PERCEPTIONS OF SMALL ACCOUNTING FIRMS IN RURAL SOUTH AFRICA OF THE SKILLS OF TAX GRADUATES

by

Susanna Elizabeth Maritz
(27014810)

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Study leader:
Dr S.G. Nienaber

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This dissertation is dedicated to my family.

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ABSTRACT

PERCEPTIONS OF SMALL ACCOUNTING FIRMS IN RURAL SOUTH AFRICA OF THE SKILLS OF TAX GRADUATES

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Susanna Elizabeth Maritz

STUDY LEADER: DR S.G. NIENABER
DEPARTMENT: TAXATION
DEGREE: MAGISTER COMMERCII

With all the changes and renovation in South Africa's tax legislation, taxation is emerging as a profession in its own right. While the role and demand for tax practitioners in the market are increasing, it is uncertain what the "current" views and preferences of employers of small accounting firms are.

A questionnaire was used to determine employers' "current" views and preferences in terms of qualifications obtained by newly qualified graduates, as well as the theoretical knowledge, practical skills and personal characteristics of these newly qualified graduates. The participants were from small accounting firms that provided tax services at the time of this study.

The results indicated that there was no major difference between the qualifications of the "current" employees and those the employers preferred the employees to have. However, employers demanded more newly qualified graduates who possessed the necessary qualifications. There were, however, sufficient differences between the "current" views and preferences of employers in respect of theoretical knowledge of most topics listed in the dissertation, as well as in almost all the types of practical skills listed in the study. Even in respect of personal characteristics, employers preferred newly qualified graduates to strive for a higher level of personal characteristics.

The conclusion drawn in this research was that different stakeholders had different preferences. In order to provide newly qualified graduates that would satisfy the needs of future employers, all stakeholders should be taken into consideration when determining the level of theoretical knowledge, practical skills and personal characteristics that these

newly qualified graduates should develop. Results indicated that there was room for improvement in order to provide better newly qualified graduates to the market who were 'all-rounders' in taxation.

Keywords:
Tax education
Newly qualified graduates
Employers' current expectations
Employers' preferences

OPSOMMING

PERSEPSIES VAN KLEIN REKENMEESTERSFIRMAS IN DIE PLATTELAND VAN SUID-AFRIKA AANGAANDE DIE VAARDIGHEDE VAN BELASTINGGEGRADUEERDES

deur

Susanna Elizabeth Maritz

STUDIELEIER: DR S.G. NIENABER
DEPARTEMENT: BELASTING
GRAAD: MAGISTER COMMERCII

Met al die verandering en opknapping van die belasting wetgewing in Suid-Afrika word belasting ’n beroep opsigself. Terwyl die rol en vraag na belastingpraktisyns in die mark toeneem, is daar onsekerheid oor die huidige siening en voorkeur van werkgewers van klein rekenmeestersfirmas is.

‘n Vraelys is gebruik om werkgewers se siening en voorkeur ten tyde van die studie rakende kwalifikasies verkry deur nuut gekwalifiseerde gegradueerdes, asook die teoretiese kennis, praktiese vaardighede en persoonlike karaktereienskappe van hierdie nuut gekwalifiseerde gegradueerdes te bepaal. Data is verkry van klein rekenmeestersfirmas wat belastingdienste ten tyde van die studie gelewer het.

Die resultate het aangedui dat daar nie ’n groot verskil was tussen die kwalifikasies van die “huidige” werknemers en dié wat die werkgewers verkies die werknemers het nie. Werkgewers het egter ’n behoefte na meer nuut gekwalifiseerde gegradueerdes wat oor die nodige kwalifikasies beskik. Daar is voldoende verskille in die huidige siening en voorkeur van werkgewers ten opsigte van teoretiese kennis vir die meeste van die onderwerpe wat in die verhandeling genoem word, asook vir byna al die tipe praktiese vaardighede wat in die verhandeling genoem word. Selfs ten opsigte van persoonlike karaktereienskappe verkies werkgewers dat nuut gekwalifiseerde gegradueerdes streef na ’n hoër vlak van persoonlike karaktereienskappe.

Die gevolgtrekking wat in hierdie verhandeling gemaak is, is dat verskillende belanghebbendes verskillende voorkeure het. Ten einde nuut gekwalifiseerde

gegradueerdes te voorsien wat die behoeftes van toekomstige werkgewers sal bevredig, moet alle belanghebbendes in ag geneem word met die bepaling van die vlak van teoretiese kennis, praktiese vaardighede en persoonlike karaktereienskappe wat deur hierdie nuut gekwalifiseerde gegradueerdes ontwikkel moet word. Die resultate het aangedui dat daar ruimte vir verbetering is ten einde beter nuut gekwalifiseerde gegradueerdes, met 'n 'alomvattende' kennis van belasting aan die mark te lewer.

Sleutelwoorde:
Belastingopleiding
Nuut gekwalifiseerde gegradueerdes
Werkgewers se huidige verwagtinge
Werkgewers se voorkeur

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LIST OF ABBREVIATIONS

Abbreviation	Meaning
BCom	Bachelor of Commerce
IRBA	Independent Regulatory Board for Auditors
LLM	Master of Laws
MCom	Master of Commerce
RVA	Rekenmeesters vir Afrikaans
RSA	Republic of South Africa
SAIBA	South African Institute of Business Accountants
SAICA	South African Institute of Chartered Accountants
SAIPA	South African Institute of Professional Accountants
SAIT	South African Institute of Tax Practitioners
SARS	South African Revenue Service
SAS	Statistical Analysis Software
UK	United Kingdom
USA	United States of America

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Taxation is emerging as a profession in its own right (Miller & Woods, 2000:223). South Africa's tax legislation has undergone many changes and renovation since 2002, which resulted in taxation becoming vast and specialised (Jooste, 2010:66). Taxation can be a very complicated subject and even one of the brightest minds, Albert Einstein, admitted that income tax was one of the hardest things to comprehend (Quotes.net, not dated).

"The establishment of specialised tax qualifications was expected, because tax specialisation has become the name of the game" (Jooste, 2010:67). From this statement, it is evident that taxation as a profession requires academic groundwork in terms of knowledge taught to students at universities but there seems to be a lack of knowledge in relation to the knowledge required by the profession of taxation (Miller & Woods, 2000:224).

University education should lay the foundation for lifelong commitment by graduates to learning and professional development (Kavanagh & Drennan, 2008:280). Because of the annual changes in tax legislation, it is of the utmost importance that students specialising in tax must be prepared to be lifelong learners. Concerning employers, Simon and Kedslie (1997:14) found that the subjects studied at a university by newly qualified tax practitioners were not normally the most important element to the employers of such tax practitioners.

Some of the issues worldwide regarding the specialisation in taxation are what skills the companies need, the skills that end-users need, the skills that are advertised by companies in their job advertisements, and the skills that tax academics think are necessary (Martz & Cata, 2008:119). Claims that universities should prepare their students with a more comprehensive range of skills cause much debate (Kavanagh & Drennan, 2008:280).

This raises the questions: how do South African universities adapt to the complicated South African tax system? Is the tax knowledge taught by universities in line with the preferences of the tax practice?

1.2 PURPOSE AND PROBLEM STATEMENT

There seems to be a difference between the level of theoretical knowledge, practical skills and personal characteristics that newly qualified graduates have after obtaining their university qualifications and the level that employers prefer them to have.

Doman and Nienaber (2012) focus on the views and preferences of the major accounting consulting firms. However, Boley and Wilkie (1986:91) found that financial firms' preference towards tax education at university level varied with firm size. In general, participants from larger firms preferred more knowledge about complex, or less frequently encountered tax provisions, and topics associated with business or corporate taxpayers. Participants from small firms desired relatively more emphasis on topics associated with the computation of taxable income for individuals and the conduct of a tax practice. Stara, Shoemaker and Brown (1991) state that small firms were more oriented towards individual taxpayer compliance and that large firms rated individual taxation for complex engagements significantly lower than medium or small firms do.

However, there seems to be a lack of knowledge of the current views of the employers of small accounting firms in respect of qualifications obtained by newly qualified graduates and whether such qualifications are adequate and relevant to the employers' tax practices based on the preferences of these employers. This study aims to contribute towards clarifying the position regarding the study and education of taxation by researching the views and preferences of small accounting firms' employers in the rural area of Mpumalanga, in terms of the theoretical knowledge, practical skills and personal characteristics gained by such newly qualified graduates at universities located in South Africa.

1.3 RESEARCH OBJECTIVES

Based on the above problem statement, the exploratory research is guided by the following research objectives:

- to determine the range of tax work carried out at a small accounting firm;
- to determine the qualifications preferred by the employers of small accounting firms when appointing newly qualified graduates;
- to determine whether the employers of such newly qualified graduates are satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualification;
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates value most; and
- to determine the agreement between employers' "current" views and their preferences in respect of the level of theoretical knowledge, practical skills and personal characteristics obtained by newly qualified graduates.

1.4 IMPORTANCE AND BENEFITS OF THE STUDY

From an academic perspective, this exploratory research will contribute to an existing body of knowledge regarding the expectations of employers in respect of employees' knowledge and performance in the working environment. Furthermore, this study is of importance in expanding the existing limited research of the preferences of employers regarding tax education at university level.

From a practical perspective, the exploratory research will enable universities to critically analyse their tax qualifications against the preferences of the future employers of their students. This will enable universities to reconsider the objectives of their tax modules and in this manner, the exploratory research will contribute to the development of taxation as a professional career in South Africa.

1.5 DELIMITATIONS

The following delimitations apply to this exploratory research:

- The target population included in this study is small accounting firms located in the rural highveld area of Mpumalanga. Different results may be obtained from a different target population.
- The exploratory research only includes qualifications obtainable at a university and no other tertiary education qualifications will be taken into account.
- The qualifications offered by universities only relate to one specific study year (2013) and the previous or future years' qualifications offered by these universities will not be taken into account.
- No distinction will be made between undergraduate and postgraduate qualifications in respect of the level of theoretical knowledge, practical skills and personal characteristics as expected and preferred by employers.
- The exploratory research only includes universities of which information could be obtained in respect of qualifications, which include taxation as a major subject, forming part of the degree.
- The study only investigates qualifications in the field of taxation that are obtainable at universities located in South Africa. Other qualifications will not be considered in this study.
- For the purposes of this research, newly qualified graduates are considered to be persons with a formal qualification in taxation, who do not have any previous specialised experience in the field of taxation.
- Finally, the aim to gain an understanding of the views and preferences of employers is limited to a specific time frame. It is of no use to evaluate the views and preferences of employers over a long period of time as the South African tax legislation is amended almost annually and the business environment adapts accordingly.

1.6 ASSUMPTIONS

The exploratory research is based on the following assumptions:

- The information in respect of qualifications, which include taxation as a subject, was obtained from the relevant websites of the universities and it is therefore assumed that this information is accurate in respect of the qualifications offered.
- A standard list of tax topics was supplied to the participants in order to gather data about newly qualified graduates' theoretical knowledge. The questionnaire did not include a description of each topic, as it was assumed that the participants had the relevant taxation background and experience to interpret the topics correctly.
- As taxation is a core principal in accounting programmes, it is assumed that the theoretical knowledge, practical skills and personal characteristics of students specialising in taxation will not differ significantly from those of students specialising in accounting. Miller and Woods (2000:227) state: "'Tax work' is a widely-recognised subset of the work of an accountant ..."

1.7 DEFINITION OF KEY TERMS

The following key terms are used in the research:

Commissioner: In a South African context, this means the Commissioner of the South African Revenue Service as defined in Section 1 of the Income Tax Act (58/1962).

Education: James and Evans (1996) define *education* as "something wider", to include the development of character and mental ability (Miller & Woods, 2000:224). For the purposes of this study, *education* is defined as activities that impart knowledge or skills.

Employer: For the purposes of this study, an *employer* means a tax practitioner, whether an individual natural person or a professional firm that is hiring newly qualified graduates.

Knowledge: For the purposes of this study, *knowledge* represents "the 'knowing that' and 'knowing how' in respect of specific subject matters" (Joubert, Coetzee & Oberholzer, 2009:425).

Newly qualified graduate: For the purposes of this study, a *newly qualified graduate* is any student who has recently graduated from a tertiary institution and has completed tax modules as part of his/her degree, whether an undergraduate or postgraduate degree, without any work-related experience.

Skills: For the purposes of this study, *skills* "refers to 'being able to' in a practical situation" (Joubert, Coetzee & Oberholzer, 2009:425).

Small accounting firm: For the purposes of this study, a *small accounting firm* means any accounting firm, excluding branches of the four large financial consulting firms.

Tax practitioner: For the purposes of this study and in a South African context, *tax practitioner* is defined as, but not limited to: any natural person who provides advice to other persons with respect to the application of any Act administered by the Commissioner or completes and assists with any documents to be submitted to the Commissioner and who is registered as a tax practitioner in terms of Section 67A(1) of the Income Tax Act (58/1926).

Training: For the purposes of this study, *training* refers to "teaching in respect of a particular skill, profession or occupation" (Miller & Woods, 2000:224).

1.8 STUDY OUTLINE

The dissertation is laid out as follows:

1.8.1 Chapter 1: Introduction to the study

Chapter 1 sets out the background to the study and the purpose of the study. The problem statement is clearly articulated with the research objectives that will best deal with the problem statement. The importance and benefits of the study are highlighted and the associated delimitations and assumptions of the study are discussed. The chapter also includes a list of abbreviations and definitions used throughout the study.

1.8.2 Chapter 2: Literature review

Chapter 2 presents a summary of previous research studies with regard to the problem statement. It further provides a theoretical background to the regulation of tax practitioners, tax education as well as expectations of stakeholders.

1.8.3 Chapter 3: Research design and methodology

Chapter 3 discusses the research design and methodology used in this study. It provides a rationale for the research process. The process of data collection and analysis is outlined and explained. The quality and rigour of the study are explored as well as the ethical concerns involved in the research survey.

1.8.4 Chapter 4: Analysis of results

In Chapter 4, the results are provided in an organised manner with a discussion of how the data presented reaches the research objectives.

1.8.5 Chapter 5: Conclusion

Chapter 5 concludes the study with a summary of the research findings, which are compared with the results from the studies of Doman (2011) and Alberts (2012). The chapter also provides possible ideas and recommendations for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 BACKGROUND

This chapter provides the background to the present research. The evolvement of taxation towards becoming a profession in its own right is discussed first. The discussion focuses mainly on the roles and importance of tax practitioners and the growing need for tax practitioners in South Africa. This is followed by a discussion of tax practitioners, i.e. the credentials to enter the market to trade or register as a tax practitioner and the role of professional bodies.

The need for specialised education and training in the tax environment follows. Thereafter, the nature of education and training and approaches towards tax education are examined. The question of the need for practical experience and workplace experience as part of tax education is then put forward. This is followed by a discussion of the education, specialising in taxation, available in South Africa. Finally, the preferences of the different stakeholders, namely educators, graduates and employers, are discussed. The chapter is concluded by commenting on the usefulness as well as the focus of the study.

2.2 EVOLVEMENT OF TAXATION AS A PROFESSION IN ITS OWN RIGHT

South Africa is now in the same situation (Jooste, 2010:66) as that of the United Kingdom (UK) in 2000, of which it can be said that "... taxation is emerging as a profession in its own right" (Miller & Woods, 2000:223).

South Africa successfully broadened the tax base and improved the effective collection of taxes (Anon, 2004), which resulted in an increase of taxpayers making use of the services of tax practitioners. The number of tax practitioners has increased from 3% in 1970-1979 to 68% from 2000 to 2009 (Lubbe, 2009:16). According to a briefing note on the revised draft Regulation of Tax Practitioners Bill issued in June 2008, nearly 23 000 tax practitioners are registered with the South African Revenue Service (SARS) (Collins, not dated).

Taxpayers worldwide use the services of tax practitioners on a daily basis. In most instances, the services of tax practitioners are relied upon for the purpose of submitting tax returns. Sakurai and Braithwaite (2001:9) conducted a study on Australian citizens and found that 77% of Australians used tax practitioners' services in the process of submitting their tax returns. The reason for this appears to be that taxpayers felt incompetent to complete an accurate tax return. Sakurai and Braithwaite (2001:11-12) also found that only 12% of the participants felt able to complete their own tax returns without the use of a tax practitioner.

However, the services and functions offered by tax practitioners are also much broader than just the submission of tax returns. Tax practitioners' functions are no longer only focused on tax compliance in order to report taxable income accurately, but have expanded into advising and planning as well. This is mainly due to a huge increase in taxation legislation (Boccabella, 1993:392).

Boccabella (1993:392) is of the opinion that the role of tax practitioners has evolved from being similar to those of an accountant, focusing on tax compliance, to becoming:

- a provider of opinions on transactions such as financing and/or any structuring arrangements in an organisation;
- a provider of opinions on the taxation matters which should be included in an entity's annual financial statements;
- a tax planner around the events which lead to taxation liabilities; networking with attorneys and others with legal experience regarding the interpretation and practical application of tax laws; and
- a spokesperson, on behalf of their clients, towards regulating entities such as revenue authorities and legal counsel.

Roth, Scholz and Witte (1989:172) describe the different tax services as follows:

- Tax compliance: this includes the preparation of returns, which requires a tax practitioner to gather all the relevant data from taxpayers in order to prepare the necessary returns together with other required supporting documents.
- Tax advice (including tax-planning): this includes counselling taxpayer clients on legal and beneficial interpretations of tax and accounting regulations.

- Tax risk management: this includes advising clients on the administrative practices, detection probabilities and sanctioning practices of the tax authority.

The evolution of the role of tax practitioners can also be a contributing factor to the increase in the demand for tax practitioners. It would appear that the increase in the demand for tax practitioners and the evolution of their role have made it very important for tax educators to take the future roles of students, as well as the preferences of their future employers into consideration.

In the following section, the requirements for entry into the profession and the role of professional bodies are discussed.

2.3 TAX PRACTITIONERS

In the previous section, it was established that the demand for tax practitioners increased. However, in order to regulate the profession, it is important to have certain requirements for entering the market and for trading as a tax practitioner.

In this section, the credentials to become a tax practitioner as well as the role of professional bodies in the profession are investigated.

2.3.1 Credentials to enter the market to trade or register as a tax practitioner

With the promulgation of the Tax Administration Act (28/2011), it seems as if the background to the regulation of tax practitioners, which has been discussed for more than a decade, has found a home. The South African Revenue Service (SARS) issued a discussion document in 2002 regarding the regulation of tax practitioners. Hereafter, in 2004, Section 67A was introduced into the Income Tax Act (58/1962). This section sets out who the tax practitioners are and how they must register with SARS in order to continue rendering their services.

Several versions of the Regulation of Tax Practitioners Bill were introduced from 2006 to 2008. However, this bill was never promulgated, which resulted in tax practitioners being regulated, in an informal manner, through registration with SARS. Registering with SARS

as a tax practitioner supplied the entitlement to some privileges, but no formal regulations were supplied by SARS (Kotze, 2013). SARS did not even specify any minimum criteria to register as a tax practitioner in terms of Section 67A and indicated that anyone can register even if they do not have any formal qualification (SARS, 2012).

