants), as table number 12. indicates.

Table No.:12.

Percental Analysis of Responses to Question 37

*Do you consider that the experience gained during your practical experience period (articles) has been of assistance to you in your present career?*

<i>Yes</i>	<i>No</i>	<i>No Opinion</i>
92,6%	4,5%	2,9%

12)

From the responses in Table Number 12. it is patently clear that chartered accountants not in practice believe that the practical experience has been of assistance in their present careers. The detailed analysis according to occupation classification reveals that all groups expressed a positive opinion with responses of 83,3% and 70,8% from the occupation classifications, consultancy and others. The responses of these two classifications accounted for only 72 out of 1 125 replies. It is suggested that with such substantial affirmative indications the importance of the practical-experience requirement is underlined. Chartered accountants not in public practice stated that the exposure to so many systems whilst in the employment of a chartered accountant has proved to be of inestimable worth to them in their present careers. Chartered accountants interviewed indicated that although exposure to the systems of a firm

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12) For detailed statistics see Annexure B.21.

in commerce would be good, this would be difficult to control, and there were reservations as to whether the trainee accountant in a period of six months to a year could be exposed to any worthwhile experience in a commercial or industrial firm.

The 1968 survey included a question,

*"Should any part of the clerk's practical training under articles or other supervised training be served in industry or commerce?"*

The responses indicated: Yes - 62,9%  
No - 37,1% <sup>13)</sup>

A breakdown of the 1968 responses revealed that 77% of respondents in commerce and industry favoured this compared with 47% of principals in public practice.

Reservations have been expressed about the present system of articles and question 8 was designed to test the opinion of the profession about this.

Table No.: 13.

Analysis of Responses to Question 8

	Percental Analysis of Responses
<i>Assuming that a supervised practical experience period prior to qualification is required, should this be:</i>	
a) <i>under the present system of articles,</i>	53,0
b) <i>or a service contract with free transferability,</i>	44,8
c) <i>or other</i>	0,8
No opinion	<u>1,4</u>
	<u>100,0%</u> <sup>14)</sup>

Once again from the analysis of responses in Table Number 13. it is very clear that the *status quo* is preferred, although a large number favour a service contract with free transferability. The detailed statistics reveal that 75% of

13) COBOK Committee Report, *Op. Cit.*, Annexure B, p.5.

14) For detailed statistics see Annexure B.7.

academics and 54,9% of chartered accountants below the age of 31 advocate a service contract with free transferability. The older groups favour the *status quo*.

A third choice, namely that approved employers would issue certificates on completion of practical experience, was put to the group interviewed as part of this study. It was also stated that periods of service less than a minimum of eight months would not be recognised for practical-experience purposes. This countered the initial reaction that trainee accountants would leave at the drop of a hat. The responses of this group revealed a fair distribution among the three choices.

Many chartered accountants fallaciously believe that graduate entry is favoured by the profession. The responses to this question designed to test the opinion of the profession, as well as a detailed analysis of the register of articles at the Public Accountants' and Auditors' Board for the last six years, reveal a disturbing trend.

Table No.: 14.

Percental Analysis of Responses to Question 9

*Are you in favour of making a university degree a pre-requisite to the commencement of the supervised practical experience period?*

<i>Yes</i>	<i>No</i>	<i>No opinion</i>	
36,8%	61,4%	1,8%	15)

From the responses in Table Number 14. it is apparent that the profession does not favour graduate entry and this opinion is confirmed by the responses to a question on whether part-time attendance at university is satisfactory. There has been virtually no change in the opinion of the profession with regard to graduate entry. A similar question in the 1968 survey revealed that 34,2% favoured and 65,8% were against graduate entry.<sup>16)</sup>

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15) For detailed statistics see Annexure B.8.

16) COBOK Committee Report, *Op. Cit.*, p.3.

An analysis of the responses of the people interviewed reveals that a small majority is in favour of retaining the *status quo*, that is that matriculants be allowed to enter for a training period. A factor taken into account by the advocates of the *status quo*, is that economic considerations must not be overlooked as many students cannot afford the luxury of attending a university full-time. Another factor is that, from their own experience as principals, it appears that matriculants, because of the longer period of experience, prove to be better clerks. Those students with a degree tend to think that they are experts in various fields. Another factor mentioned is that the discipline, to which the clerk is subjected in a five-year period of training, is good. The protagonists for graduate entry are not very dogmatic, as many of them indicated that the part-time avenue should be available to those matriculants who desire to study part-time.