Also, no formal regulations were supplied by various independent bodies to which tax practitioners might have belonged. Many tax practitioners did not even belong to independent organisations to facilitate communication, training or discipline as they were not required to belong to any independent body. Therefore, tax practitioners mainly registered with these bodies in order to offer other services to their clients (Kotze, 2013).

The replacement of Section 67A of the Income Tax Act (58/1962) with Section 240 of the Tax Administration Act (28/2011) and the introduction of Section 241 of the Tax Administration Act resulted in some changes. Section 240 now requires that a tax practitioner must not only be registered as a tax practitioner with SARS, but must also be a member of a controlling body (SAIT, 2013) and SARS can now lay complaints about the tax practitioner to that controlling body.

In the past, an unstructured approach was followed in terms of the qualification of tax advisors and practitioners. It has never been a prerequisite to be a member of a professional or controlling body in order to register as a tax practitioner in South Africa. However, lately, tax practitioner regulations and qualifications received much more attention.

2.3.2 Role of professional bodies

In South Africa, statutory bodies provide for a common body of knowledge for the accounting profession. Koornhof and Lubbe (2002:19) conclude that the accounting profession can be protected by ensuring that members are competent and ethical by requiring a high standard of education, training and continuous professional education from their members.

However, no common body of knowledge has existed for degrees specialising in taxation to date. The Regulations of Tax Practitioners Bill issued in June 2008 aimed to ensure that

minimum standards were implemented in respect of qualifications and experience required by tax practitioners, but this bill was never promulgated. In 2011, the Tax Administration Act (28/2011) was introduced and by taking the content of the Regulations of Tax Practitioners Bill of the past into account, it seems highly likely that the Tax Administration Act will be extended in the future to include training requirements and setting different levels of competency and standards depending on the area of tax work conducted by the tax practitioner (Kotze, 2013). This could result in a uniform standard for tax professionals in financial firms.

The administration of tax is now dealt with in the Tax Administration Act (28/2011). Every natural person who provides advice in respect of the application of a tax Act to another person, or who assists in completing or completes documents to be submitted to SARS by another person must be registered as a tax practitioner with SARS in terms of Section 240 of this Act. But this section now also requires tax practitioners to be registered with a recognised controlling body. All the recognised controlling bodies are listed in Section 240 of the Tax Administration Act as well as the requirements that must be met to be recognised as a controlling body by SARS. However, if a tax practitioner is not registered with a recognised controlling body, it constitutes a criminal offence in terms of Section 234(c), which can result in fines and/or imprisonment.

“In developing standards, it is necessary to identify a common body of knowledge. This common body of knowledge can then be communicated to others who desire to become a specialist” (Stara *et al*. 1991:104). The need for a common body of knowledge must be met with a supply of specialised taxation degrees, implementing this common body of knowledge, at universities in South Africa.

2.4 NEED FOR SPECIALISED TAX EDUCATION AND TRAINING

Internationally, the issue of the tax education of newly appointed tax practitioners has been researched several times.

As early as the 1960s, the content educated in the field of taxation was a subject of debate. In the United States of America (USA), Gray (1965) researched the opinions of tax educators in respect of the importance of tax topics in the tax curriculum. The study found

that tax educators ranked an understanding of the provisions contained in the tax law as most important, followed by history and philosophy of the income tax, tax ethics and economic aspects relating to tax (Gray, 1965:205). Gray (1965), however, failed to take into account that it was likely not to be the tax educators that would ultimately be influenced by the level of education provided, but rather the employers of such newly qualified tax practitioners.

Fogg and Campbell (1982) continued the theme of describing the state of tax education by collecting information detailing what was taught at the time, in degrees containing tax as a subject, at USA universities. In agreement with Gray (1965:208), they found that tax courses were almost exclusively focused on income tax (Fogg & Campbell, 1982:58).

Similar results were found in the UK when Craner and Lymer (1999) conducted a postal survey to examine the nature of tax education in the UK. As with the previous studies, the focus was only on accounting degrees, with tax as subject in that degree course. In most instances, tax courses focused largely on the computation of income tax and corporate tax. A low coverage of indirect taxes, local taxes and security taxes was found (Craner & Lymer, 1999:143).

The findings of the various surveys reported above, covering the period 1965-1999, describe the manner of thinking about the nature of, and need for, tax education. However, the evidence suggests that, in practice, tax courses concentrate largely on income tax. This is of concern since the business sector may demand a more varied knowledge of taxation.

Furthermore, Craner and Lymer (1999:137-138) found that about three-quarters of all university tax courses were optional. The fact that tax as a subject was found to be optional in most instances is also of concern. The fact that these courses were optional could result in students not having any tax knowledge when entering the business sector.

It is also evident that in most instances, taxation as a subject is only included as part of an accounting degree and not a degree in itself. Miller and Woods (2000:224) found, as a result of a survey, that taxation as a career option in its own right was becoming

increasingly popular. Yet, with one or two exceptions, taxation was not offered as a specialised degree.

2.5 EDUCATION AND TRAINING OF TAX PRACTITIONERS

In terms of a study conducted by Boccabella (1993:393), it was determined that in order to be a fit and proper person to provide tax services, that person must be honest, knowledgeable, have the necessary ability, be diligent and professional.

2.5.1 Nature of education and training

In the study conducted by Carter (1985), a tool, namely Carter's taxonomy, was created in order to define objectives in higher education. Although the education of professional engineers was investigated, Carter is of the opinion that it can also be used as a tool in other professions (Carter, 1985:147). The taxonomy's principal divisions are knowledge, skills and personal characteristics that employers require of newly qualified graduates and a summary of the taxonomy of objectives for professional education is provided in Table 1.

Table 1: Summary of the taxonomy of objectives for professional education

Personal qualities	**Mental characteristics:** Openness Agility Imagination Ideas	**Attitudes and values:** Things Self People Groups Ideas	**Personality characteristics:** Integrity Initiative Industry Emotional resilience	**Spiritual qualities:** Appreciation Response	Being
Skills	**Mental skills:** Organisation Analysis Evaluation Synthesis	**Information skills:** Acquisition Recording Remembering Communication	**Action skills:** Manual Organising Decision-making Problem-solving	**Social skills:** Co-operation Leadership Negotiation and persuasion Interviewing	Doing
Knowledge	**Factual knowledge:** Facts Structures Procedures Concepts Principles		**Experiential knowledge:** Experience Internalisation Generalisation Abstraction		Knowing
	Cognitive		Affective		

Source: Carter (1985:146).

The study concluded that there were many qualities that the employers desired of professional engineers but some of these qualities, which included a wide range of skills as well as personal qualities, were not present in the engineering curricula (Carter, 1985:147). It is well known that skills should be in a separate category of education, because knowing how to do something does not mean to have the ability to perform the tasks competently (Carter, 1985:140).

Although it is clear that the personal qualities of a graduate are highly relevant to his/her ability to practise his/her profession (Carter, 1985:138), it is uncertain whether all of the required qualities and skills needed can be obtained in the time frame of formal education (Carter, 1985:143). However, it can also not be measured directly as part of obtaining a qualification and even though universities are of the opinion that certain qualities are assessed as part of the programmes, it cannot be substantiated (Carter, 1985:144). Certain expertise can only be obtained by way of experience and cannot be taught by spoken or written words (Carter, 1985:137). Coetzee and Oberholzer (2006:425) state that knowledge is obtained by internalising information from different sources through thinking, learning and experience.

Koornhof and Lubbe (2002:2) stress that because of continuous change, the risk increases that an expectation gap can arise between a profession and its role players, therefore, education and training should be reviewed continuously. According to Koornhof and Lubbe (2002:6), education and training, to a large extent, cannot be segregated. It is also vital that newly qualified graduates develop and sustain an attitude to be lifelong learners (Koornhof & Lubbe, 2002:5).

The above-mentioned concerns raise the question of what approaches to tax education universities must follow to enable them to educate students in accordance with the needs of the ever-demanding business sector.

2.5.2 Approaches and methods used in tax education

At a time when education strategies adopted in the accounting and accounting-related curriculum were the subject of debate and change, the teaching of taxation received little attention (Craner & Lymer, 1999:127-156). A number of approaches could be followed in

the teaching of tax. Craner and Lymer (1999:141) suggest that tax can be taught using a number of contextual approaches, for example, financial management, fiscal policy and legal or historical contexts. It is also possible for some courses to use a combination of approaches. The approaches to tax education are largely influenced by the interpretations of learning outcomes, for example, computational, discursive or problem-solving abilities (Craner & Lymer, 1999:127-156).

Craner and Lymer (1999) focused on which course objectives in the education of tax were of importance to the educators of such courses. The educators were required to rate the importance of the course objectives from 1 to 5, with 1 being not important and 5 being important. The results are summarised in Table 2. In each of the objectives, the percentage is indicative towards that row.

Table 2: Course objectives of universities' tax educational programmes

Course objective	1 %	2 %	3 %	4 %	5 %
Computational	2	9.8	11.8	29.4	47.1
Tax-planning	12	20	18	34	16
Financial management	27.5	27.5	27.5	13.7	3.9
Public/fiscal policy	31.4	17.6	17.6	17.6	15.7
Economic theory	29.4	21.6	13.7	19.6	15.7
Legal	15.7	21.6	21.6	27.5	13.7
Historical	38	30	22	2	8
International	40	24	16	14	6

Source: Craner and Lymer (1999:141).

"What is striking about these results is that, apart from computational skills, there are no consistently held views as to what the objectives of a tax course should be. Of course, this diversity might be seen as illustrating the value of independent academic thought. On the other hand, it might be indicative of the lack of discussion within the relevant academic community as to the nature of tax education" (Craner & Lymer, 1999:142).

According to Miller and Woods (2000:235), some 87% of educators in universities are of the opinion that the ability to do tax calculations is a key learning outcome from their courses at universities. Miller and Woods (2000:238) then raised two questions, namely: how effective are educators in ensuring that their students learn to perform tax

computations and why, if this is ineffective, are they placing such heavy emphasis on this area of the tax syllabus? Miller and Woods (2000:239) further state that the answer to the first question seems to be that universities are not successful in transferring the tax education taught to the working environment. As an answer to the second question, they state that the degree of difficulty of tax examinations is of a lower level and thus, the learning objectives emphasised seem to be computational skills.

Sommerfeld (1975:166) identifies the following as areas that should be covered in an undergraduate tax programme:

- the importance of facts in resolving tax issues and the need to validate those facts;
- the need to articulate circumstances of facts in order to assess the various tax alternatives on offer;
- how to locate the authority to cover tax-related issues;
- how to assess whether the specific tax treatment is appropriate and to resolve conflict if it arises; and
- how to communicate and structure the results of tax research.

This proposed mix of objectives seems to be in contrast with the findings of the studies (Craner & Lymer, 1999; Fogg & Campbell, 1982; Gray, 1965) focusing on the actual emphasis of tax courses. It seems that a balance needs to be found between Sommerfeld's (1975) suggested course objectives and the actual course objectives as found in the study by Craner and Lymer (1999). This may indicate a need for one common body of tax knowledge that could assist in providing students with a foundation in a professional career in tax.

Stian Klue (currently Chief Executive Director of the South African Institute of Tax Practitioners (SAIT)) (Jooste, 2010:66) states as follows: "The world of tax is dynamic, interesting and ever-changing." It is, therefore, very important that tax education is adjusted in line with these changes. However, rather than determining which course objectives are important for educators, this study will sought to determine the preferences of employers to these course objectives. In order for employers to maintain a competitive

advantage, they demand a diverse range of skills and attributes from graduates (Kavanagh & Drennan, 2008:280).

Many tax tasks and calculations are automated and due to this, better skills such as critical thinking, problem-solving and analytical skills are required of employees (Kavanagh & Drennan, 2008:282; De Lange, Jackling & Gut, 2006:370). Employers rated analytical/problem-solving skills, a level of business awareness (in other words, real-life experience) and basic tax skills as the top three skills expected of graduates entering the business world (Kavanagh & Drennan, 2008:285).

The results of the investigation conducted by De Lange *et al.* (2006:380) indicate that technical skills are just as important and relevant today as it was in the past. The study revealed that students were of the perception that technical skills were slightly underemphasised in undergraduate courses. According to De Lange *et al.* (2006), it is still very important to maintain a strong focus on principles and basic technical skills even though many of the processes are automated due to new software development. This is, however, in contrast with what many other studies found.

Skills such as “communication skills, ethical awareness and professional skills, teamwork, written communication and an understanding of the interdisciplinary nature of business” are also expected by employers (Kavanagh & Drennan, 2008:296). Professionals must have technical skills and non-technical skills such as communication skills, business skills, management skills and people skills. However, employers consider some non-technical, process-related skills as more important than technical skills (Martz & Cata, 2008:119).

Some people are of the opinion that it is unrealistic for universities (especially across a range of disciplines) to attempt to guarantee that graduates will possess the necessary generic skills to meet the demand of employers (Kavanagh & Drennan, 2008:282). Others are of the opinion that students forget what they memorise and that content knowledge becomes dated (Kavanagh & Drennan, 2008:282).

Due to annual changes to tax legislation, it is very important that students specialising in tax must be prepared to be lifelong learners.

Academics are of the opinion that they should focus more on fundamental concepts and frameworks that will help students in the future to build a more extensive knowledge (Martz & Cata, 2008:119). In contrast, employers require “business awareness” and knowledge in terms of the “real world” (Kavanagh & Drennan, 2008:279).

Athiyaman (2001:7) indicates that employers expect graduates to possess good oral communication skills, leadership skills as well as supervision and negotiation skills. However, the study concluded that these skills are not taught sufficiently and that it is the educator’s responsibility to decide on the steps that should be taken to enable students to acquire the necessary skills (Athiyaman, 2001:16).

Flesher and Rescho (1986) conducted a study in the USA on tax concepts and the importance thereof in an undergraduate curriculum. At the time that their study was conducted, it indicated that the six cognitive skills needed in tax education were knowledge, comprehension, application, analysis, synthesis and evaluation. All six of these skills were rated equally. In order to gain these skills, tax education must have moved from a fundamental basis of tax education to a more conceptual manner (Flesher & Rescho, 1986:56).

In line with the previous study, the International Committee on Federal Taxation investigated the content of taxation courses at undergraduate level. They indicated that many universities’ tax courses went from a detailed to a more conceptual approach (Sommerfeld, Chastain, Gibson, Hoffman, Keane, Mitchell & Zwicker, 1972:260). The committee then also predicted that it will become very important in the future that students should be exposed to problems and procedures that are common in tax practices (Sommerfeld *et al.*, 1972:265). The committee strongly recommended increased reliance on a case approach to recognise, analyse and solve problems.

In South Africa, a majority of educators are of the opinion that the “why” rather than the “how” should be the focus of undergraduate tax courses (Coetzee & Oberholzer, 2006:426). Schnee (2002) states that universities must be cautious before technical course content is taught. However, Hite and Hasseldine (2001) state that, in response to

research done in the USA, education in taxation should be based on both the memorisation of rules and how to apply these rules in a variety of ways.

As students' abilities do not seem to transfer satisfactorily to the workplace, universities should perhaps reconsider their approach to the objectives of their tax courses and focus on assisting students in acquiring attributes which will be more beneficial in their future careers in taxation.

Miller and Woods (2000:239) conclude that employers are of the opinion that "students' computational abilities do not transfer satisfactorily to the work-place". They suggest that universities should reconsider their approach to develop students' computational abilities or universities should concentrate to help students acquire attributes and skills that will be of more enduring benefit in their future careers in taxation (Miller & Woods, 2000:239).

In Sommerfeld's (1975) opinion, practitioners have a greater preference for more practically based teaching methods other than theory-based teaching methods.

2.5.3 Practical experience and workplace experience as part of tax education

It is identified in the accounting profession that accounting education overemphasises the technical abilities of graduates. Many writers suggest the need for alternative instructional strategies such as case-based methods, seminars, role-plays and simulation that will enable students to develop skills like creative and critical thinking and that will engage students in their study process (Kavanagh & Drennan, 2008:282).

A survey was conducted in the Republic of South Africa (RSA) by Coetzee and Oberholzer (2006) to evaluate what tax knowledge South African trainee accountants need. The survey indicated that employers placed much emphasis on doing tax calculations and completing tax forms. Practical and calculative education was more important for employers than for educators (Schwartz & Stout, 1987:121).

Employers want graduates that can solve business problems immediately when they are hired based on their education and training. They also expect graduates that are knowledgeable enough on current problems and technologies in order to minimise training

expenses (Martz & Cata, 2008:119). According to prior research, younger graduates find it more difficult to cope with the pressures of the workforce. This is either because of the lack of certain skills needed or students being unable to transfer theory into practice (Athiyaman, 2001:13).

Schwartz and Stout (1987:118) found that when one or two tax courses were required, almost 50% of the time would be devoted to lectures, 30% to class discussions, which include homework assignments, and only 20% to practical case studies and tax returns. When three tax courses were required, lecture time and class discussions decreased and time spent on practical case studies and tax returns increased to 37%. However, it was determined that practitioners constantly preferred less lecture and more time spent on case studies and tax returns than educators did (Schwartz & Stout, 1987:118).

This was also revealed in a study conducted by Koornhof and Lubbe (2002:13), suggesting that educators and employers should collaborate and that actual case studies should be used in order to assist in applying theoretical and technical knowledge in practice.

It was, however, suggested in the UK that in order to become a professional, it was required to receive academic education that involved the acquisition of knowledge as well as to complete a formal apprenticeship or learnership controlled by a professional body (Carter, 1985:135). This correlates with the training procedure followed by some of the professional bodies in the RSA (Coetzee & Oberholzer, 2006:423).

South African Institute of Chartered Accountants (SAICA) prescribes the syllabus for educating chartered accounting students. SAICA believes that education and practical experience are needed to achieve a high level of competence (Coetzee & Oberholzer, 2006:424). In a tax training programme, sufficient knowledge must be obtained to ensure that the tax legislation can be interpreted and applied, that students will be able to recognise applications of tax legislation and that current applications of tax legislation can be evaluated (Coetzee & Oberholzer, 2006:425).

Knowledge, skills and personal characteristics are the three elements that are essential to achieve the necessary competence (Botha & De Jager, 2001:31). In a survey conducted by De Lange *et al.* (2006:379), personal characteristics received the lowest emphasis rating and they stated that this probably was because academics were either unaware of the increase in demand in the workforce for students with accomplished interpersonal skills or that it was difficult to develop these skills through curriculum activities.

Coetzee and Oberholzer (2006:425) state that knowledge must be obtained in an academic environment and that the necessary skills to be able to perform the tasks will be obtained in practice. There is much debate on determining which skills should be developed in the classroom and which should be developed when coming to know the discipline (Kavanagh & Drennan, 2008:282). International research, however, indicates that practitioners require graduates who "can think on their feet yet also be well grounded in the theory and its application" (Coetzee & Oberholzer, 2006:427). Many researchers conclude that technical skills lay the foundation for a career, but adaptive generic skills promote career success (De Lange *et al.*, 2006:368).

Coetzee and Oberholzer (2006:435) determined that employers were generally satisfied with the tax knowledge of trainee accountants, however, these employers were unsatisfied with the duties performed by these trainees. The concern was raised that employers might be confusing the practical environment where the skill of 'being able to' was required with the knowledge acquired of 'knowing how to'. Therefore, it was suggested that the practical application of knowledge should be improved and students should have the ability to implement abilities obtained during formal education in the workplace (Coetzee & Oberholzer, 2006:439).

2.6 EDUCATION IN SOUTH AFRICA

When considering the degrees which include taxation as one of the major subjects forming part of the degrees offered by South African universities, it appears that the subject of taxation is still regarded as a secondary segment of accounting in South Africa. The degrees that include taxation as a major subject forming part of the degrees offered by South African universities are listed in Table 17 (see Appendix A).

It appears that at undergraduate level of tax education, South African universities are not adequately adapting to the emerging of taxation as a profession (Miller & Woods, 2000:223). This is evident from the fact that only the University of Cape Town, the North-West University, the University of Pretoria and the University of South Africa offer other bachelor degrees with taxation as one of the major subjects forming part of the degree.

At postgraduate level, it appears that there are adequate degrees specialising in taxation offered by South African universities. This is evident from the fact that all South African universities, except the University of KwaZulu-Natal, the University of the Western Cape and the Nelson Mandela Metropolitan University, offer honours or postgraduate degrees or diplomas, specialising in tax. This is further evident from the fact that most South African universities offer a Master of Commerce degree, specialising in Taxation. This could, however, be a result of the chartered accountant stream of students opting to specialise in tax, after successfully completing their honours degree, specialising in Accounting sciences.

One of the objectives of these universities should be to develop the skills, within students, necessary for success by providing them with sufficient information about their future roles as tax practitioners (Jones & Abraham, 2007:17). Sommerfeld (1975) already identified that taxation had a value in its own right and not only as an advanced accounting or law option and that “taxation should be taught rather than just practised and learned”.

There is limited research in the field of tax education in South Africa. Joubert, Coetzee and Oberholzer (2009) conducted an exploratory study to determine which tax topics are important in the educational background of a trainee accountant entering the training environment in South Africa. This study expanded on a similar study conducted by Coetzee and Oberholzer (2006) by not restricting the study to the narrow geographical area, namely Pretoria, South Africa. While it was found in both studies that SAICA largely met the tax education needs, their study was limited to courses presented by SAICA. Joubert *et al*. (2009) did not take into account any other qualifications in the field of taxation.

This research seeks to expand on the study of Joubert *et al*. (2009) as well as other studies conducted in South Africa by examining the preferences of employers in respect of any qualification which includes taxation as one of the major subjects forming part of the degree. The questionnaire was designed to gain a wider focus on tax-specific education.

2.7 STAKEHOLDER PREFERENCES TOWARDS TAX EDUCATION

The perceptions of academic programmes play a very important role in the continuous debate on which skills are needed by professionals for a successful career (Martz & Cata, 2008:119). It is, therefore, important to consider the preferences of stakeholders with regard to tax education. These stakeholders include students, graduates, employers and educators.

2.7.1 Students and graduates

A survey conducted by Martz and Cata (2008:120) indicated that students valued the evaluation of conceptual and theoretical foundations more than practitioners do. However, students appreciated the integration of real-life experiences and stated it to be valuable characteristics of academic programmes (Kavanagh & Drennan, 2008:295, Martz & Cata, 2008:120).

A study conducted by Athiyaman (2001) in Australia revealed that students consider the following skills as important: oral communication, interpersonal, supervision, leadership, motivation, teamwork, negotiation, initiative and enthusiasm. But students were of the opinion that some education had failed in developing these skills sufficiently (Athiyaman, 2001:15). Students and employers have significantly different perceptions with regard to the three major general skills, namely critical thinking skills, problem-solving skills and analytical or conceptual skills (Martz & Cata, 2008:121)

Students see the emphasis on skills such as ethics, morality and corporate governance as less important in relation to other skills needed (De Lange *et al.*, 2006:381). Students must be made aware of the notion that ethical reasoning can be taught and that it is a vital skill in the future for professionalism in the workforce (De Lange *et al*., 2006:381). This can be

done by emphasising these skills in the training programmes by incorporating more specific ethical training in undergraduate courses (De Lange *et al.*, 2006:381).

Part-time students' emphasis on specific skills differs from the skills that full-time students consider as important. This is most likely because students have a greater awareness of the importance of interpersonal and communication skills after exposure to the realities of the business world (De Lange *et al.*, 2006:377).

Kavangagh and Drennan (2008:295) found that students rated continuous learning as very important. A matter that is of concern is whether the skills that students regard as important are the same as the skills delivered in programmes. An important fact that educators must keep in mind is that students' motivation to learn and acquire skills mostly depends on what they consider relevant and important to their future career (Kavanagh & Drennan, 2008:295).

Trainee accountants were of the opinion that they required communication skills, writing skills and people skills and that these skills were just as important as technical skills and knowledge (Koornhof & Lubbe, 2002:14).

2.7.2 Employers and educators

For a consistent level of significance in a university programme, the focus thereof should be on the needs of students for professional careers in their relevant sectors. This can only be achieved if educators have an in-depth understanding of the needs of practitioners and other organisations (Tan & Veal, 2005:103).

It seems that there is limited knowledge locally about employers' perceptions of taxation studies in the university sector, or whether certain employer groups are more likely to employ graduates who have studied taxation at university than those who have not. However, internationally, there have been more studies focusing on the preferences of employers regarding the tax knowledge and skills gained at universities.

2.7.2.1 A foreign perspective

Although not specifically focused on employers, Sommerfeld (1966) surveyed a large number of people involved in tax practice to assess their opinions of what should be the ideal educational background as preparation for a career in the tax profession. He found that although accounting and law formed the primary educational backgrounds in the tax profession at the time, strong support was found for courses that did not emphasise the legal aspects of tax (Sommerfeld, 1966:41).

In a study conducted in the USA by Schwartz and Stout (1987), they attempted to compare the opinions of public financial firms' employers and educators with regard to the tax education received by entry-level accountants. Schwartz and Stout (1987) included two different groups of employers, namely sole practitioners and partners of public accounting firms in the study. The study was conducted because it was determined that the needs of the tax profession were not satisfied by educational institutions as well as to gain knowledge of the perceived importance of various tax issues by practitioners.

The aim was to gain insight on how to teach tax courses, the importance of tax courses and the level of preparedness of entry-level accountants with respect to taxation. The study found that 67% of financial firms' employers believed that existing courses only marginally prepared entry-level accountants with respect to taxation and 21% of employers suggested they were not adequately prepared. In contradiction to the above, educators were of the view that entry-level accountants were more prepared than employers expected them to be.

When comparing the opinions of the two different groups of employers, Schwartz and Stout (1987:120) found that there was a significant agreement on several tax education issues such as the level of preparedness, the proportion of coursework that should be devoted to certain general categories of courses, the relative mix of instructional techniques to be used in the classroom and the percentage of time devoted to various topics in tax classes. However, the opinions of the employers differed considerably from those of the educators with regard to the number of required tax courses, level of preparedness, instructional techniques used and topics covered (Schwartz & Stout, 1987:121).

From this, it is evident that improved communication is needed between educators and the employers of tax practitioners. The study by Schwartz and Stout (1987) failed to take into account any specialised taxation degrees, but rather only accounting degrees with taxation as a subject. In this study, all degrees and qualifications with specialisation in taxation will be taken into consideration.

Another example of accounting education not meeting employers' preferences is the UK-based study conducted by Miller and Woods (2000). The purpose of this study was to compare educators' and employers' perceptions and preferences of the tax knowledge taught to students at university and the knowledge which employers expected these students to have. The results are summarised in Table 3.

Table 3: Employer expectations of graduates who studied tax at university compared with the importance assigned by educators to course learning outcomes

Attribute	Universities' learning outcomes	Employers' expectations
An appreciation of the general scheme of tax		
An appreciation of fiscal policy and its social effects		
An appreciation of the economic theory of taxation	X	
Ability to prepare computations, applying current statute and case law	X	X
Ability to identify basic personal and business tax-planning points	X	X
Ability to evaluate the impact of taxation on decision-making by individuals and businesses		
Ability to use software packages		X
An appreciation of the history of taxation		
An appreciation of international tax issues		
Negotiation and/or advocacy skills		X
Developed interpersonal skills		
Developed writing skills		
The skills in statutory interpretation necessary to investigate a practical taxation problem		X
Developed analytical skills		X

Source: Miller and Woods (2000:229).

As in the study of Schwartz and Stout (1987), Miller and Woods (2000:240) are of the opinion that there is a 'knowledge gap' between the employers of tax practitioners'

expectation of newly qualified tax practitioners and the education in the subject of tax provided by universities.

Specifically regarding practical and technical skills and the preferences of employers to develop these skills at university level, Arlinghaus and Salzarulo (1986:14) conclude that these skills are more effectively developed through on-the-job training, than being taught to students in a tax education programme at university. Following this study, Stara *et al*. (1991:98) conducted a similar study and determined the importance of developing these skills, as used in the Arlinghaus and Salzarulo study (1986), at university level in the view of training offices.

The respondents were asked to rate the importance of the skills from 1 to 6, with 1 being unimportant and 6 being very important. The results obtained from the respondents are summarised in Table 4.

Table 4: Importance of developing tax-related skills at university level

Skill	Mean response
Tax research	5.3
Tax issue identification	5.3
Understanding of IRS Code, regulations and cases	5.2
Written communication skills	4.9
Fact gathering for tax engagement	4.7
Tax ethics	4.5
Oral presentation skills	3.9
Computer applications	3.6
Tax return preparation	3.0

Source: Stara, Shoemaker and Brown (1991:99).

It appears that all the above-mentioned skills are important to training offices of tax practitioners and that tax research is the most important skill preferred to be developed by universities. This exploratory research will attempt to determine whether these skills are adequately developed in South African universities according to the preferences of employers of small accounting firms.

Tan and Veal's (2005:104) study in New Zealand indicated that although various topics were covered in the tax curriculum, practitioners would prefer that more in-depth

knowledge of these topics were acquired by graduates. The high level of conceptual knowledge in the subject of tax-planning, avoidance and evasion taught by educators was found to be of less importance to practitioners.

The problem of varying opinions of practitioners and educators in connection with tax education, is international. Miller and Woods (2000) are of the opinion that this problem originates because universities are unsuccessful in transferring students from an academic environment to the practice environment.

In general, students overvalue specific skills related to their specific profession and undervalue broader foundational skills in comparison with what employers value (Martz & Cata., 2008:122). Martz and Cata (2008:122) advise that educators must emphasise the need and achievement of foundation skills to make students more aware of what employers seek from graduates in connection with required skills because students do not yet value these skills.

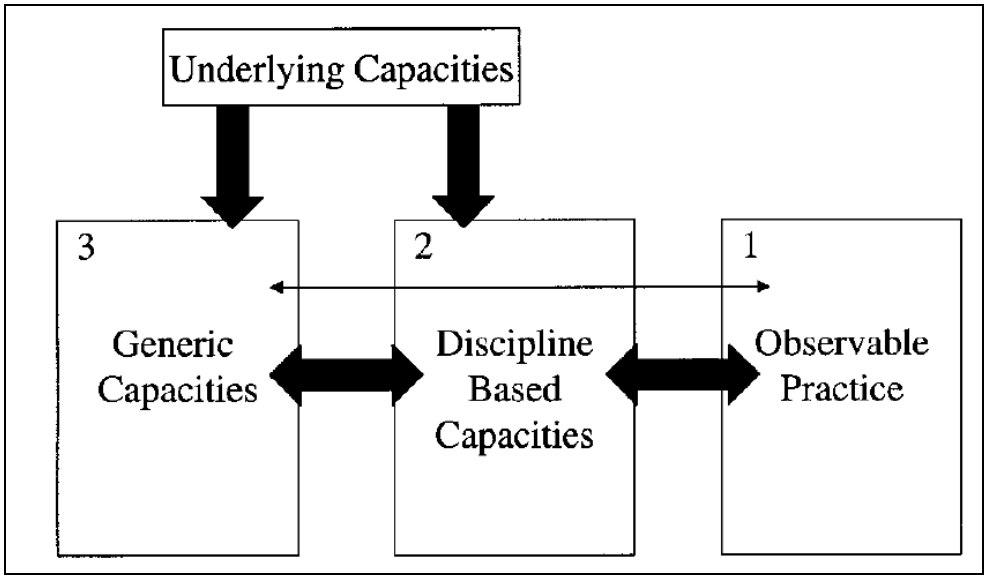
Research indicates that in some instances, students and employers agree about some of the skills that are acquired for a successful career, but they rank the skills differently in terms of their importance (Kavanagh & Drennan, 2008:296). Kavanagh and Drennan's (2008:296) study concludes by stating that it could be unrealistic for employers to expect that graduates will possess the range of skills they require and that some of the skills can only be developed with on-the-job guidance.

This raises the concern that educators might have the perception that they know what employers want in terms of tax education, but they often fail to deliver it. Employers are of the opinion that they know what educators deliver in terms of tax education, but this is not necessarily what they want.

The results of the study conducted by Martz and Cata (2008:118) indicate that students and practitioners appreciate the integration of real-life practice in academic programmes. Many researchers internationally suggest that the gap between education and practice is getting bigger and that this issue requires curriculum changes in training programmes (Kavanagh & Drennan, 2008:280).

Tempone and Martin (2003) conducted a study in Australia to determine the interaction between theory and practice in order to develop generic skills in accounting. The study raised the question: "How do students develop into people with skills and qualities that are appropriate for a professional life upon graduating and which also develop over a lifetime?" The study determined that this is bigger than just to enable students to transfer theory into practice (Tempone & Martin, 2003:229). In Figure 1, the relational model of observable practice and underlying capacity shows related levels of knowing and practising. In the model, Level 1 (base level) relates to the practice which can be observed. Level 2 relates to the knowledge, skills and attitudes. Level 2 thus relates to the domain of universities. Level 3 is the generic capacity level. This level indicates students' interaction with life, solving professional problems in the real world and working through personal relationships.

Figure 1: Relational model of observable practice and underlying capacity



Source: Tempone and Martin (2003:230).

It is important to note that the arrows in the model go both ways. This indicates that generic capacity cannot develop itself. It can only develop through the practice of knowledge and skills. Knowledge and skills are developed by means of continuous exposure to real-world situations. The relationship between the levels is of the utmost importance (Tempone & Martin, 2003:230). "So, it is argued that practice in the world is enhanced through practice and learning in the academy and vice versa, but both require reflection and reiteration and continued adaptation" (Tempone & Martin, 2003:230).

If students understand how theory and practice are intertwined, the concept will remain with them for life (Tempone & Martin, 2003:242).

2.7.2.2 A South African perspective

Limited research has been done in South Africa in the field of tax education. However, although not specifically tax-orientated, several researches have been done with regard to accounting education which includes taxation as one of the major subjects.

Koornhof and Lubbe (2002) studied whether the accounting education of South African trainee accountants met practitioners' expectations and preferences as well as whether competent[1] professionals were delivered. Interviews, with mainly open-ended questions, were held with trainee accountants and training officers and the study was limited to the geographical areas of Johannesburg, Pretoria and Bloemfontein.

The study found that to a large extent the theoretical and technical knowledge of accounting trainees was sufficient, but that these trainees encountered problems in applying this knowledge and skills in practice (Koornhof & Lubbe, 2002:10). Respondents agreed that trainees generally had weak communication, negotiation and people skills. They required trainees that were competent to provide good services to clients, possessed leadership skills, had the ability to work as part of a team, had good understanding of business, a desire for knowledge, an ability to sell services and create new business and good time-management skills (Koornhof & Lubbe, 2002:10).

Barac (2009:19) conducted a similar study to that of Koornhof and Lubbe's (2002), but expanded on that study by researching each of the subjects of an accounting degree as a separate entity. A web-based questionnaire was sent to training officers of accounting firms located in South Africa. Relating to taxation topics, the study found that 46.9% of tax topics included in the 2008 SAICA syllabus were rated as important by training officers. The study concluded that there was evidence of a need for today's entry-level trainee

[1] *Competence* refers to being able to carry out duties to a defined standard with reference to real working environments (Koornhof & Lubbe, 2002:5).

accountants to receive training in communication, analytical, interpersonal and computer skills (Barac, 2009:27).

Joubert *et al*. (2009) conducted a study based on a questionnaire that consisted of 33 questions and was sent to 902 training offices, registered with SAICA and located in South Africa. The above-mentioned study expanded on the study of Coetzee and Oberholzer (2006) by increasing the geographical area. The aim of the study was to determine the South African perspective relating to the importance of tax topics, taught in accounting degrees, from the perspective of employers and managers of accounting firms (Joubert *et al*., 2009:15).

The results of the above-mentioned study revealed that general tax issues, company tax and value added tax were of the highest importance to employers and managers of accounting firms, while tax-planning and corporate rules were of lesser importance. These findings are consistent with those of Coetzee and Oberholzer (2006:439). These results are largely in accordance with the emphasis on topics in the SAICA syllabus and it appears that the preferences of employers and managers of accounting firms are sufficiently met.

However, taxation of recreational clubs and public benefit organisational as well as farming activities does not form part of the SAICA syllabus, but was rated more important than certain other topics included as part of the SAICA syllabus. It was, therefore, also recommended that SAICA should reconsider the content of the syllabus (Joubert *et al*., 2009:27). In the study conducted by Doman (2011:61), it was determined that taxation of farming activities was one of the topics of which participants preferred a lower than average or no theoretical knowledge. This could be because all the respondents were employers at the four big accounting firms, whereas in the study by Joubert *et al*. (2009:29), 73% of the respondents were from small firms.

The findings of Joubert *et al*. (2009) contrast somewhat with the international study conducted by Schwartz and Stout (1987:121), which found that only 12% of employers' preferences in relation to the tax curriculum were met.

Possible limitations of these studies were, firstly, the response rate to the questionnaires was only 30% and 38% respectively, therefore, in the case of Joubert *et al*. (2009), it may not be generalised to all training offices in South Africa. Secondly, large offices are likely to have a dedicated tax department, therefore, may not always require trainees to have an in-depth tax background. Thirdly, trainees in these offices could acquire other specialised tax degrees and not just accounting degrees with taxation as subject, and lastly, the depth of knowledge preferred by employers were not studied as in the study of Tan and Veal (2005). The above-mentioned studies mainly focused on large companies as well as students studying towards becoming a chartered accountant.

For these reasons, this study focuses on small accounting firms and takes into consideration any degree, whether consisting of specialised or general tax education.