It is appropriate to examine the response to the question of whether part-time attendance at university is satisfactory.

Table No.: 15.

Percental Analysis of Responses to Question 15

*Do you consider the present system of part-time attendance at university satisfactory?*

<i>Yes</i>	<i>No</i>	<i>No opinion</i>	
66,8%	26,8%	6,4%	17)

From the responses in Table Number 15. it can be seen that a substantial majority favours the *status quo*, finding the attendance at universities on a part-time basis quite satisfactory. The "no opinion" accounting for 6,4% could be attributed to the fact that many respondents in non-university centres did not express an opinion.

If the responses to this question are compared to those on graduate entry, a greater correlation between the positive responses to a graduate profession and the negative responses to the present system of part-time attendance at universities

17) For detailed statistics see Annexure B.14.

could possibly be expected. The lack of complete correlation could possibly be explained by the fact that certain respondents favour the attainment of a degree on a part-time basis prior to the commencement of the practical-experience period. An alternative explanation could be that respondents were inconsistent in their thinking.

A detailed analysis of the Public Accountants' and Auditors' Board's Register of Articles for all the provinces, for the years 1970 to 1975 inclusive was made. Table 16 reveals an increase in graduate entry during the six years. It is suggested that the graduate intake is unsatisfactory. This will be seen from statistics quoted in Table Number 17. indicating the number of degrees attained at various universities in South Africa during the years 1969 to 1975.

Table No.:16.

Analysis of Articles of Clerkship with the Public Accountants' and Auditors' Board Commencing during the Period 1970 to 1975

<u>Year</u>	<u>Percentage Graduates</u>	<u>Number of Graduates</u>
1970	20,2	168
1971	27,5	264
1972	27,6	248
1973	27,5	252
1974	34,0	356
1975	32,5	311

18)

A comparison with Great Britain reveals that within the last few years the trend to graduate entry in South Africa is very much slower than that in Great Britain.

- 18) If the total number of trainee accountants is calculated from the above particulars, it will not reconcile with the figures in the annual report of the Public Accountants' and Auditors' Board. The difference, according to Mr. L. Myburgh, is accounted for by the fact that an adjustment figure in the report is the net figure between contracts registered and cancelled.

Available statistics indicate that as the number of graduates in commerce, economics, business administration and science is quite substantial, it is obvious that the profession is not getting its fair share of these graduates.

Table No.:17.

Degrees in Commerce, Economics, Business Administration and Business Science awarded to Whites by South African Universities for the years ended 30 June 1969 to 1974.<sup>19)</sup>

<u>Year</u>	<u>Post-Graduate Degrees</u>	<u>Bachelors Degrees</u>	<u>Total</u>
1969	233	791	1 024
1970	351	951	1 229
1971	351	1 103	1 454
1972	450	1 031	1 481
1973	364	1 074	1 438
1974	506	1 253	1 759

It is interesting to observe that during 1972, 16,8% of all first Bachelor's degrees were in commercial sciences.<sup>20)</sup>

In S.A.J. van Rensburg's projection for 1980 there are expected to be 1 690 first Bachelor's degrees in the commercial sciences, which, should account for 17,3% of all first Bachelor's degrees. His projection for 1990 reveals a projected number of 2 330 first degrees accounting for 18,0% of all first degrees.<sup>21)</sup> Acknowledging that these projections could be upset by many factors such as economic recessions and political factors, which were not possibly anticipated at the time of the writing of his report, it is interesting to observe that if the accountancy profession makes a concerted

19) Information compiled from: Steenkamp, C.J., *Onderwystendense - Statistiek sedert 1910 - A1 Universiteite vir Blankes*, Human Sciences Research Council, Pretoria, 1975, Report No. WS-15, Table 9, p.51. Information for the years 1974 and 1975 was furnished by Dr. S.A.J. van Rensburg of the Human Sciences Research Council.

20) Van Rensburg, S.A.J., *Graduation Trends for Whites at South African Universities 1956-1972, with projections to 1990*, Human Sciences Research Council, Pretoria, 1974, Report No. WS-9, Table 2.2, p.13.

21) *Loc. Cit.*



effort to improve its image and its recruiting, there are sufficient graduates to be absorbed into the profession, if the profession decides on graduate entry.