2.7.2.3 Large companies

Doman and Nienaber (2012) conducted a study in South Africa on the views and preferences of employers of large accounting firms. The study considered the composition of tax departments in these firms as well as the theoretical knowledge, practical skills and personal characteristics of newly qualified graduates.

The results of the study indicated that large accounting firms preferred to employ employees with an honours or postgraduate diploma specialising in taxation as well as CAs and employees with a Master of Commerce (MCom) in Taxation or Master of Laws (LLM) (Doman & Nienaber, 2012:955). Therefore, it can be concluded that employers of large accounting firms prefer employees who are specialists in the field of tax.

To determine the theoretical knowledge, a standard list of topics was supplied (see Chapter 3) to participants. The results indicated that more than 50% of the participants preferred newly qualified tax practitioners to have an average or higher level of knowledge. Results also indicated that there was a distinct difference between what the participants preferred compared with their expectation because participants indicated that the existing level of theoretical knowledge of newly qualified tax practitioners at the time of the study was too low (Doman & Nienaber, 2012:958).

In terms of the practical skills, the majority of the participants preferred newly qualified graduates to have an average or high ability to practise the skills listed, whereas most of the participants were of the view that newly qualified graduates currently had an average or lower than average ability to practise the skills. The only skill for which the current views of the employers were similar to their preferences was the ability to use a variety of software packages, e.g. Word and Excel (Doman & Nienaber, 2012:958).

Lastly, the majority of the participants were generally satisfied with what newly qualified tax practitioners offered in respect of most of the personal characteristics for which participants had to indicate their current views and preferences. However, participants preferred newly qualified graduates to be more imaginative and creative, have more leadership qualities and be more interested in commercial and financial matters (Doman, 2011:82).

From the above, it can be concluded that in terms of theoretical knowledge and practical skills, employers were mostly not satisfied with the levels of newly qualified tax practitioners. This study will expand on the study conducted by Doman and Nienaber (2012) in order to determine the views and preferences of small accounting firms in the rural area as these may differ significantly from the preferences of large accounting firms.

2.8 SMALL ACCOUNTING FIRMS IN THE RURAL HIGHVELD AREA OF MPUMALANGA

Accounting firms are broadly classified into three categories, namely small, medium and large firms. This study focuses on the current views and preferences of employers of small accounting firms. Small firms offer a variety of services, therefore, employees gain experience in various aspects of the client's business and can contribute significantly to the client's affairs (Joubert *et al.*, 2009:17). At small firms, the focus is mainly on the community and a much more personal approach is followed towards clients than at medium and large firms. Their client bases generally include private individuals, entrepreneurs, local retailers and manufacturers, and small- or medium-sized companies or close corporations (Coetzee & Oberholzer, 2006:424).

Therefore, a fact to consider is that preferred curriculum content may vary depending on the size of a firm. A survey conducted by Stara *et al*. (1991) indicated that large firms preferred corporate tax and tax research, whereas individual tax was more important to smaller firms. However, Coetzee and Oberholzer (2006:435) state that even if firms vary in size, the perceptions of employers, regarding the topics in which students have the most knowledge, are similar.

2.9 CONCLUSION

Tax as a profession has evolved; this resulted in a definite need for tax practitioners who have received specialised tax education and training. Educators use different approaches and methods when providing tax education but practical experience and workplace experience are an integral part of tax education. Some South African universities provide degrees, other than Bachelor of Commerce (BCom) Accounting, which include taxation as one of the major subjects forming part of the degree but other universities must still adapt to the emerging of taxation as a profession. It is of the utmost importance to take the preferences of stakeholders, other than educators, into consideration during tax education in order to provide well-rounded graduates to the market.

However, in the light of the above, it is evident that there is still a lack of knowledge regarding the preferences of employers towards tax education. Further, in South Africa, the field of tax curriculums, other than those of chartered accountants, has received little attention. The difference in preferences between small, medium and large accounting firms is also relatively unknown.

The remaining chapters aim to shed light on the current views and preferences of small accounting firms' employers of newly qualified graduates regarding taxation education.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The objectives of this exploratory research include the examination of employers of small firms' current views and preferences of newly qualified graduates regarding tax education in the South African context in relation to practical and technical skills as well as development of personal qualities. Other objectives of this study are to determine the range of tax work carried out at these firms and to determine the qualifications that these employers prefer when appointing newly qualified graduates.

From Chapter 2, it is evident that different opinions exist, on a South African as well as international level, regarding the level of technical knowledge, conceptual knowledge and skills that a newly qualified graduate should have. As limited research has been done on a South African level, it is necessary to determine the perceptions and preferences of South African tax practitioners who employ newly qualified graduates. Doman and Nienaber (2012) conducted a similar study on the four large accounting consulting firms; however, this study focuses on small accounting firms.

Universities could be assisted by the findings of this study, as there seems to be a knowledge gap between the current tax knowledge of newly qualified graduates as educated at tertiary institutions and the preferences of employers relating to this tax knowledge. This data could assist universities (i.e. tax educators) to adapt their curricula to improve the fundamental tax knowledge and skills in order to reflect the expectancies of their future employers and to equip students towards becoming tax practitioners.

In this section, the overall research design is described, followed by the manner that the target population, units of analysis and the sampling method were determined. Subsequently, the data collection method and the techniques that were used to analyse the data are discussed. In addition, the manner in which the research objectives will be reached by using the research questionnaire is highlighted. The chapter concludes by

delineating the methods used to ensure the quality and rigour of the research design as well as the research ethics that applied to this study.

3.2 DESCRIPTION OF INQUIRY STRATEGY AND BROAD RESEARCH DESIGN

This study seeks to determine what employers' expectations and preferences are regarding theoretical knowledge, practical skills and personal characteristics of newly qualified graduates. The literature review of previous studies provided some insight, but only to a limited extent as only limited studies have been conducted in this field of study. The literature review will be expanded by conducting empirical research by the use of surveys.

The aim of this study is therefore to resolve the problem statement as set out in Chapter 1 and to answer the research question: What are the current views of small accounting firms' employers in the rural area in respect of qualifications obtained by a newly qualified graduate and are such qualifications adequate and relevant to the employers' tax practice based on the preferences of these employers?

A description of the research design has the objective of highlighting, in technical terms, what is to be done (Cooper & Schindler, 2003:146-151). A survey-based research design essentially tries to obtain information from a limited number of individuals, namely those who possess the knowledge one is seeking, who are able and willing to provide this information, and who are intended to be representative of a larger group (Hofstee, 2006:122). Similar to the studies of Doman and Nienaber (2012) and Alberts (2012), a structured questionnaire was used in this study.

This is an exploratory study as it attempts to identify areas for future research by restricting the target population. As more data will be obtained on the preferences of employers relating to the knowledge taught to newly qualified graduates, an empirical study will be conducted (Saunders, Lewis & Thornhill, 2007:598). This exploratory research is conducted as an empirical study in which new knowledge will be collected relating to the research objectives and purpose statement (Babbie & Mouton, 2001:75).

The research represents basic research. Saunders, Lewis and Thornhill (2009:588) describe *basic research* as research conducted in order to have a greater understanding of the outcomes, which are indicated in the research objectives. This research will contribute to the body of knowledge of the preferences of employers regarding tax education. This research will further be cross-sectional as it will only represent the preferences of employers at the moment when the survey was completed and thus, only reflect the respondents' responses at that specific point in time.

Primary data will be collected to attend to the determined research objectives. Saunders *et al*. (2009:598) describe *primary data* as data which is specifically collected for the specific research to be conducted. Hofstee (2006:51) describes *primary data* as data that is directly relating to or drawn from the research conducted and have not been analysed by another.

A questionnaire will be used to obtain quantitative data. *Quantitative data* refers mainly to data collection measures such as questionnaires or to data analysis techniques that deliver numerical data (Saunders *et al*., 2009:151). This choice of research is supported by previous studies that also used quantitative approaches to study expectations of a specific population (Alberts, 2012; Doman & Nienaber, 2012). For the reason of reducing variables, this research will be non-experimental.

This study will be extending Doman and Nienaber's study (2012). The target population will differ from that study by focusing on small accounting firms that provide tax services. However, the questionnaire designed by Doman and Nienaber (2012) will be used as the backbone, and adapted to the target population of the study to gather the relevant data.

3.3 SAMPLING

This study focuses on the current expectations of employers of small accounting firms in respect of newly qualified graduates in terms of theoretical knowledge, practical skills and personal characteristics obtained as part of their qualifications. This study is therefore conducted by focusing on small accounting firms in the rural highveld area of Mpumalanga. The findings can therefore not be generalised to all accounting firms who appoint newly qualified graduates located in South Africa or in the rest of the world. This

study deals with tax practitioners as a whole and is not limited to chartered accountants or members of a specific professional institution.

3.3.1 Target population and units of analysis

As this research is exploratory, data was only obtained from employers in small accounting firms who provided tax services at the time of the study and who were located in the geographical rural highveld area of Mpumalanga, South Africa (see Appendix C).

According to Terre Blanche and Durrheim (2002:37), the *units of analysis* are the participating respondents on whom the researcher wants to draw conclusions. For the purposes of this study, the units of analysis are the employers of newly qualified graduates of small accounting firms. The reason for these *units of analysis* is that it seems that the employers of newly qualified graduates possess the required knowledge of the current tax curricula and the preferences towards these curricula. In this study, there is thus no difference between the target population and the units of analysis. The employers were also not limited to a specific ethnic group, but data was collected from whites, African, coloured and Indian participants.

It is important to note that for the purposes of this study, a *small accounting firm* is defined as any accounting firm, excluding branches of the four large accounting firms located in South Africa. Thus, there will be no distinction between a small- and medium-sized firm; and the four largest accounting consulting firms will represent the large accounting firms.

The geographical rural highveld area of Mpumalanga, South Africa was selected for the reasons of convenience and practicality. This area has a reasonable population of accounting firms, greatly differing in magnitude. Minimal research has been done in the rural areas, therefore, respondents are more willing to participate in research. It is also possible that the views and preferences of employers in rural areas will differ from those in urban areas. To determine this difference, further research can be conducted in urban areas.

If a firm consisted of more than one partner, only one questionnaire was completed per firm. The aim was to obtain only a single response from a firm. This is because the study

aims to gain an understanding of the employer's view (which is the firm) of the expectations and preferences and not the personal view of the person responding to the questionnaire (Terre Blanche & Durrheim, 2002:37).

3.3.2 Sampling method

In order to answer the research question, the most appropriate sampling technique had to be selected. Therefore, non-probability sampling was used as it was not possible to choose the sample statistically at random. It was impossible to specify a sampling frame (Saunders *et al*., 2009:233). Furthermore, snowball sampling was chosen so that members of the desired population could not be easily identified (Saunders *et al*., 2009:240). This sampling method was used as it was considered to be the most reasonable and practical manner by which to identify the target population and units of analysis of this study.

A list of active approved accounting training firms registered with SAICA and the South African Institute of Professional Accountants (SAIPA) at the date the study was conducted, was retrieved from the websites of SAICA (SAICA, 2012) and SAIPA (SAIPA, 2012). Information of all the firms situated in the rural highveld area of Mpumalanga was obtained, but all branches of the four large accounting firms situated in this area were removed from the list. This was the starting point for compiling a list for the purposes of this study. The SAICA and SAIPA lists were used since all the firms listed employ newly qualified graduates and both SAICA and SAIPA include taxation competencies as part of their programmes. It could therefore be said that these firms would be able to provide their current views and preferences of the theoretical knowledge, practical experience and personal characteristics of newly qualified graduates.

The sample size was then expanded by means of internet searches and information available in the telephone book and Yellow Pages (Yellow Pages, 2012). All the firms that provided taxation services were added to the list. Thereafter, all the firms identified, by means of the above-mentioned process, were asked for information regarding any other accounting firms providing tax services in their specific town or the area of study in order to expand the list, i.e. snowball sampling.

As it is essential to be registered with SARS in order to provide services as a tax practitioner (see Chapter 2), SARS was also contacted in order to obtain information about all the registered tax practitioners in this specific area. But due to the privacy agreement between SARS and their members, it was not possible to obtain their list. However, SARS provided the total number of persons registered as tax practitioners in certain towns within the area of study. Thereby, it was reasonable to conclude that the list compiled by means of snowball sampling, as described above, was a fair representation of the complete list of tax practitioners.

All the firms were contacted telephonically in order to determine whether they qualified for participating in the study. Because all the firms on the list were registered as tax practitioners and provided taxation services, it was only necessary to determine whether they still employed or had employed newly qualified graduates in order to participate in the study. All the firms who qualified to be part of the population were asked whether they wished to participate in the study.

The limitation of snowball sampling is that the sample can result in being homogeneous as it is a possibility that respondents might only identify other potential respondents who are similar to themselves (Saunders *et al.*, 2009:240). But as the number of small accounting firms in the rural areas was limited, the researcher decided to give the entire population the option to participate in the study. Therefore, this shortfall will not be applicable. The entire qualifying population identified consisted of 63 firms of which 40 chose to participate. The respondents had the option to either receive a copy of the questionnaire delivered by the researcher or to receive it via e-mail. Although the aim was to get a 100% response rate, 63% of the respondents who received a questionnaire responded. However, this response rate was higher than that of the study conducted by Doman (2011:29), which only had a 52% response rate at the large accounting consulting firms.

3.4 DATA COLLECTION

The following section considers the method of data collection, the design of a structured questionnaire and the manner in which the questionnaire was pretested. The relevant data to deal with the research objectives was obtained by using a structured questionnaire. The

questionnaires assisted the researcher in gathering primary data as the data was used exclusively for the purposes of this study (Saunders *et al*., 2007:607). The data gathered consists of quantitative data (Saunders *et al*., 2007:145).

3.4.1 Survey method

Surveys in the form of a structured questionnaire were used to collect data in this exploratory research. According to Hofstee (2006:122), surveys are a good method of obtaining people's opinions, desires and attitudes. Surveys can also be used to collect primary data (Saunders *et al*., 2007:354) and they yield quantitative data (Leedy & Ormrod, 2010:187).

After ethical clearance was obtained from the Research Ethics Committee (see Paragraph 3.7.1), the partners of the qualifying small accounting firms (see Paragraph 3.3.2) were requested telephonically to participate voluntary in the survey. If the small accounting firm wished to participate in the study, the person who completed the questionnaire was asked if a meeting could be scheduled where a hard copy of the questionnaire would be completed, so that the purposes and relevance of the survey could be explained. As the purpose of the meeting was to fully explain the relevance of the study for both the firms and the researcher, such a meeting with the respondent was of high importance. A good understanding of the relevance of the study by the respondent would assist in collecting more reliable data.

The rationale behind scheduling meetings with respondents was to ensure a high response rate. Saunders *et al*. (2007:359) indicate that a disadvantage of using questionnaires is that the response rate is expected to be lower than that of a telephonic or structured interview. The study dealt with this by making telephonic contact with the respondent and by scheduling meetings for the completion of the questionnaire. The reliability of the data was also increased by the fact that it was observed that the correct person completed the questionnaire (Saunders *et al*., 2007:359).

If it was not possible for the respondent to schedule a meeting, then alternatively he/she had the option of receiving the questionnaire via e-mail within a short period of time with clearly set-out guidelines as well as a specific date for completion of the questionnaire. In

this instance, the relevance of the study was explained during the initial telephonic conversation.

Should the person have elected to receive the questionnaire via e-mail, a follow-up e-mail was sent if the completed questionnaire was not returned by the date mentioned in the e-mail, as a reminder to complete the questionnaire. In the follow-up e-mail, the respondent was asked whether his/her accounting firm still wished to take part in the study and the questionnaire was sent again. It can thus be concluded that a combination of self-administered questionnaires and structured interviews was used as the survey method.

In order to increase the reliability of the data received via e-mail, the questionnaire was sent directly to the individual partner's e-mail address (Saunders *et al*., 2007:357). For all the questionnaires received from e-mail addresses that differed from the ones that they were initially sent to, the initial partner was contacted telephonically in order to ascertain the source of the questionnaire completed and the person who was responsible for the completion.

A final date was determined and all e-mail responses received and all meetings scheduled on or before this date were used as part of the study. For the purposes of this study, 58% of the completed questionnaires were obtained through scheduled meetings and 42% via e-mail.

The researcher emphasised to all firms, regardless of whether a meeting was scheduled or whether the questionnaire was sent via e-mail, that they may withdraw from the research at any time. All completed questionnaires received were briefly scanned to determine whether all questions were completed. If the questionnaire was not completed in full, the respondents were asked to complete the entire questionnaire. All the questionnaires that were not completed in full were disregarded for the purposes of this study.

If a firm consisted of more than one partner at the time when the questionnaires were completed, then only the partner that was available at the time the study was conducted, was asked to complete the questionnaire. Alternatively, the partners had the opportunity to

complete the questionnaire together. Should another person be responsible for the employment or management within the firm, that other person was requested to participate in the study. As discussed in Paragraph 3.3.1, only one questionnaire was completed per firm. A partner also had the opportunity to get input from another personnel member if he/she was of the opinion that the other personnel member was in a good position to assist in the completion of the questionnaire.

3.4.2 Measurement

The measuring instrument used in this study is a predesigned questionnaire. The predesigned questionnaire was designed in order to reach all relevant research objectives and to ensure that the answering of the questionnaire was not too time-consuming as participants had the opportunity to either complete the questionnaire on a hard copy or to submit it via e-mail.

The questionnaire was based on a questionnaire designed by Doman and Nienaber (2012). Alberts (2012) also used the above-mentioned questionnaire. However, for this research, certain changes were made to the original design questionnaire. These changes were either made because the original question was not applicable to Alberts' study, since the target population and the research objectives compared with those of Doman and Nienaber (2012), were entirely different, or to improve the questionnaire. Doman and Nienaber's (2012) questionnaire was used as a basis together with the changes made by Alberts (2012) in order to draw a comparison of the outcomes of these studies by comparing the views and preferences of the different target populations.

For the purposes of this study, each question in the original questionnaire was critically analysed by considering the target population and research objectives of this study as well as by considering changes made to the original questionnaire in the study of Alberts (2012). As a result, certain changes and additions were made to provide for the different target population and research objectives. The changes made to the questionnaire for the purposes of this study were reviewed by Mrs Rina Owen, an independent research consultant employed by the Faculty of Economic and Management Sciences at the University of Pretoria, to ascertain whether the questionnaire dealt with the research

objectives effectively. The questionnaire also went through a pilot-testing process (see Paragraph 3.4.3)

The questions used in the questionnaire were closed-ended questions. Closed-ended questions are designed in such a way to provide a number of options to the respondent (Saunders *et al.*, 2007:368). It is also useful to ensure that the questionnaire is not too time-consuming, therefore, minimal writing is required in order to complete the questionnaire. In addition, comparison of responses is easier when questions of this type are used (Doman, 2011:31).

3.4.3 Pretesting/Pilot testing

In order to determine whether respondents would experience any problems in completing the questionnaire or provide for any additions to be made and to adjust it appropriately, the questionnaire was pretested (Saunders *et al.*, 2007:386). Even though the original questionnaire was pretested by Doman and Nienaber (2012) as well as Alberts (2012), pretesting may be repeated several times to refine questions, instruments or procedures (Cooper & Schindler, 2003:86).

The original questionnaire was pretested in two rounds of pretesting by different individuals (Doman & Nienaber, 2012:955). In the study of Alberts (2012), changes were made to the original questionnaire and the adapted questionnaire also went through two rounds of pretesting. However, since different objectives and population groups were used in the different studies, the questionnaire had to be adjusted to meet the objectives of each study and also to deal with and accommodate all the relevant factors applicable to each population.

The questionnaire used for the purposes of this study was pretested by two different partners at two different firms. One was the partner of a small accounting firm in Pretoria in Gauteng. This firm was selected since it qualified as a small accounting firm and the partner was able to test the questionnaire from that point of view. The other member was the partner of a small accounting firm situated in Bela-Bela in the Limpopo province. This firm was selected since it was in a rural area and also qualified as a small accounting firm.

However, neither of these firms formed part of the target population. Since the number of firms qualifying for the purposes of this study was limited, it was decided to pretest the questionnaire using members outside the target population so that the entire target population could participate in the study.

After the pretesting, all the suggested comments and recommendations were evaluated on a case-by-case basis. Where comments and recommendations had merit, questions were amended accordingly. The partners indicated that their overall impressions were satisfactory and that all the questions were relevant and well structured to meet the research objectives.

As part of the discussion of the questionnaire design, the original questions, adapted and designed based on Doman and Nienaber's (2012) as well as Alberts' (2012) studies were replicated. The final question after the review, which was ultimately used in this study, is shown below the original question as developed by Doman and Nienaber (2012) and the adjustments made by Alberts (2012). The changes from before to after should be apparent. Each change was not discussed in detail in this study.

3.4.4 Questionnaire design

The questionnaire was designed after conducting an extensive and in-depth literature review. As explained above, the questions were mainly derived from the questionnaire developed by Doman (2011:32-42). The questionnaire designed by Doman (2011:28) was based on ideas taken from studies by Joubert *et al*. (2009), Miller and Woods (2000) and Carter (1985), but was then adapted to gain an understanding of the perceptions and preferences of tax practitioners in respect of tax qualifications (Doman, 2011:28). For the purposes of this study, Doman's (2011) questionnaire was adapted in such a way that the questions were more specific to employers of small accounting firms in the rural area. In this section, each question asked by Doman (2011:32-42) and thereafter by Alberts (2012:46-57) is critically analysed, amended and motivated.

3.4.4.1 Background to certain design principles of the questionnaire

As previously discussed, the target population was the employers of respective small accounting firms. Each question developed by Doman (2011) (addressed to the partners employed in the tax departments of the four largest financial consulting firms - from an employer's perspective) as well as alterations made and additions added to the original questionnaire of Doman (2011) used by Alberts (2012) (addressed to the individual heads of department employed in the tax departments of certain academic institutions - from an educator's perspective) is replicated below, whereafter it is motivated whether to use the question or not. If it was decided that it should be used, the question was adapted to meet the research objectives of this study and was appropriately motivated.

In order for the respondent to understand and appropriately complete the questionnaire, a covering letter was added setting out the layout of the questionnaire, definition of key terms and the scope. See Appendix J for the actual covering letter. The use of a covering letter is motivated as part of Paragraph 3.6.2, which is discussed below. The questionnaire is split into four sections, as follows:

- Section 1 deals with the background information of the practice;
- Section 2 deals with the expected and preferred level of theoretical knowledge of newly qualified graduates;
- Section 3 deals with the expected and preferred level of practical skills of newly qualified graduates; and
- Section 4 deals with the expected and preferred level of personal characteristics of newly qualified graduates.

3.4.4.2 Section 1: Background information of the practice – Question 1.1

The original question as designed by Doman and Nienaber (2012) reads as follows:
"Question 1: Please indicate the type of tax service mainly provided by your business unit:
Tax services:

- International tax and transfer pricing
- Corporate tax

- Indirect tax
- Tax services relating to human capital (including expatriates)
- Tax compliance and administration
- Tax risk management
- Other (Please specify)" (Doman, 2011).

This question aimed to determine the size of the tax department and was therefore relevant to a certain extent. However, the services included in this question were selected by considering the services provided by the different business units in each of the tax departments of the four large financial consulting firms (Doman, 2011). Since this question did not meet any of the research objectives, the question was not used for the purposes of this study. Not all small accounting firms have separate tax departments and even if they do, they are not necessarily divided into these different business units.

In the study of Alberts (2012), the following question was used:
"Question 1.1: To address the question of the validity of the data it is necessary to gauge the experience level of the individual who is completing the questionnaire. For this purposes please complete the following fields:

- Please state your current position/capacity.
- Highest qualification obtained.
- Professional bodies to which you belong".

Other than the third field, the first two fields mentioned had no significance for the purposes of this study. Since this study was aimed at employers, it was not necessary to ask the current position/capacity of the respondent completing the questionnaire. The highest qualification obtained was also irrelevant as it did not answer any research objectives.

Question addressed to employers of small accounting firms:

Please indicate, with an X, at which professional institution you are registered as a member:

Institution:

- *South African Revenue Service (SARS) as a Tax Practitioner*
- *South African Institute of Tax Practitioners (SAIT)*
- *South African Institute of Chartered Accountants (SAICA)*
- *South African Institute of Professional Accountants (SAIPA)*
- *Other institutions (Please specify)*

This question is not to be used to meet the research objectives, but rather to indicate the validity and quality of the data. It is important to determine whether the individual completing the questionnaire has the required background and experience needed to provide data of a high quality. This question was expanded from that used in Alberts (2012), which asked to write down the professional bodies because for purposes of this study it is vital that the employer is specifically registered with SARS in order to provide services as a tax practitioner. This question does not necessarily meet the research objectives, but it remains important from a quality perspective.

3.4.4.3 Section 1: Background information of the practice – Question 1.2

This question was added to the original questionnaire developed by Doman (2011). For the purposes of this study, this question represents Question 1.2 under Section 1 of the questionnaire. Initially, the question was designed as follows:

What is the percentage of tax work carried out by your practice?

This question was designed to deal with the following research objective:

- to determine the range of tax work carried out at a small accounting firm.

It was important to obtain information about the range of tax work carried out at a small accounting firm, as this would provide insight into the demand for newly qualified

graduates and the availability of tax practitioners within these firms, which had a direct impact on the appropriateness of this study.

In order to determine the range of tax work carried out at a small accounting firm, the following two factors are applicable:

- When the firm as a whole is considered, what percentage of the work relates specifically to taxation as compared with other work that is part of the discipline; for instance accounting, auditing and financial management; and
- Secondly, the range of tax work carried out might depend, to a certain extent, on the types of taxation services provided by the firm (see Paragraph 3.4.4.5).

However, after the pilot test, certain suggestions were taken into account whereafter additions were made as indicated below. These suggestions were made because the employers that were part of the pilot test both indicated that there was a reasonable difference between the amount of time spent by employees in order to carried out the tax work and the actual income received for the tax services rendered.

Question addressed to employers of small accounting firms:
What is the percentage of tax work carried out by your practice?

- *According to the time spent by employees;*
- *According to the income received by the firm.*

The participants were required to indicate the percentage by providing a value out of 100. This also ensured comparability of data gathered.

3.4.4.4 Section 1: Background information of the practice – Question 1.3

This question was added to the original questionnaire developed by Doman (2011). For the purposes of this study, this question represents Question 1.3 under Section 1 of the questionnaire.

Question addressed to employers of small accounting firms:

Please indicate the number of all personnel in your practice in the table provided below:

- *In total;*
- *Partners;*
- *Employees carrying out mainly tax work;*
- *Employees carrying out tax as well as other work, e.g. accounting, auditing and financial management.*

This question aimed to determine the size of the accounting firm. As indicated in Paragraph 3.3.1, a small accounting firm, for the purposes of this study, includes any accounting firm other than branches of the four large accounting firms, therefore, this question provided some more insight into the size of the firms forming part of this study. The question therefore rather aimed to indicate the validity and quality of the data than to meet specific research objectives.

This question will assist Question 1.2, as mentioned in Paragraph 3.4.4.3, to obtain information about the number of personnel employed by the relevant firm with specific reference to the number of personnel carrying out tax work in order to provide insight into the demand for newly qualified graduates and the availability of tax practitioners in these firms. It is important to determine whether the study is applicable to a specific firm in order to provide data of a high quality.

3.4.4.5 Section 1: Background information of the practice – Question 1.4

This question was added to the original questionnaire developed by Doman (2011). For the purposes of this study, this question represents Question 1.4 under Section 1 of the questionnaire.

Question addressed to employers of small accounting firms:

Please indicate, with an X, the type of tax service mainly provided by your practice:

Tax services:

- *Tax compliance;*

- *Tax advice (including tax-planning);*
- *Tax risk management;*
- *Other services (Please specify).*

This question was designed to meet the following research objective:

- to determine the range of tax work carried out at a small accounting firm.

The options of tax services included in this question were mainly obtained from the study of Roth *et al.* (1989:172). See to Paragraph 2.2 for the description of the different types of tax services.

The reason for including this question was to determine the types of tax services provided by the relevant participants in their firms as it might have a direct influence on the range of tax work carried out by the firm. See Paragraph 3.4.4.3 for a discussion of two factors which might influence the range of tax work carried out by the firm. In this question of the questionnaire, participants were requested to indicate the services that their firm mostly offered.

3.4.4.6 Section 1: Background information of the practice – Question 1.5

The original question as developed by Doman (2011) was used for the purposes of this study. For the purposes of this study, this question represents Question 1.5 under Section 1 of the questionnaire.

Question addressed to employers of small accounting firms:
In respect of the composition of your practices, please indicate the following by referring to the highest qualification obtained by tax specialist employees with tax-related qualifications:

- *Current composition of your practice;*
- *Preferred composition of your practice.*

Please indicate the current and preferred composition by using the following indicators:

1: Most employees hold or are preferred to hold this qualification;

2: Some employees hold or are preferred to hold this qualification;

3: Only a few employees hold or are preferred to hold this qualification;

4: None of the employees hold or are preferred to hold this qualification.

- *Bachelor of Commerce degree, specialising in Accounting Sciences (BCom Accounting);*
- *Other Bachelor of Commerce degree;*
- *Bachelor of Commerce degree, specialising in Taxation;*
- *Bachelor of Laws (LLB);*
- *Honours degree, specialising in Accounting Sciences;*
- *Honours/Postgraduate diploma, specialising in Taxation;*
- *Master of Commerce in Taxation/Master of Laws;*
- *Qualified attorney;*
- *Chartered accountant;*
- *Other qualification (Please specify).*

This question was designed to meet the following research objective:

- to determine the qualifications preferred by small accounting firms' employers when appointing newly qualified graduates.

This question is important as it will provide educators insight into which qualifications employers prefer, if a wider selection of qualified employees were available, against the employees currently employed as a result of what is available on the market. This question will therefore indicate the demand for newly qualified graduates with specific reference to qualifications obtained.

The respondents were asked to identify on rating-scale basis, the current and preferred composition of tax specialist employees employed by the respondent's practice. Only the highest qualification of tax specialist employees needed to be considered.

3.4.4.7 Section 1: Background information of the practice – Question 1.6

The original question as developed by Doman (2011) was used for the purposes of this study. For the purposes of this study, this question represents Question 1.6 under Section 1 of the questionnaire.

Question addressed to employers of small accounting firms:
Would you prefer newly qualified graduates to have a qualification designed to equip them equally with (1) computational ability and (2) the ability to interpret legislation, if such qualification was available?

This question was designed to meet the following research objectives:

- to determine whether the employers of newly qualified graduates are satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualification; and
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates value most.

Participants were requested to answer 'yes' or 'no' to this question. This question was included in the questionnaire in order to determine the importance of newly qualified graduates' computational and legislative interpretation abilities for employers.

3.4.4.8 Section 2: Theoretical knowledge

The original question as developed by Doman (2011) was used for the purposes of this study. However, for Sections 2, 3 and 4, the following was added to the questions: the newly qualified graduates had to have completed taxation as one of the major subjects forming part of his/her degree. This was added since it is necessary to have completed an extended course in taxation in order to collect reliable data.

For the purposes of this study, this question represents Section 2 of the questionnaire.

Question addressed to employers of small accounting firms:

From your experience, if a newly qualified graduate had completed Taxation as one of the major subjects forming part of their degree, what level of theoretical knowledge, as indicated in the following table, would you, as the employer, normally:

- *expect them to have?*
- *prefer them to have?*

Indicate your expectation and preference by using the following ratings:
1: A high expectation or preference of this level of knowledge;
2: An average expectation or preference of this level of knowledge;
3: A lower than average expectation or preference of this level of knowledge;
4: No expectation or preference of this level of knowledge.

This question was designed to meet the following research objectives:

- to determine whether the employers of newly qualified graduates are satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualification;
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates value most; and
- to determine the agreement between employers' current views and their preferences in respect of the level of theoretical knowledge, practical skills and personal characteristics obtained by newly qualified graduates.

This question is of great importance in order to meet the research objectives stated. The question aims to gain insight into the level of theoretical knowledge expected and preferred from a newly qualified graduate. However, no distinction is made between students who are newly qualified as a result of an undergraduate qualification and students who are newly qualified as a result of a postgraduate (honours or master's) qualification. This is because of the scarcity of newly qualified graduates in the rural areas.

It was decided to test the opinion of the participant on theoretical knowledge in one question, but on two different levels. The first level is to obtain the employer's view of the current theoretical knowledge (i.e. the knowledge that an employer expect a newly qualified graduate will have based on his/her experience in the past) and the second level is to obtain the employer's preference of the level of theoretical knowledge of a newly qualified graduate. The question continues where a distinction is made with a separate block for indicating the current (expected) and preferred theoretical knowledge each with a separate block. This was also the structure of the original developed questionnaire. Combining the two levels into one question shortened the physical length of the questionnaire as the list of topics did not have to be duplicated. It can also be argued that completing the question in this format makes it easier to provide an opinion without having to page back and forth to check what was previously completed, thus leaving little room for incorrect data. The objective of this question is to best meet the research objectives stated in Chapter 1.

A predetermined list of tax topics (theoretical knowledge) was compiled by using the studies conducted by Alberts (2012); Doman (2011) and Joubert *et al*. (2009). By using a predefined list, comparison of data gathered will be possible. This list is supplied in table format to participants to ease the data-gathering process. Of the topics, 29 were identified as part of the list. Participants were asked to indicate their expectation and preference by using the following Likert scale: 1: a high expectation or preference of this level of knowledge; 2: an average expectation or preference of this level of knowledge; 3: a lower than average expectation or preference of this level of knowledge; 4: no expectation or preference of this level of knowledge. Participants were advised to add additional topics to the list if it was deemed necessary. This was done to allow for any topic that had been omitted from the predefined list. The list of topics included in the questionnaire (in table format) is presented in Table 18 of Appendix D.

The following topics were added to the list of theoretical knowledge due to a combination of the researcher's experience of small accounting firms as well as suggestions highlighted during the pilot testing (which was discussed in Paragraph 3.4.3 above):

- *Taxation of small business corporations:* Knowledge about the principles and calculation of specific provisions available for entities that qualify as a small business corporation for income tax purposes.
- *Taxation of partnerships:* Knowledge about the principles applicable in order to do an income tax calculation when operating in the form of a partnership as well as the legal liability of a partnership.
- *General administration (returns and objections):* Knowledge about the general rules and requirements applicable to the administration of taxation, e.g. who is responsible to submit a return, who must register for taxation and the process for objections and appeals.

Note that only the specific tax topic was supplied to the participants in the questionnaire as it was assumed that the participants had the appropriate taxation background and knowledge to interpret the topic correctly. The detailed description of topics is only for information purposes.

This question in Section 2 requested the participants to provide insight into which level of theoretical knowledge he/she considered newly qualified graduates to have and also the level of theoretical knowledge the participants preferred them to have. This was done as it was evident from previous studies that there were differences between current and preferred knowledge of newly qualified graduates in the view of employers of other populations. For the purposes of this study, the newly qualified graduate had to have a qualification that included taxation as one of the major subjects based on qualifications currently available. This information is important as it will be possible to compare this study with other studies with a different population and it will ultimately assist educators in aligning tax curricula with what is preferred in practice.

3.4.4.9 Section 3: Practical skills

The original question as developed by Doman (2011) was used for the purposes of this study. However, as mentioned above, it was added that the newly qualified graduate had to have completed taxation as one of the major subjects forming part of his/her degree.

For the purposes of this study, this question represents Section 3 of the questionnaire.

Question addressed to employers of small accounting firms:

From your experience, if a newly qualified graduate had completed Taxation as one of the major subjects forming part of their degree, what level of practical skills, as indicated in the following table, would you, as the employer, normally:

- *expect them to have?*
- *prefer them to have?*

Indicate your expectation and preference by using the following ratings:
1: A high expectation or preference for them to have this skill;
2: An average expectation or preference for them to have this skill;
3: A lower than average expectation or preference for them to have this skill;
4: No expectation or preference for them to have this skill.

This question was designed to meet the following research objectives:

- to determine whether the employers of newly qualified graduates are satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualification;
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates value most; and
- to determine the agreement between employers' current views and their preferences in respect of the level of theoretical knowledge, practical skills and personal characteristics obtained by newly qualified graduates.

This question aims to gain insight from employers of the level into practical skills expected and preferred from a newly qualified graduate. This question is very relevant since it was proved in the literature review that employers preferred employees to have gained some practical skills. However, since it was more likely than not that a newly qualified candidate would start his/her career after university, it would mean that if such practical skills were expected from candidates, they should probably gain these skills as part of their formal university education.

A standard list of practical skills is supplied by considering the studies conducted by Doman (2011), Alberts (2012), previous studies conducted in South Africa in respect of trainee accountants and other studies conducted abroad. By using a replica of the practical skills used in the studies of Doman (2011) and Alberts (2012), the results of these studies conducted on different population groups can be compared in the future.

However, the “ability to communicate and negotiate” was divided into two parts, namely oral communication and written communication and the ability to do time management was added to the list of practical skills.

Gabric and McFadden (Kavanagh & Drennan, 2008:282) conducted a study of students and employers’ perceptions of desirable entry-level operational management skills and they indicated that students identified skills such as communication and time management of high importance to make them a better employee.

It is, however, reported that employers (Mangum, 1996) and writers (De Lange *et al*., 2006) indicated poor communication skills as a big shortcoming by students. Students rated oral communication together with employers as being highly valued, but in training programmes, the emphasis was on written communication (Kavanagh & Drennan, 2008:286).

Students’ fluency in written communication skills has improved over the years (De Lange *et al*., 2006:379). This is probably because universities mostly emphasise written communication skills and not oral communication. However, a study conducted by

Mathews, Jackson and Brown (1990) concluded that written communication skills were the fourth most underemphasised area of skills development.