### 11.3 Analysis or Responses to various questions dealing with Academic Issues

It is acknowledged that many respondents possibly do not have the background to give a well-reasoned answer, and also that educational approaches vary from one geographical area to the next. Nevertheless the responses are given with the comments of the academics being highlighted. Various questions with regard to a broader education, greater exposure at universities to various subjects and whether certain optional subjects prior to qualification should be allowed, were set.

Table No.: 18.

#### Percental Analysis of Responses to Question 12

*Should the future accountant be exposed to a broader education allowing for additional optional subjects such as philosophy, psychology, sociology, etc.?*

<i>Yes</i>	<i>No</i>	<i>No opinion</i>	
47,1%	48,9%	4,0%	22)

From the responses in Table Number 18. it is apparent that the profession is undecided whether a broader education, allowing for additional optional subjects such as philosophy, psychology and sociology, should be allowed. As negative responses accounted for 48,9%, "no opinions" could sway the result either way.

An analysis of responses according to occupation classification reveals that whereas chartered accountants in commerce favour a broader education, their colleagues in public practice do not favour this. University academics, strangely enough, do not appear to favour the concept of a broader education.

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22) For detailed statistics see Annexure B.9.

Analysis according to age classification reveals that accountants below the age of 31 indicate a slight preference for a broader education.

The responses to the question testing respondents' views on greater exposure to university education in certain topics are shown in Table Number 19.

Table No.: 19.

Percental Analysis of Responses to Question 13

*Indicate whether the future accountant should have greater exposure to university education in the topics detailed below*

	<u>Yes</u>	<u>No</u>	<u>No Opinion</u>	<u>Total</u>
a) <i>Financial Management</i>	87,2	7,1	5,7	100,0
b) <i>Management and Related Techniques</i>	80,0	11,6	8,4	100,0
c) <i>Quantitative Techniques</i>	46,3	31,6	22,1	100,0
d) <i>Computers</i>				
(i) <i>Elementary Programming</i>	69,6	16,7	13,7	100,0
(ii) <i>Detailed Programming</i>	11,3	62,9	25,8	100,0
(iii) <i>Design of Computer Systems</i>	55,9	26,7	17,4	100,0
(iv) <i>Audit and Control Features of computers</i>	85,3	6,7	8,0	100,0

23)

From the responses in Table Number 19. it is apparent that greater exposure is required in all the topics listed, with the exception of quantitative techniques and detailed computer programming. From the "no opinions" expressed on quantitative techniques it appears that either the term is not clear or the respondents did not have an indication of what is in the present syllabus. The former explanation may possibly be the more acceptable one.

23) For detailed statistics see Annexures B.10, B.11, B.12 and B.13.

Table No.: 20.

Percental Analysis of Responses of Academics to various Topics as detailed in Question 13

	<u>Yes</u>	<u>No</u>	<u>No Opinion</u>	<u>Total</u>
a) <i>Financial Management</i>	80,0	8,3	11,7	100,0
b) <i>Management and Related Techniques</i>	61,6	21,7	16,7	100,0
c) <i>Quantitative Techniques</i>	53,3	31,7	15,0	100,0
d) <i>Computers</i>				
(i) <i>Elementary Programming</i>	58,3	26,7	15,0	100,0
(ii) <i>Detailed Programming</i>	10,0	68,3	21,7	100,0
(iii) <i>Design of Computer Systems</i>	63,3	21,7	15,0	100,0
(iv) <i>Audit and Control Features of Computers</i>	76,7	13,3	10,0	100,0

From the responses of academics in Table Number 20. it is interesting to observe that generally academics favour greater exposure to all topics with the exception of detailed computer programming. It must be borne in mind that certain academics were influenced by the present content of their own courses, and if, in their opinion, these give sufficient exposure to the various subjects, they obviously would have indicated negatively.

It has often been contended that the education of chartered accountants should allow for streaming, that is allow students to specialise in certain subjects prior to qualification, depending on what their ultimate occupation or employment may be. One of the questions assessed the attitude of the profession towards this type of streaming.

Table No.: 21.