The following skills were included in the questionnaire (in table format):

- *ability to prepare tax computations by applying current tax legislation and case law (fact gathering for tax engagement and practical calculations);*
- *ability to review tax computations by applying current tax legislation and case law;*
- *ability to identify basic personal and business tax-planning opportunities (structuring of and advice on a client's tax affairs);*
- *ability to evaluate the impact of taxation on decision-making by individuals and businesses;*
- *ability to conduct tax research;*
- *ability to use a variety of software packages, e.g. Microsoft Word and Excel;*
- *ability to use computer applications, e.g. E-filing and Win Tax;*
- *ability to assist in general tax administration, e.g. returns, objections and registrations;*
- *ability to write tax opinions;*
- *ability to reason and solve problems with limited guidance;*
- *ability to communicate and negotiate:*
    - *oral communication;*
    - *written communication;*
- *other skills (Please specify).*

The following topics were added to the list of practical skills due to a combination of the researcher's experience of small accounting firms as well as suggestions highlighted during the pilot testing (which was discussed in Paragraph 3.4.3):

- *ability to apply SARS's regulations and court cases;*
- *ability to apply tax rules to different types of entities;*
- *ability to prepare and complete SARS forms and tax returns.*

This question in Section 3 requested the participants to provide insight into the level of practical skills he/she considered newly qualified graduates to have and also the level of practical skills the participants preferred them to have. Again, this was done as it was shown by previous studies that there were differences between current and preferred skills of newly qualified graduates in the view of employers of other populations (Doman, 2011). For the purposes of this study, the newly qualified graduate had to have a qualification that included taxation as one of the major subjects based on qualifications currently available. This information is important as it will be possible to compare this study with other studies on a different population and it will also ultimately assist educators in aligning tax curricula with what is preferred in practice.

A distinction is made between an employer's view of the current (expected) level of practical skills of a newly qualified graduate and his/her preference of the level of skills required each with a separate block for indicating the current or expected level of practical skills.

In Section 3, the participants were requested to indicate the expected and preferred level of practical skills in a similar way as in Section 2 analysed above.

3.4.4.10 Section 4: Personal characteristics

The original question as developed by Doman (2011) was used for the purposes of this study. However, as mentioned above, it was added that the newly qualified graduate had to have completed taxation as one of the major subjects forming part of his/her degree.

For the purposes of this study, this question represents Section 4 of the questionnaire.

Question addressed to employers of small accounting firms:
From your experience, what personal characteristics, as indicated in the following table, would you, as the employer, normally:

- *expect newly qualified graduates to have?*
- *prefer newly qualified graduates to have?*

Indicate your expectation and preference by using the following ratings:
1: A high expectation or preference for them to have this personal characteristic;
2: An average expectation or preference for them to have this personal characteristic;
3: A lower than average expectation or preference for them to have this personal characteristic;
4: No expectation or preference for them to have this personal characteristic.

This question was designed to meet the following research objectives:

- to determine whether the employers of newly qualified graduates are satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualification;
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates value most; and
- to determine the agreement between employers' current views and their preferences in respect of the level of theoretical knowledge, practical skills and personal characteristics obtained by newly qualified graduates.

This question aims to gain an insight into the level of personal characteristics expected and preferred from a newly qualified graduate. Employers regard personal characteristics as of high importance and in most instances a candidate's personal characteristics will differentiate him/her from the other candidates with the same qualifications who applied for the same position. According to Alberts (2012:56), personal characteristics cannot be formally instilled by education at academic institutions and differ from person to person. However, SAICA added certain personal characteristics to their competency framework, which means that it is now a formal requirement that these students develop certain personal characteristics as part of their training and that students should be assessed thereon.

As mentioned above, it was more likely than not that a newly qualified candidate would start his/her career after university, which means that if certain personal characteristics were expected from candidates, they should probably gain these characteristics as part of their formal university education.

A standard list of personal characteristics is supplied by considering the studies conducted by Doman (2011) and Alberts (2012). Using a replica of the personal characteristics used in the studies of Doman (2011) and Alberts (2012) ensures that the results between these studies conducted on different population groups can be compared in the future.

The following characteristics were included in the questionnaire (in table format):

- *ability to be imaginative/creative in the workplace;*
- *integrity in any given situation;*
- *ability to take the initiative in the workplace;*
- *emotional flexibility/ability to adapt in work situations;*
- *positive attitudes towards:*
    - *new ideas;*
    - *stakeholders;*
    - *transformation;*
- *ability to work in a team;*
- *ability to maintain professional attitude towards all stakeholders (professionalism);*
- *leadership qualities;*
- *showing interest in financial and commercial matters;*
- *other characteristics (Please specify).*

The following topics were added to the list of personal characteristics due to a combination of results from previous studies as revealed in the literature review (see Chapter 2) as well as suggestions highlighted during the pilot testing (which were discussed in Paragraph 3.4.3):

- *management qualities;*
- *analytical skills;*
- *interpersonal skills;*
- *ethical awareness/people skills;*

- *critical thinking;*
- *punctuality.*

This question in Section 4 requested the participants to provide insight into the level of personal characteristics he/she considered newly qualified graduates to have and also the level of personal characteristics the participants preferred them to have. For the purposes of this study, the newly qualified graduate had to have a qualification that included taxation as one of the major subjects based on qualifications currently available. This information is important as it will be possible to compare the preferences of these small accounting firms' employers with the preferences of other population groups as determined in other studies conducted and with this information educators can assist students in developing such personal characteristics.

A distinction is made between an employer's view of the current (expected) level of personal characteristics of a newly qualified graduate and his/her preference of the level of characteristics required each with a separate block for indicating the current or expected level of personal characteristics.

In Section 4, the participants were requested to indicate the expected and preferred level of personal characteristics in a similar way as in Sections 2 and 3 analysed above.

3.5 DATA ANALYSIS

The study was discussed with Mrs Rina Owen, an independent research consultant employed by the Faculty of Economic and Management Sciences at the University of Pretoria, before the study was conducted to clarify the position of the specific data analysis methods applicable to this study.

Numerical codes were assigned to all the questions included in the questionnaire. Numerical coding involves assigning numbers to responses so that the responses can be grouped into a limited number of categories (Cooper & Schindler, 2003:456). The numerical codes assigned were designed to match the questions from this questionnaire

to the questionnaire prepared by Doman (2011). This ensures comparability between the results of the two studies.

A summary of the data was captured in an Excel spreadsheet format to enable statistical analysis of the data. The spreadsheet also indicated the numerical codes assigned to the questions. The coded responses were then analysed by means of the Statistical Analysis Software (SAS) package (Version 9.4). The analysis was carried out by Mrs Rina Owen. (See Chapter 4 for the detailed data analysis.)

3.6 ASSESSING AND DEMONSTRATING THE QUALITY AND RIGOUR OF THE PROPOSED RESEARCH DESIGN

Various strategies were employed to ensure that valuable and reliable data was obtained and these are discussed in this section. This section concludes by examining possibilities of bias in the research.

3.6.1 Validity and reliability

To determine whether the data collected is valid and reliable, various criteria and evaluation techniques were complied with. The validity and reliability of the data have a direct influence on the reliability of the conclusion of the study and are therefore of great significance.

Internal validity means that a questionnaire must accurately measure what the study intends to measure as reflected in the research objectives (Saunders *et al.*, 2007:366). For this study to have value, the questions investigated by this study, represented by the research objectives, should be covered by the proposed questionnaire (Saunders *et al.*, 2007:366).

The questionnaire design was also discussed with Mrs Rina Owen, a research consultant employed by the Faculty of Economic and Management Sciences at the University of Pretoria. Discussions with experts in tax research and Mrs Rina Owen were also vital to ensure that the questionnaire was designed in such a way to make accurate predictions

and therefore obtain predictive validity (Saunders *et al*., 2007:366) as well as to assist in removing any bias in the questionnaire.

Reliability refers to whether the respondent to the questionnaire will consistently interpret a question in the same way as the study intended it to be interpreted (Saunders *et al*., 2007:367). As mentioned in Paragraph 3.4.3, the questionnaire was pretested to ensure that all questions were interpreted as the study intended. The data collection method also ensured that only the person with the necessary knowledge relating to the research objectives, namely the employer in the firm, completed the questionnaire. All questionnaires were also checked for completeness when they were received.

3.6.2 Sources of bias

Interviewer bias may occur when the questionnaire is designed in such a way that the researcher's beliefs and frame of reference may be reflected by the questions asked. Interviewer bias may also occur when the results of the study are interpreted. Interviewee bias may occur when the respondent has a certain perception about the interviewer and then participants may provide answers that they think the researcher is looking for (Saunders *et al*., 2009:326). To decrease the risk of bias, the questionnaire was pretested (See Paragraph 3.4.3) and the data was collected by means of structured interviews.

Participant bias, namely favouritism by the respondent in a certain direction, could compromise the reliability of the data (Saunders *et al*., 2009:156). To decrease the risk of participant bias, an appointment was scheduled or an e-mail was sent directly to a partner of the relevant firm and the possibility of being influenced by other stakeholders to provide specific answers was therefore minimal. The participants were also requested to read through the informed consent form at the beginning of the questionnaire (see Appendix I) in order to ensure anonymity of the participants. The informed consent form is discussed in more detail later in this chapter.

The nature of the study may hold unsolvable bias issues. A respondent may for instance have had certain unpleasant experiences with an employee that obtained a specific qualification and this could influence the respondent's preferences towards that degree.

The questionnaire attempts to deal with this bias by referring to 'a newly qualified graduate', but this solution may be insufficient.

Errors may result if the participants misread or misinterpreted the questions and as a result of this responded incorrectly. To decrease these errors, a covering letter was added to the questionnaire (see Paragraph 3.4.4.1), which explained the purpose of the study and also provided definitions for key terms used in the questionnaire. Furthermore, for all the questionnaires completed during a structured interview, participants were informed about the purpose as well as the questions asked in the questionnaire.

3.7 RESEARCH ETHICS

Ethics can be defined as: "…norms or standards of behaviour that guide moral choices about our behaviour and our relationship with others" (Cooper & Schindler, 2003:120). This section discusses the research ethics that were applied to this study. These include ethical clearance from the Faculty of Economic and Management Sciences, informed consent from participants, anonymity of participants, confidentiality of data provided and voluntary participation (Saunders *et al*., 2009:184).

Participants were informed of the fact that they had the option to withdraw at any time without completing the process and not be held responsible.

3.7.1 Ethical clearance from the Faculty of Economic and Management Sciences' Research Ethics Committee

An application for ethical clearance was submitted to the Research Ethics Committee of the Department of Taxation at the University of Pretoria and subsequently approved. The application included the following:

- problem statement and research objectives;
- summary of the research design and techniques;
- a duplicate of the questionnaire;
- the informed letter of consent; and
- procedures followed to ensure confidentiality and anonymity of respondents.

Collection of data commenced only after approval from the Research Ethics Committee was obtained.

3.7.2 Informed consent from the participants

Each participant was informed by way of an informed consent form at the beginning of the questionnaire (see Appendix I) of the following:

- the survey is anonymous as the individual's name does not appear on any document;
- individual answers are treated as confidential and in no way could a person be identified by the answers provided;
- participation is voluntary and individuals may withdraw from the study at any time; and
- information obtained would be used for academic purposes only and may be published in an academic journal.

The participants were requested to sign the form in order to indicate that they have read the informed consent form and understood the information provided therein. By signing the form, they also agreed to participate voluntary in the study. No name was required as it ensured the anonymity of the participant. If the informed consent form was not signed by the participant, the specific questionnaire was not used for the purposes of this study.

3.7.3 Anonymity of participants and confidentiality of data provided

The respondents were requested to complete the questionnaire manually either during a structured interview, where each participant received a hard copy of the questionnaire and a consent form, or via e-mail, where electronic copies of the questionnaire and consent form were sent and the results had to be scanned or faxed back to the researcher. The names of the respondents were never requested.

The questionnaire was designed to determine the expectation and preference of the employer of newly qualified graduates in general and not those specific to his/her firm. The only question that directly related to the personnel in the firms (see Question 1.3) asked to indicate the number of personnel in the practice and not to supply the names of the

personnel members. This measure would assist in assuring that the study would be anonymous.

After collection of the questionnaires, they were numbered without indicating the name of the participant on the survey. The research data was stored in a locked facility to which only the researcher had access. No reference to any accounting firms was made in this study.

The data was also only collected for academic purposes and could only be published in academic journals. This was clearly indicated in the informed consent form (see Appendix I).

Because a great deal of confidence is placed in the researcher's integrity (Saunders *et al*., 2007:192), absolute integrity was maintained throughout the study, especially regarding personal anonymity and the confidentiality of the data.

3.7.4 Voluntary participation

It was clearly indicated in the informed consent form (see Appendix I) that participation was voluntary and that participants had the right to withdraw at any time from the survey without any consequences. No incentives were offered to motivate participants to participate in the survey.

3.8 CONCLUSION

This chapter discussed the research methodologies used in the study, namely the overall strategy and research design, sampling, data collection, data analysis, quality control measures and ethics. The instrument to be used was developed by Doman (2011), but was critically evaluated for the purposes of this study. In conclusion, it is clear that the matters discussed above are invaluable in meeting the research objectives of this study. In the following chapter, the findings of this study, based on the methodologies as set out in Chapter 3, are discussed.

CHAPTER 4

ANALYSIS OF RESULTS

4.1 INTRODUCTION

This chapter aims to determine the current views and preferences of small accounting firms' employers with regard to tax education by ultimately dealing with the following research objectives of the study:

- to determine the range of tax work carried out at a small accounting firm;
- to determine the qualifications preferred by employers of small accounting firms when appointing newly qualified graduates;
- to determine whether the employers of such newly qualified graduates are satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualification;
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates value most; and
- to determine the agreement between employers' current views and their preferences in respect of the level of theoretical knowledge, practical skills and personal characteristics obtained by newly qualified graduates.

Relevant data, on which the researcher wished to draw conclusions, was gathered by applying the research design and methods as discussed in Chapter 3. An analysis of the results that emerged from the data gathered as part of this exploratory study is provided by the researcher in this chapter. The outcomes of the questions in Sections 1 to 4 of the questionnaire (see Appendix J) are each discussed separately. Any relationships and differences in the results of the variables in the different questions are also indicated and discussed.

The data gathered was analysed by using the Statistical Analysis Software (SAS) package (Version 9.4). The results of this analysis were presented by using the following:

- Graphs were used to indicate the "current"[2] and preferred composition of qualifications of tax specialist employees of small accounting firms.
- Tables were used to rank the expected ("current") level of theoretical knowledge, practical skills and personal characteristics from high to low. The median and the standard deviation for each topic, skill and characteristic were also included in the tables.
- Tables were used to rank the preferred level of theoretical knowledge, practical skills and personal characteristics from high to low. The median and the standard deviation for each topic, skill and characteristic were also included in the tables.
- The percentage of the participants indicating their expectations ("current" views) and preferences for a specific level of theoretical knowledge, practical skill and personal characteristic was indicated in table format and discussed, where necessary.
- Cohen's Kappa test was used, where possible, to determine the agreement (Landis & Koch, 1977:160) between the employers' expectations ("current" views) and their preferences regarding theoretical knowledge, practical skills and personal characteristics of newly qualified graduates. In layman's terms, the purpose of the Kappa test in this study was to determine a value that indicates to which extent the respondents' expectations agreed with their preferences. Landis and Koch (1977:165) suggest that Kappa values should be interpreted by using the labels indicated in Table 5.

Table 5: Agreement measures

Kappa statistic	Strength of agreement
<0.00	Poor
0.00 - 0.20	Slight
0.21 - 0.40	Fair
0.41 - 0.60	Moderate
0.61 - 0.80	Substantial
0.81 - 1.00	Almost Perfect

Source: Landis and Koch (1977:165).

[2] "Current"/"Currently" means at the time of the study.

However, this test can only be used when certain requirements have been met. Firstly, for both the participants' expectations ("current" views) and their preferences, the same ratings should be available for selection by the participants, for example:

1: A **high** expectation or preference of this level of knowledge.

2: An **average** expectation or preference of this level of knowledge.

3: A **lower than average** expectation or preference of this level of knowledge.

4: **No** expectation or preference of this level of knowledge.

Secondly, the researcher should be able to draw a diagonal line between all the ratings selected by the participants in respect of their expectations ("current" views) and all the ratings available in respect of their preferences. Thus, where participants did not select all the options, the Kappa test cannot be used.

For example, in Table 6 illustrated below, the participants selected all the options. Therefore, a diagonal line can be drawn and the Kappa test can be used to calculate the agreement between the participants' expectations ("current" views) and their preferences.

Table 6: Example of data gathered where the Kappa test can be used

Expectation (current views) of employers	**Preferences of employers**			
	High	**Average**	**Lower than average**	**None**
High	3 participants	1 participant	1 participant	2 participants
Average	5 participants	2 participants	2 participants	5 participants
Lower than average	6 participants	4 participants	4 participants	7 participants
None	4 participants	6 participants	6 participants	1 participant

Compare the above with the example illustrated in Table 7, where no participants selected their preferences to be none, therefore, the Kappa value cannot be calculated.

Table 7: Example of data gathered where the Kappa test cannot be used

Expectation (current views) of employers	Preferences of employers			
	High	**Average**	**Lower than average**	**None**
High	3 participants	1 participant	1 participant	**0 participants**
Average	5 participants	2 participants	2 participants	**0 participants**
Lower than average	6 participants	4 participants	4 participants	**0 participants**
None	4 participants	6 participants	6 participants	**0 participants**

- To further analyse the results in respect of the expected ("current") and preferred theoretical knowledge, practical skills and personal characteristics, the following percentages were determined:
  - the percentage of the participants who consider their expectation (current views) to be equal to their preference;
  - the percentage of the participants who consider their expectation (current views) to be below their preference; and
  - the percentage of the participants who consider their expectation (current views) to exceed their preference.

The above-mentioned analysis was done in order to best deal with the research objectives of this study.

4.2 RESULTS OF THE QUESTIONNAIRE

The results of the completed questionnaires revealed the following:

4.2.1 Analysis of Question 1.1

As discussed in Chapter 3, this question did not meet any research objectives, but assisted in collecting quality and reliable data.

Question 1.1 quoted from the questionnaire:

Please indicate, with an X, at which professional institution you are registered as a member:

Institution:

- *South African Revenue Service (SARS) as a Tax Practitioner;*
- *South African Institute of Tax Practitioners (SAIT);*
- *South African Institute of Chartered Accountants (SAICA);*
- *South African Institute of Professional Accountants (SAIPA);*
- *Other institutions (Please specify).*

Discussion of the results of Question 1.1

Table 8 indicates the percentage of participants that were registered with the professional institutions listed in the questionnaire.