Percental Analysis of Responses to Question 14

*Should the subjects prescribed for a student's academic education allow for certain options, depending on whether he intends entering into public practice or one of the other fields?*

Yes	No	No Opinion	
57,9%	40,3%	1,8%	24)

From the responses in Table Number 21. it is clear that the profession generally favours a streaming whereby a student's academic education allows for certain options, depending on whether he intends entering into public practice or one of the other fields. From the detailed statistics it will be observed that members in public practice favour this only marginally. The age classification analysis shows that accountants below 31 years are the greatest protagonists of this option.<sup>24)</sup> A similar question in the 1968 survey showed 65,6% favouring such options, with 34,4% being against them.<sup>25)</sup>

One of the questions referred to block release but it did not include block release in the true sense of the word. Block release may be described as a period of absence from the practitioner's office, to enable the trainee accountant to attend intensive study courses in preparation for examinations. The period of block release could vary from four to nine weeks. The first part of question 16 was whether some system of block release should be introduced and this principle is approved with 60,5% favouring it. The analysis showed that the members in commerce and industry approved of this principle whereas their colleagues in public practice are not so enthusiastic for obvious reasons.<sup>26)</sup> Those who approved were requested to indicate their preference for a period of block release, but as the block release for periods of four weeks was not included and this was mentioned by a fair number, these statistics have been excluded.

24) For detailed statistics see Annexure B.13.

25) COBOK Report, *Op. Cit.*, Appendix B, p.5.

26) For detailed statistics see Annexure B.14.

#### 11.4 Post-Qualification Experience

In certain countries there is a requirement that a chartered accountant may not start his own practice as soon as he qualifies. The questionnaire tested the opinion of the respondents in this respect. An analysis of the responses in Table Number 22 indicates that such a requirement is favoured.

Table No.:22.

#### Percental Analysis of Responses to Question 17

*Should there be any requirements to acquire approved post-qualification experience with a practitioner before a member may be authorised to practise under his own name?*

<i>Yes</i>	<i>No</i>	<i>No Opinion</i>
55,6%	43,1%	1,3%

27)

The respondents who agreed to a post-qualification-experience requirement were expected to indicate the preference for such a period.

Table No.: 23.

#### Percental Analysis of Responses to Question 18

*If your answer to question 17 is yes, what should the period of post-qualification practical experience be?*

<i>12 months</i>	<i>18 months</i>	<i>24 months</i>	<i>36 months</i>	<i>Other</i>
33,0%	13,8%	48,3%	2,7%	2,2%

From the responses in Table Number 23 it is seen that nearly half the 1 320 respondents want a two-year practical-experience requirement. The second highest preference is a twelve-month period.

In the 1968 survey a similar question was posed.

*"Should there be a minimum period imposed after completion of articles or other supervised training and success in the*

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27) For detailed statistics see Annexure B.15.

*qualifying examination before a person may commence public practice on his own account?"*

60,3% of the respondents favour such a requirement and 39,7% were against it.<sup>28)</sup>

The next question was whether the mandatory post-qualification practical-experience requirement should be waived if a chartered accountant was prepared to admit a newly qualified chartered accountant into partnership.

Table No.: 24.

Percental Analysis of Responses to Question 19

*In the event of post-qualification practical experience becoming mandatory before a person may be registered as a practising accountant, should the requirement be waived in the event of a C.A. being admitted into partnership by another practitioner?*

<i>Yes</i>	<i>No</i>	<i>No Opinion</i>
44,8%	47,1%	8,1%

29)

It is seen from the responses in Table Number 24 that such an exemption is not favoured, although "no opinions" could make the difference.

A similar question in the 1968 survey revealed that 67,5% of the respondents were in favour of waiving such a requirement while 32,5% were against it.<sup>30)</sup> There appears to have been quite a difference of opinion in the views expressed in the 1975 survey. It is acknowledged that the results of the two surveys are not truly comparable, but such a vast swing does indicate a change in the thinking of chartered accountants.

11.5 Required Continuing Education

The attitude of the accountancy profession in South Africa to the principle of required continuing education was tested. The question posed in the questionnaire is reproduced in Table Number 25 with the percentage responses.

28) COBOK Committee Report, *Op. Cit.*, Appendix B, p.6.

29) For detailed statistics, see Annexure B.16.

30) COBOK Committee Report, *Op. Cit.*, Appendix B., p.6.

Table No.: 25.