Table 8: Professional institutions to which employers of small firms belong as a member

Institution	Percentage of participants
South African Revenue Service (SARS) as a tax practitioner	100%
South African Institute of Tax Practitioners (SAIT)	13%
South African Institute of Chartered Accountants (SAICA)	53%
South African Institute of Professional Accountants (SAIPA)	60%
Other institutions	23%

Other institutions are the: Institute of Commercial and Financial Accountants; Rekenmeesters vir Afrikaans (RVA); Independent and Regulatory Board for Auditors (IRBA); Institute of Accounting & Commerce; and South African Institute of Business Accountants (SAIBA).

It is evident from Table 8 that all the participants were registered with the *South African Revenue Service (SARS)* as a tax practitioner and furthermore most of the participants were also registered with the *South African Institute of Professional Accountants*. All the participants were registered with more than one professional institution.

4.2.2 Analysis of Question 1.2

The following research objective is met in Question 1.2:

- to determine the range of tax work carried out at a small accounting firm.

Question 1.2 quoted from the questionnaire:

What is the percentage of tax work carried out by your practice?

- *According to the time spent by employees;*
- *According to the income received by the firm.*

Discussion of the results of Question 1.2

Table 9 indicates the percentage of tax work carried out by participants by means of a direct comparison of the time spent by employees on tax matters with the income that the firms received from providing tax services.

Table 9: Percentage of tax work carried out at small accounting firms

Percentage	According to time spent by employees	According to income received by the firm
0% - 9%	0%	0%
10% - 19%	3%	13%
20% - 29%	21%	19%
30% - 39%	11%	16%
40% - 49%	5%	6%
50% - 59%	19%	13%
60% - 69%	19%	6%
70% - 79%	8%	13%
80% - 89%	5%	4%
90% - 100%	9%	10%

The statistical analysis indicated that, on average, participants spent 50% of their time on tax matters while on average only 42% of the firms' income was received from doing tax work. Some participants predicted that, on average, the income received from tax services would be less than the time spent to provide these services. These participants mentioned this difference could be due to the fact that the time spent to provide the tax services increased because of administration procedures and system changes made by SARS. Participants also indicated that clients were not willing to or could not afford to pay more

for the tax services provided just because of administration procedures and system changes.

The minimum percentage of time spent on tax matters is 10% and the minimum percentage of income received from providing tax services is 15%. One participant indicated that up to 100% of the employees' time was spent on tax matters. It can, however, be concluded that in terms of the work carried out at small accounting firms in the rural area, a substantial amount of time is spent and income received from providing tax services. From Table 9, it is clear that all the participants who participated in this study provided tax services. This also assisted in collecting reliable data.

4.2.3 Analysis of Question 1.3

Again, as discussed in Chapter 3, this question does not meet any research objectives, but assisted in collecting quality and reliable data.

Question 1.3 quoted from the questionnaire:

Please indicate the number of all personnel in your practice in the table provided below.

- *In total;*
- *Partners;*
- *Employees carrying out mainly tax work;*
- *Employees carrying out tax as well as other work, e.g. accounting, auditing and financial management.*

Discussion of the results of Question 1.3

Table 10 indicates the number of personnel in the small accounting firms. The standard deviation indicates the consistency between the participants in respect of the number of personnel listed. A smaller standard deviation implies more consistency.

Table 10: Number of personnel in the practices

Personnel	Mean	Standard deviation	Maximum
In total	10.17949	14.1363134	87
Partners	1.594595	1.1657010	7
Employees carrying out mainly tax work	2.205882	2.056467	10
Employees carrying out tax as well as other work, e.g. accounting, auditing and financial management.	7.555556	13.351179	79

The result in the table above indicates that the average firm consisted of 10 personnel members in total of which two were partners. Furthermore, on average, three personnel members mainly did tax work and eight personnel members carried out tax as well as other work. Even though the table also indicates the maximum number for each element listed, only one firm consisted of more than 25 personnel members in total. Therefore, for the purposes of this study, no distinction was made between small (fewer than 50 employees) and medium (50 – 149 employees) (Research Focus, 2009:15) firms as only one firm could be found in this area of study that qualified to be classified as a medium firm. The research indicates that most of the firms in this area of study will be classified as small firms.

4.2.4 Analysis of Question 1.4

The following research objective is met in Question 1.4:

- to determine the range of tax work carried out at a small accounting firm.

Question 1.4 quoted from the questionnaire:

Please indicate, with an X, the type of tax service mainly provided by your practice:

Tax services:

- *Tax compliance;*
- *Tax advice (including tax-planning);*
- *Tax risk management;*
- *Other services (Please specify).*

Discussion of the results of Question 1.4

Table 11 indicates the percentage of participants that mainly provided the types of tax services listed in the questionnaire.

Table 11: Tax services mainly provided by small accounting firms

Tax services	Percentage
Tax compliance	93%
Tax advice (including tax-planning)	68%
Tax risk management	40%

From the above, it can be concluded that the participants mainly provided tax compliance services at the time of this study. It seems, however, that some participants misinterpreted this question and indicated all the services that the firm provided. But even though some participants might have misinterpreted the question, it is evident that some small accounting firms provided all three of these types of tax services.

The results of this question together with the results of Question 1.2 (see Paragraph 4.2.2) indicate that small accounting firms provide a wide range of tax services.

4.2.5 Analysis of Question 1.5

The following research objective is met in Question 1.5:

- to determine the qualifications preferred by the employers of small accounting firms when appointing newly qualified graduates.

Question 1.5 quoted from the questionnaire:

In respect of the composition of your practices, please indicate the following by referring to the highest qualification obtained by tax specialist employees with tax-related qualifications:

- *Current composition of your practice;*
- *Preferred composition of your practice.*

This question was addressed to employers in order to determine which newly qualified candidate with one of the listed degrees would most likely be appointed by an employer of a small accounting firm as a tax practitioner or person aiming to become a tax practitioner.

Graphs representing data gathered from Question 1.5

Figure 2 graphically illustrates the "current" composition of the highest qualification obtained by tax specialist employees with tax-related qualifications. The graph is broken down into "Most", "Some/Few" and "None", which indicates the percentage of employees that "currently" have the qualifications listed in the questionnaire.

Figure 2: "Current" composition of small accounting firms' employees with tax-related qualifications

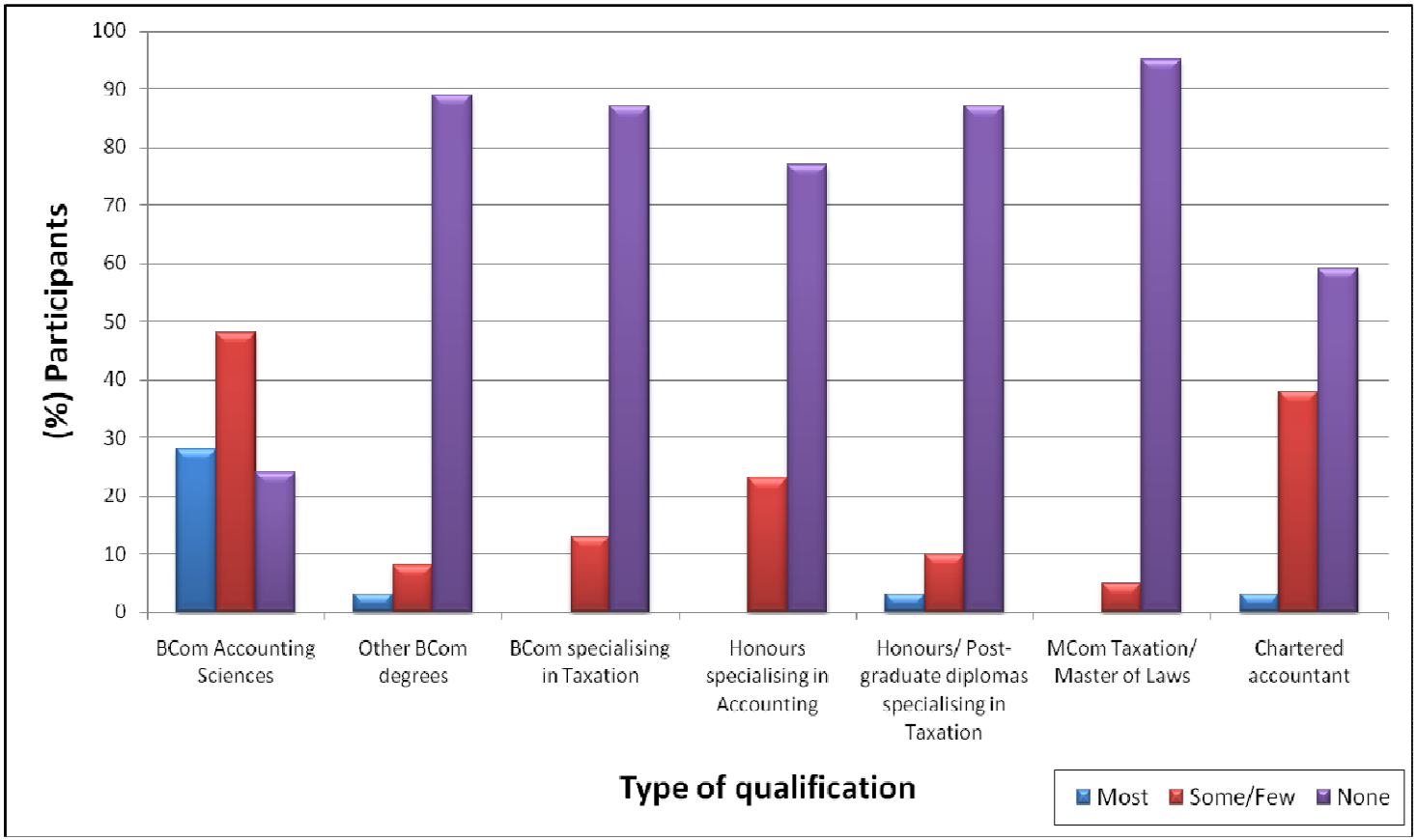
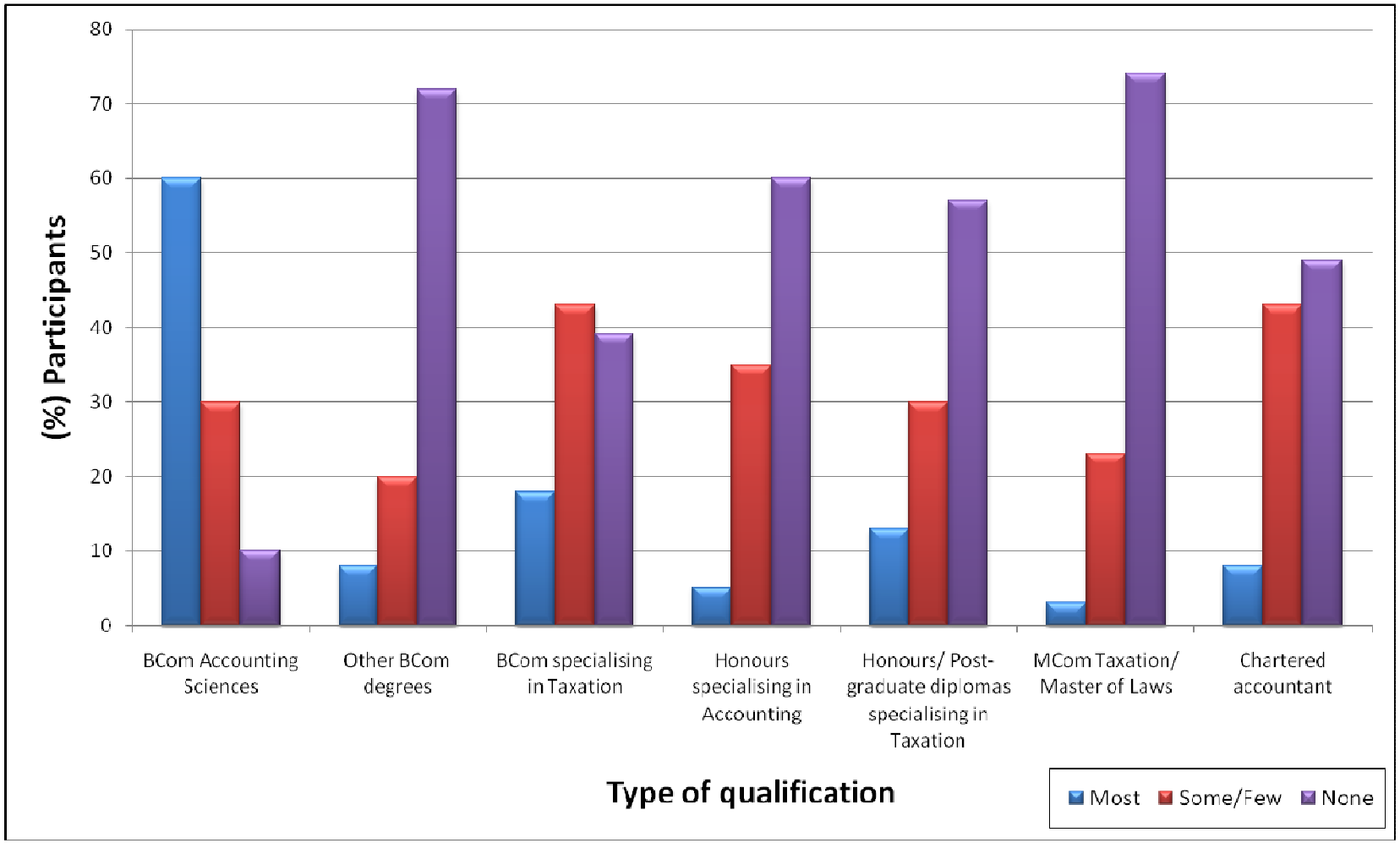


Figure 3 illustrates the preferred composition of the highest qualification obtained by tax specialist employees with tax-related qualifications.

Figure 3: Preferred composition of small accounting firms' employees with tax-related qualifications



Discussion of the results of Question 1.5

The data gathered in respect of the "current" and preferred composition of employees at small accounting firms is valuable to determine which qualifications these employers prefer if a wider selection of newly qualified graduates is available compared with the employees "currently" employed by these small accounting firms' employers as a result of what is available on the market. The discussion of the results of this question only highlights the most important points identified, as follows:

- Based on Figure 3, the three most desirable qualifications for the employers of the small accounting firms can be ranked as follows:
  - Bachelor of Commerce degree, specialising in Accounting Sciences;
  - Bachelor of Commerce degree, specialising in Taxation; and
  - Honours/Postgraduate diploma, specialising in Taxation.
- At the time of the study, participants mostly (28%) employed newly qualified graduates with a BCom Accounting Sciences degree (see Figure 2), while 48% reported that they had some or a few employees holding the same degree. It is also evident from Figure 3, that the participants preferred to mostly (60%) employ persons with a BCom Accounting Sciences degree. The Kappa value analysis also indicated that there was a fair agreement (0.3258) between the participants' "current" composition and their preference in terms of the BCom Accounting Sciences degree.
- However, participants also preferred to employ some or few newly qualified graduates with a BCom specialising in Taxation (43%) as well as employees qualified as chartered accountants (43%). Of the participants, 60% indicated that they did not prefer any newly qualified candidates with an honours degree specialising in Accounting. This is in contrast with the study of Alberts (2012:69), where educators indicated that they believed that employers were least likely to be interested in a BCom degree specialising in Taxation and were most likely to appoint a newly qualified candidate with a BCom Accounting honours degree.
- From Figure 2, it is evident that 95% of the participants did not have any newly qualified graduates with an MCom Taxation or Master of Laws qualification. Furthermore, 75% of the participants indicated that they did not prefer to employ a

newly qualified graduate with these qualifications. This may be because small accounting firms normally do not provide highly specialised services.

- Some participants indicated that even though they preferred to employ newly qualified graduates with specific qualifications it was difficult to find such employees who apply for work at a small accounting firm in the rural areas. Therefore, some participants were of the opinion that they could seldom choose who they wanted to employ and that they just had to employ employees that were available on the market irrespective of their qualification.

From the above, it is evident that the participants preferred employees who specialised in Accounting at undergraduate level to a great extent. Participants were also interested in employees who specialised in Taxation, being BCom degrees specialising in Taxation and honours or postgraduate diplomas specialising in Taxation. There was no demand for qualified attorneys or persons studying towards becoming qualified attorneys, therefore this was not included in Figures 2 and 3.

4.2.6 Analysis of Question 1.6

The following research objective is met in Question 1.6:

- to determine whether the employers of newly qualified graduates are satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualification; and
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates value most.

Question 1.6 quoted from the questionnaire:

Would you prefer newly qualified graduates to have a qualification designed to equip them equally with (1) computational ability and (2) the ability to interpret legislation, if such qualification was available?

Data gathered from Question 1.6 and the discussion of the results

The results indicated that 80% of the participants preferred newly qualified graduates to hold qualifications that equally equipped them with a computational ability and the ability to

interpret legislation, if such a type of qualification was available. This indicates that the participants favoured employees who had the ability to handle versatile aspects of taxation.

4.2.7 Analysis of Section 2

The following research objectives are met in Section 2:

- to determine whether the employers of newly qualified graduates are satisfied with the **theoretical knowledge**, practical skills and personal characteristics relating to such graduates' qualification;
- to determine what level of **theoretical knowledge**, practical skills and personal characteristics employers of newly qualified graduates value most; and
- to determine the agreement between employers' current views and their preferences in respect of the level of **theoretical knowledge**, practical skills and personal characteristics obtained by newly qualified graduates.

Section 2 quoted from the questionnaire:

From your experience, if a newly qualified graduate had completed Taxation as one of the major subjects forming part of their degree, what level of theoretical knowledge, as indicated in the following table, would you, as the employer, normally:

- *expect them to have?*
- *prefer them to have?*

Indicate your expectation and preference by using the following ratings:
*1: A **high** expectation or preference of this level of knowledge;*
*2: An **average** expectation or preference of this level of knowledge;*
*3: A **lower than average** expectation or preference of this level of knowledge;*
*4: **No** expectation or preference of this level of knowledge.*

Statistical analysis of data gathered from Section 2, as well as discussion of the results:

Table 19 in Appendix E indicates the specific level of theoretical knowledge that the participants in their view as employer "currently" expected a newly qualified graduate to have. The topics were ranked from the highest level to no level expected using the mean as primary measure; the standard deviation was used as second level of sorting the topics. A smaller standard deviation implies more consistency between the participants in respect of the level of a specific topic. In other words, the standard deviation was only used to rank topics from the smallest to the greatest value where the mean was the same for a number of topics. As a last level of sorting the topics, the median was used from the smallest value to the greatest value if the first and second levels were by chance the same for two or more topics.

Table 20 in Appendix E indicates the specific level of theoretical knowledge that the participants in their view as employers preferred a newly qualified graduate to have. The topics were ranked on the same basis as Table 19.

Table 21 in Appendix E indicates the percentage of the participants selecting a specific level of theoretical knowledge that they "currently" expected newly qualified graduates to have, against what they preferred them to have.

Table 12 below presents the results of the statistical analysis, with specific reference to the following:

- Column (1) represents the Kappa values of Section 2;
- Column (2) represents the participants (%) whose "current" views equal their preferences;
- Column (3) represents the participants (%) whose "current" views are below their preferences; and
- Column (4) represents the participants (%) whose "current" views exceed their preferences.