Percental Analysis of Responses to Question 22

	Percental Analysis of Responses
<i>Should professionally qualified persons (Note: not only accountants) periodically give proof of competence?</i>	
<i>a) by successfully writing examinations every five years?</i>	2,1
<i>b) by attending a prescribed number of approved courses every 2 or 3 years?</i>	54,0
<i>c) not at all?</i>	42,0
No opinion	<u>1,9</u>
	<u>100,0%</u>

31)

It should be noted that the question was phrased to apply to all professionally qualified persons, and not only the accountancy profession. It is apparent from the responses in Table Number 25 that 56,1% favour some form of required continuing education, either by attending courses or by successfully writing examinations. The results of the interviewed group reveal that 52,4% are in favour of required continuing education, 45,2% are against it, and 2,4% are undecided.

An analysis of the responses according to age reveals a definite trend. The younger accountants favour a required continuing education programme, and the older the accountants become, the more they resist such a programme. 66,5% and 60,6% of the responses of the age groups under 31 and 31 - 40 respectively favour continuing education. It is interesting and promising to observe that the future leaders of the profession, namely those under 41 years of age, are protagonists for required continuing education. If this stems from concern for public interest, it augurs very well for the future. It is only natural for members of the older generation to be against the introduction of required continuing education, and the percentages of the 41 - 55 and over 55 age groups respectively, indicate that 49,8% and 54,7% are against such mandatory education programme.

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31) For detailed statistics see Annexure B.17.

An analysis of the views of accounting academics reveals that 63,3% favour some form of mandatory educational programme and these views coincide with those of their colleagues overseas. Most academics interviewed overseas favour some form of required continuing education, although a few expressed strong reservations against it, feeling that such a programme represents a form of empire building by those in charge of the profession. Another view was that the profession should place greater emphasis on the quality of the entrants to the profession.

The responses to the question, whether chartered accountants not in public practice should be exempt from a mandatory continuing education programme, indicate that the profession does not favour such an exemption. These responses are shown in Table Number 26.

Table No.: 26.

Percental Analysis of Responses to Question 23

*If continuing education were to become mandatory for chartered accountants, should C.A.'s not in public practice be exempt from this requirement?*

<i>Yes</i>	<i>No</i>	<i>No opinion</i>	
38,9%	52,8%	8,3%	32)

Table Number 27 indicates the breakdown of the courses attended by chartered accountants. These figures show that the in-office continuing education claimed is high, and it would depend on one's interpretation of what in-office education is. This would include formal discussions between audit managers on contentious accounting aspects and exposure drafts.

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31) For detailed statistics see Annexure B.18.



Table No.: 27.

Analysis of Attendance at Courses during the last three years presented by: <sup>32)</sup>

	The National Council of Chartered Accountants (S.A.)	Univer- sities	In- Office	Other Insti- tutions	Total	Average Number of seven- hour days
<u>All Respondents</u>	18,7	16,4	41,6	23,3	100	14,7
<u>Occupation:</u>						
Public Practice	26,2	11,7	49,3	12,8	100	16,0
Accountants not employed in public practice	10,0	19,2	34,9	35,9	100	14,1
Academics	10,1	55,0	8,9	17,0	100	17,3
Retired	-	-	-	-	-	-

33)

These figures reveal a surprisingly high attendance which is possibly because the new Companies' Act, promulgated during the three-year period under review, resulted in many courses being attended. However, if the respondents who indicated that they did not attend any courses are ignored, then the average attendance reflects 19,2 days per respondent. On the face of it it may appear very satisfactory indeed, but a note of caution is necessary as the figures reflected can only be regarded as estimates, and an interpretation of what continuing education is, may differ among accountants.

Of the 2 373 respondents, 553 indicated that they did not attend any courses whatsoever, as Table Number 28 indicates.

32) Question 24 of Questionnaire

33) Four retired chartered accountants did indicate attendance at continuing education courses, but this has been ignored and not reflected under the heading 'Retired'.

Table No.: 28.

Analysis of Respondents who indicated no attendance at  
Courses according to Occupation Classification

Commerce and industry	242	
Consultancy	8	
Finance	33	
Other	<u>21</u>	304
<u>Public Practice:</u>		
Principal: less than 5 years	34	
5 to 10 years	21	
more than 10 years	88	
Employee	<u>41</u>	184
<u>Education</u>		11
<u>Retired</u>		<u>54</u>
		<u>553</u>

The classification in Table Number 28 indicates that 184 chartered accountants in public practice did not attend any courses, and this means approximately one in six respondents did not do so. The ratio for chartered accountants not in public practice is approximately one in three, but this trend is to be expected.

11.6 Attitude of other Professional Bodies to Required  
Continuing Education in South Africa

Letters were sent to various professional bodies in South Africa, enquiring about required continuing education as a condition of reregistration periodically. The replies indicated that no other profession in South Africa has a mandatory continuing education requirement. Some of the replies indicated that the organisations were aware of developments in the United States of America of required continuing education by their own profession. However, the replies indicated that it was not an opportune time for such a requirement to be applied in South Africa.

The reply received from the South African Veterinary Association is very interesting. It is pointed out that their continuing education programme has grown to such an extent that a full-time director is needed to co-ordinate and promote it. The letter also states:

*"It is our ideal that all our members be continually competent - a great challenge in this era of expanding knowledge. However, there are those who are satisfied with their lot or do not know what they do not know and to reach these uninspired colleagues, re-registration tied to compulsory continuing education may be a logical step."* <sup>34)</sup>

The replies of those professional bodies involved in public health, all recognise the importance of continuing education, but nothing is being done about a required programme.

11.7 Views of the Profession to the Potential Extension of the Attest Function and possible reduction of Responsibilities with regard to audit of the Small Private Companies

An analysis of the responses in Table Number 29 to the question detailed below, clearly indicates that the profession does not want to accept greater responsibility for the attest function to be extended to include an opinion on half-yearly financial statements, or on annual or other profit forecasts including the underlying assumptions or management effectiveness. The overwhelmingly negative responses are 65,5%, 67,3% and 62,3% respectively.

Table No.: 29.

Percental Analysis of Responses to Question 25

*Should the auditor accept greater responsibility by the attest function being extended to include an opinion on:*

	Yes	No	No Opinion
a) Half-yearly financial statements	27,6	65,5	6,9
b) Annual and other profit forecasts including underlying assumptions	26,0	67,3	6,7
c) Management effectiveness	31,9	62,3	5,8 35)

34) South African Veterinary Association letter from the president, B.H. Pappin, dated 1981

35) For detailed statistics see Annexures R 18 and R 19

An analysis of the detailed statistics reveals that no group, irrespective of occupation, age or academic qualifications, favours the extension of the attest function.

The reluctance of the profession to accept greater responsibilities may be because the implementation of the requirements of the new Companies' Act has created a substantial manpower shortage, and no doubt the added legal responsibilities, in the event of the attest function being extended, has contributed to this reluctance.

A review of the recent literature in South Africa has shown that, in the opinion of certain chartered accountants, the audits of small private companies should not be mandatory.<sup>36)</sup> The views are based on the situation in Rhodesia, where private companies, in certain circumstances, do not require auditors. The opinions of the respondents were tested and it appears from an analysis of the responses in Table Number 30 that the profession still believes that the audit of small private companies should be mandatory. Whether this stems from self-interest or is based on principle, is possibly another question.<sup>37)</sup>

Table No.:30.

Percental Analysis of Responses to Question 26

*Should the financial statements of small private (but not subsidiary) companies, whose assets do not exceed a certain amount, e.g. R50 000 or R100 000 and if all the shareholders agree thereto, still be audited?*

<i>Yes</i>	<i>No</i>	<i>No Opinion</i>	
53,8%	44,1%	2,1%	38)

36) Levitt, Wilfred, "A Plea for S.P.C.A." (Scrapping of Private Company Audits), *The South African Chartered Accountant*, May 1976, and Stobie, B.S., "The Future of Auditing", *The South African Chartered Accountant*, October 1975.

37) A detailed exposition of the underlying principles is given by Arnold Levenberg in an article, "Are Audits of Private Companies Necessary?", *The South African Chartered Accountant*, April 1976. He avers for many reasons that the private company audit is essential in an economy based on trust and fair dealing.

38) For detailed statistics see Annexure B.20.

An analysis of the detailed statistics reveals that chartered accountants in public practice and those in industry and finance and commerce tend to favour the *status quo*. The academics prefer that such audits be voluntary. An analysis according to age classification, reveals a very close correlation, with the exception of 62,0% of chartered accountants above 55 years of age who favour the *status quo*.

### 11.8 The Chi-Square Test ( $\chi^2$ )<sup>39)</sup>

The question arises whether one would expect the responses according to the various classifications to bear a close correlation to the frequency responses as for the total responses. It is submitted that the replies of the respondents would not vary substantially depending on whether they have or do not have a degree, because most of the respondents with degrees have a B.Com., which is very much professionally oriented. The education of most respondents was similar in content, although the formal qualification differs in name. Thus there should be a close correlation between the frequencies of those that have degrees and those who do not have degrees. This would be the null hypothesis. The same cannot be said for the responses analysed according to occupation classification and with regard to age classification. It may be stated that the younger accountant will no doubt think quite differently from the more mature and more experienced older colleague in the profession. It is therefore appropriate to test the significance of the above statements, namely that the responses of people with or without degrees, should bear a close correlation to total responses and there should not be a close correlation in occupation classifications and there would also be a wide divergence between responses according to age classification.

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39) A discussion of the rationale and calculations of the chi-square test is available in any standard work on statistics. The application of the test in the circumstances pertaining to this study can be found in Minimum, Edward W., *Statistical Reasoning in Psychology and Education*, John Wiley & Sons., New York, 1970, Chapter 21.

To test this, the frequencies have been subjected to the chi-square test. The chi-square test provides a measure of discrepancy between expected and obtained frequencies.

Its formula is:

$$\chi^2 = \frac{(f_o - f_e)^2}{f_e}$$

$f_e$  denotes the expected frequency and  $f_o$  denotes the observed frequency. The hypothesis with regard to the academic qualification should result in a very small value for  $\chi^2$ . In Annexure C the  $\chi^2$  calculation for each question according to various classifications appears and a critical value is also given. In the case of the academic qualification the chi-square value should be smaller than the critical value given for it to be significant. The critical value for the various degrees of freedom are given at a probability level of 0,05.<sup>40)</sup> With regard to the application of the chi-square test to the frequencies based on occupation classification and on age classification whereas stated above no close correlation is expected, then the chi-square value must be larger than the critical value as indicated in Schedule C. Thus the larger  $\chi^2$ , the greater the confidence in the significance of the hypothesis as stated above.

Reasons for calculating a chi-square test are that an over-riding test of the frequencies can be imposed by calculating the chi-square calculation for each question, where statements are not obviously significant this could be tested. Where items appear to be only marginally significant they have been exposed to a chi-square calculation at 0,01 probability level and if not significant at that probability level it is indicated as such in Annexure C.<sup>41)</sup>

It will be seen from the calculations in Annexure C that the hypothesis appears to be valid with regard to occupation

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40) The degrees of freedom vary with the numbers of rows and columns in the table. This is important because the probability of obtaining a specific chi-square value depends on the number of cells in the table.

41) A small value of  $\chi^2$  indicates an absence of relationship between the variables, that is, statistical independence and conversly a greater value of  $\chi^2$  indicates a systematic relationship between the variables.

classifications and academic qualification classifications. In most cases the critical value in terms of the hypothesis is exceeded or less as required and the significance is indicated. With regard to age it appears that the hypothesis is not completely valid as many of the chi-square calculations do not comply with the expected critical values.

In the calculation of the chi-square test the "no responses" have been ignored as the opinion of the respondents was being tested and a "no response" does not indicate any preference whatsoever.

### 11.9 Conclusion

From the hypotheses as stated above it appears that the responses could vary according to the occupation of respondents. This is to be expected because of the influence of the occupation of the respondents. As stated above no significant variances would be found in the responses of respondents depending on whether they have a degree or not, because of the similarity of their education which has proved to be the case. The hypothesis that there should be a great divergence of opinion depending on the age of the respondents has not been proved entirely as the results of the chi-square test prove in Annexure C. However, it is significant that in the more critical questions, the hypothesis is proved to be correct. In questions applying to practical experience, service contract and free transferability, graduate entry, broader education, post-qualification experience, part-time attendance at universities, structure of the controlling bodies, required continuing education it is found that the hypothesis is valid. Many of the chi-square values indicating no significance are in the field of broader exposure to various subjects and this close correlation is possibly due to the fact that many respondents have had the same education and in terms of this education one could expect a closer correlation than would normally be the case with regard to other questions.

In the critical questions, it appears that the younger chartered accountants do favour a more enlightened approach, which augurs well for the future of the profession as the future leaders of the profession will come from these groups.