Table 12: Statistical analysis of Section 2

Type of theoretical knowledge	(1) Kappa	(2) Current = preference	(3) Current < preference	(4) Current > preference
Taxation environment in RSA	None	51%	46%	3%
Fiscal framework for RSA	None	38%	62%	0%
History of taxation	0.1710*	41%	56%	3%
Individual tax (excluding capital gains tax)	0.0721*	42%	53%	5%
Secondary tax on companies (STC)/Dividend tax	0.2424**	46%	49%	5%
Company tax (excluding capital gains and corporate rules)	None	49%	49%	2%
Capital gains tax	None	41%	56%	3%
Employees' tax	None	41%	56%	3%
Taxation of expatriates	0.2300**	41%	54%	5%
Fringe benefits	0.0819*	36%	59%	5%
Provisional tax	None	46%	49%	5%
Donations tax	None	46%	51%	3%
Lump-sum benefits from pension, provident and retirement annuity funds	0.1724*	38%	59%	3%
Estate duty	None	33%	64%	3%
Taxation of trusts (excluding capital gains tax)	None	36%	62%	2%
Taxation of small business corporations	None	41%	56%	3%
Turnover tax	None	38%	56%	6%
Taxation of partnerships	None	46%	51%	3%
Taxation of employment companies (e.g. personal service provider, independent contractor and labour broker)	None	41%	56%	3%
Taxation of non-resident branches	0.2427**	44%	54%	2%
International tax	0.2694**	46%	51%	3%
Transfer pricing	0.1717*	38%	59%	3%
Taxation of public benefit organisations (excluding capital gains tax)	0.1977*	41%	59%	0%
Taxation of farming activities	None	28%	72%	0%
Corporate rules (unbundling, amalgamations, intragroup transactions, etc.)	None	49%	51%	0%
Taxation of long-term insurers	0.2431**	46%	51%	3%
Taxation of retirement funds	0.2020*	38%	59%	3%
Value-added tax (VAT)	None	44%	54%	2%
Transfer duty	0.1753*	38%	59%	3%
Customs and excise duty	None	59%	41%	0%
Security transfer tax	None	46%	54%	0%
Taxation of mines	0.3073**	49%	51%	0%
General administration (returns & objections)	None	31%	64%	5%

Slight, **Fair

By analysing Tables 19 and 20, it is evident that certain topics are fundamental for employers of small accounting firms and that they prefer newly qualified graduates to possess a high level of theoretical knowledge of these topics. The topics that were ranked as part of the top five include: *Value-added tax (VAT)*, *Individual tax (excluding capital gains tax)*, *General administration (returns & objections)*, *Capital gains tax* and *Company tax (excluding capital gains and corporate rules)*. The only topic on the ranking list of the top five as preferred by employees that does not coincide with the top five topics ranked in terms of employers' "current" expectation is *General administration (returns & objections)*. *General administration (returns & objections)* is ranked as the third most important topic but employers ranked it as 13th on the list of what they expected newly qualified graduates at that time to have knowledge of.

Table 20 illustrates that for 61% (20 out of 33) of the topics, the employers of the small accounting firms indicated that they preferred newly qualified graduates to possess an average or high level of knowledge. However, from Table 19, it is evident that the participants "currently" expected newly qualified graduates to possess an average or high level of knowledge of only 15% (5 out of 33) of the topics included in the questionnaire. From the above, it could thus be argued that newly qualified graduates might not be adequately prepared for practice in respect of their theoretical knowledge.

This statement can be further substantiated by the findings in Table 21. This table indicates the percentage of participants selecting a specific level of theoretical knowledge which they "currently" expected newly qualified graduates to have as opposed to what the participants preferred newly qualified graduates to have. For all the topics listed, except for one topic (*Taxation of long-term insurers*), more than 50% of the participants indicated that they preferred a newly qualified graduate to have an average or high level of knowledge. Furthermore, for 85% (28 out of 33) of the topics more than 50% of the participants preferred newly qualified graduates to have a greater knowledge than what they "currently" expected them to have (see Table 12).

In contrast, the topics for which more than 40% of the participants indicated that they preferred a lower than average or no theoretical knowledge are *Taxation of mines*, *Taxation of long-term insurers*, *Transfer pricing* and *Corporate rules (unbundling,*

amalgamations, intragroup transactions, etc.) (see Table 21). However, for all four of these topics, Table 12 indicates that more than 50% of the participants preferred newly qualified graduates to have a greater knowledge than what they "currently" expected them to have even though these topics were ranked as being of the least importance to the participants.

From the statistical analysis of the data, the following important matters were identified:
Despite the topics for which no Kappa values could be calculated, there was only a slight agreement between the participants' "current" expectations and their preferences in terms of the following topics: *History of taxation*; *Individual tax (excluding capital gains tax)*; *Fringe benefits*; *Lump-sum benefits from pension, provident and retirement annuity funds*; *Transfer duty*; *Taxation of public benefit organisations (excluding capital gains tax)*; *Taxation of retirement funds*; and *Transfer duty* (see Table 12). For all these topics between 36% and 42% of the participants indicated that their "current" expectations equalled their preferences. Thus, between 53% and 59% of the participants were not pleased with the theoretical knowledge of newly qualified graduates in respect of these topics and preferred them to have a greater knowledge of these topics.

For the following topics, there was a fair agreement between what employers "currently" expected newly qualified graduates to know and what they preferred them to know:

- *Secondary tax on companies (STC)/Dividend tax*: Of the participants, 90% indicated that they preferred at least an average level or high level of theoretical knowledge. Only 64% of the participants indicated that they "currently" expected newly qualified graduates to have an average or high level of knowledge of this topic and 49% of the participants preferred newly qualified graduates to have a greater knowledge about this topic than what they "currently" had. As dividend tax is newly introduced into the Income Tax Act (58/1962) to be applicable to any dividend declared and paid from 1 April 2012 (SARS, not dated) and replaces STC, this could be the main reason for employers (67%) preferring newly qualified graduates to have a high level of knowledge of this topic.
- *Taxation of expatriates*: Most of the participants (44%) indicated that their preferences in respect of theoretical knowledge needed by newly qualified graduates for this topic was average. An equal number of participants (28%) preferred newly qualified

graduates to have either lower than average or no theoretical knowledge about this topic or to have a high level of knowledge.

- *Taxation of non-resident branches*: Again, most of the participants (56%) indicated that they preferred newly qualified graduates to have an average level of knowledge of this topic. However, 64% of the participants also believed that newly qualified graduates at that time only had lower than average or no theoretical knowledge about this topic.
- *International tax*: Of the participants, 51% indicated that they preferred an average level of theoretical knowledge of this topic. But 72% of the participants at that time expected newly qualified graduates to have a lower than average or no level of theoretical knowledge of this topic. As a result, 51% of the participants preferred newly qualified graduates to have a greater knowledge, as opposed to 46% of the participants whose "current" expectation equalled their preference for this topic.
- *Taxation of long-term insurers*: Only 51% (lowest percentage) of the participants indicated that their preferences in respect of theoretical knowledge needed by newly qualified graduates for this topic were average or high. Also 51% of the participants indicated that at that time newly qualified graduates did not have knowledge of this topic or only had below average knowledge of it.
- *Taxation of mines*: This topic had the highest Kappa value of all the topics listed in the questionnaire. It is also the topic for which the highest percentage (84%) of participants were of the opinion that newly qualified graduates had lower than average or no level of theoretical knowledge. However, of the participants 49% preferred newly qualified graduates to have a lower than average or no level of theoretical knowledge regarding the taxation of mines.

The specialised nature of the above-mentioned topics (except for *Secondary tax on Companies (STC)/Dividend tax*) could be the reason why more than 64% of the employers were of the opinion that newly qualified graduates had a lower than average or no level of theoretical knowledge of the above-mentioned topics. This could be because the above-mentioned topics are normally not dealt with in much detail during university education. This fact is also supported by the study of Alberts (2012:78). However, generally, most of the employers preferred an average level of knowledge of these topics.

A contributing factor for the normal distribution in the data between the different levels as preferred by the participants can be that most of the small firms in the rural areas have to provide a wide variety of services to their clients as there are no other firms available that provide these specialised services. Therefore, employers of small accounting firms might require an average level of these specialised services so that when they encounter this with some of their clients, employees will have an average level of knowledge even though it is not something that they encounter on a day-to-day basis. However, a different population might present different results.

Other than the above, the following information was identified:

- *Taxation of farming operations* was ranked as nine in terms of importance as preferred by the employers of the small accounting firms. However, this topic is excluded from the SAICA syllabus and is therefore not dealt with in many of the major taxation courses presented as part of university education. It is evident from the data that the largest gap (52%) between participants' "current" expectations and their preferences was identified for this topic when considering an average or higher level of knowledge (see Table 21). This is in contrast with the study conducted by Doman (2011:81), which indicated that *Taxation of farming operations* was of little importance to employers of large accounting firms.
- All of the participants preferred newly qualified graduates to have an average or high level of knowledge of *Capital gains tax*, *Provisional tax*, *Taxation of trusts (excluding capital gains tax)*, *Taxation of small business corporations*, *Value-Added Tax (VAT)* and *General administration (returns & objections)*.
- The topics for which the participants' "current" expectations exceeded their preferences are the *Fiscal framework for RSA*, *Corporate rules (unbundling, amalgamations, intra-group transactions, etc.)*, *Customs and excise duty* and *Taxation of mines* (see Table 21).

4.2.8 Analysis of Section 3

The following research objectives are met in Section 3:

- to determine whether the employers of newly qualified graduates are satisfied with the theoretical knowledge, **practical skills** and personal characteristics relating to such graduates' qualification;
- to determine what level of theoretical knowledge, **practical skills** and personal characteristics employers of newly qualified graduates value most; and
- to determine the agreement between employers' current views and their preferences in respect of the level of theoretical knowledge, **practical skills** and personal characteristics obtained by newly qualified graduates.

Section 3 as quoted from the questionnaire:

From your experience, if a newly qualified graduate had completed Taxation as one of the major subjects forming part of their degree, what level of practical skills, as indicated in the following table, would you, as the employer, normally:

- *expect them to have?*
- *prefer them to have?*

Indicate your expectation and preference by using the following ratings:
*1: A **high** expectation or preference for them to have this skill;*
*2: An **average** expectation or preference for them to have this skill;*
*3: A **lower than average** expectation or preference for them to have this skill;*
*4: **No** expectation or preference for them to have this skill.*

Statistical analysis of data gathered from Section 3, as well as discussion of the results:

Table 22 in Appendix F indicates the specific level of practical skills that the participants in their view as employer "currently" expected a newly qualified graduate to have. The skills were ranked from the highest level to no level expected using the mean as primary measure; the standard deviation was used as second level of sorting the skills. A smaller standard deviation implies more consistency between the participants in respect of the

level of a specific skill. In other words, the standard deviation was only used to rank skills from the smallest to the greatest value where the mean was the same for a number of skills. As a last level of sorting the skills, the median was used from the smallest value to the greatest value if the first and second levels were by chance the same for two or more skills.

Table 23 in Appendix F indicates the specific level of practical skills that the participants in their view as employers preferred a newly qualified graduate to have. The topics were ranked on the same basis as Table 22.

Table 24 in Appendix F indicates the percentage of the participants selecting a specific level of practical skills that they "currently" expected newly qualified graduates to have, against what they preferred them to have.

Table 13 presents the results of the statistical analysis, with specific reference to the following:

- Column (1) represents the Kappa values of Section 3;
- Column (2) represents the participants (%) whose "current" views equal their preferences;
- Column (3) represents the participants (%) whose "current" views are below their preferences; and
- Column (4) represents the participants (%) whose "current" views exceed their preferences.

Table 13: Statistical analysis of Section 3

Types of practical skills	(1) Kappa	(2) Current = preference	(3) Current < preference	(4) Current > preference
Ability to prepare tax computations by applying current tax legislation and case law (fact gathering for tax engagement and practical calculations)	None	28%	69%	3%
Ability to review tax computations by applying current tax legislation and case law	None	26%	74%	0%
Ability to apply SARS's regulations and court cases	None	36%	64%	0%
Ability to identify basic personal and business tax-planning opportunities (structuring of and advice on client's tax affairs)	None	26%	74%	0%
Ability to evaluate the impact of taxation on decision-making by individuals and businesses	None	23%	77%	0%
Ability to apply tax rules to different types of entities	None	26%	69%	5%
Ability to conduct tax research	0.1289*	33%	64%	3%
Ability to prepare and complete SARS forms and tax returns	None	28%	72%	0%
Ability to use a variety of software packages, e.g. Microsoft Word and Excel	None	41%	59%	0%
Ability to use computer applications, e.g. E-filing and Win Tax	0.0998*	28%	69%	3%
Ability to assist in general tax administration, e.g. returns, objections and registrations	0.0495*	21%	77%	2%
Ability to write tax opinions	0.1418*	31%	69%	0%
Ability to reason and solve problems with limited guidance	0.0370*	23%	74%	3%
Time management	0.1340*	31%	69%	0%
Ability to communicate and negotiate				
- Oral communication	0.1222*	28%	72%	0%
- Written communication	0.1222*	28%	72%	0%

Slight

It appears from Table 22 that employers "currently" expected that newly qualified graduates had the highest level of ability (at a mean of 2.05) to *use a variety of software packages, e.g. Microsoft Word and Excel* when compared with the other practical skills. This is in line with educators' ranking of what an employer would expect a newly qualified candidate with an undergraduate qualification to have (Alberts, 2012:81). Since educators ranked this skill as the most desired skill, students probably would have received the

highest level of training as educators strive to prepare students in the best possible way for future employers.

This is also the skill with the highest percentage of participants (41%) that were of the view that their "current" expectation equalled their preference (see Table 13). However, even though this skill was rated at an even higher level when considering what employers preferred newly qualified graduates to have (at a mean of 1.35), the *ability to prepare and complete SARS forms and tax returns and* the *ability to assist in general tax administration, e.g. returns, objections and registrations* was ranked more important (see Table 23). This may be because the nature of taxation services provided at small accounting firms required these specific skills on a daily basis. Without these skills, a newly qualified graduate will not be able to provide taxation services to a large extent even if the employee has all the theoretical knowledge. This means that a firm will have to invest time and money in the employee in the form of training, which will result in less revenue.

For most of the practical skills listed in the questionnaire (except for the *ability to apply SARS's regulations and case law and the ability to conduct tax research*), at least 50% of the participants indicated that they preferred newly qualified graduates to have a high ability to practise these skills (see Table 24). However, most participants indicated that they "currently" only expected newly qualified graduates to have a lower than average or no level of practical skills for most of the skills listed except for the *ability to apply tax rules to different types of entities* and the *ability to use a variety of software packages*.

For all the practical skills that Kappa values could have been calculated for, the Kappa values were slight, which indicates that employers' "current" views mostly did not agree with their preferences. These practical skills are the *ability to conduct tax research*; *ability to use computer applications*; *ability to assist in general tax administration*; *ability to write tax opinions*; *ability to reason and solve problems with limited guidance*, *time management* and the *ability to communicate and negotiate through oral as well as written communication* (see Table 13).

- *Ability to conduct tax research*: It was indicated that 64% of the participants were of the view that newly qualified graduates' "current" ability was less than what they preferred (see Table 13). It was further established that 64% of the participants

considered newly qualified graduates to "currently" have a lower than average or no level of this skill, while 80% of the participants preferred a high or average level of this skill (see Table 24). However, this skill was ranked last in Table 23 of the list of practical skills indicated in the questionnaire as preferred by employers and Table 24 also indicates that this was the skill for which the highest number of participants (20%) indicated that they preferred lower than average or no level of the ability to conduct tax research.

- *Ability to use computer applications, e.g. E-filing and Win Tax:* For this skill, 69% of the participants indicated that their preference in respect of the level of ability to apply this practical skill exceeded their "current" views (see Table 13). According to Table 24, 95% of the participants preferred newly qualified graduates to have at least an average or higher ability to apply this practical skill. As much as 56% of the participants, however, were of the view that newly qualified graduates "currently" only had a lower than average or no ability to use computer applications (see Table 24).
- *Ability to assist in general tax administration, e.g. returns, objections and registrations*: The results for this skill indicate that for all the skills that Kappa values could be calculated for, the highest percentage (77%) of the participants indicated that they preferred newly qualified graduates to have a higher level of ability than what they "currently" expected them to have.
- *Ability to write tax opinions*: Of the eight Kappa values, this skill had the highest value, which indicates the strongest level of agreement between the participants. According to Table 23, this skill was ranked last on the list of skills preferred by employers. However, Table 24 indicates that only 31% of the participants considered newly qualified graduates to "currently" have an average or higher ability to write tax opinions, whereas 85% of the participants preferred them to have an average or higher ability to apply this practical skill.
- Ability *to reason and solve problems with limited guidance*: For this practical skill, 74% of the participants indicated that they preferred a higher level of ability from a newly qualified graduate. However, the difference between the percentage of employers that preferred a high (44%) against an average (46%) level of ability is the smallest when compared with the rest of the skills listed (see Table 24).

- *Time management*: This specific practical skill was ranked the same (12) when comparing employers' "current" expectations with their preferences. However, their values differ and 69% of the participants preferred newly qualified graduates to have a higher level of ability than that which they "currently" expected them to have.
- *Ability to communicate and negotiate when considering oral and written communication*: Even though this was split into two questions in the questionnaire, there seems to be almost no difference between oral and written communication from an employer's point of view. Results indicated that 72% of the participants would prefer newly qualified graduates to have a higher ability of these skills compared with what they "currently" had.

Other than the above, the following information was identified:

- All of the participants preferred newly qualified graduates to have an average or high level of the *ability to identify basic personal and business tax-planning opportunities (structuring of and advice on clients' tax affairs*) and of the *ability to evaluate the impact of taxation on decision-making by individuals and businesses*.
- The *ability to evaluate the impact of taxation on decision-making by individuals and businesses* indicated the biggest gap when comparing the percentage of the participants' "current" expectation (41%) with what they preferred (100%) when considering an average or higher ability to apply this specific practical skill.
- At a high level, there were no instances where employers' preferences were lower than their "current" expectation.

From Table 22 and 23, it can be concluded that practical skills were not only differently ranked when comparing the "current" level of qualified employees with what employers preferred, but on average for all the practical skills listed in the questionnaire, employers also preferred newly qualified graduates to have a higher level of ability than what they "currently" had.

4.2.9 Analysis of Section 4

The following research objectives are met in Section 4:

- to determine whether the employers of newly qualified graduates are satisfied with the theoretical knowledge, practical skills and **personal characteristics** relating to such graduates' qualification;
- to determine what level of theoretical knowledge, practical skills and **personal characteristics** employers of newly qualified graduates value most; and
- to determine the agreement between employers' current views and their preferences in respect of the level of theoretical knowledge, practical skills and **personal characteristics** obtained by newly qualified graduates.

Section 4 as quoted from the questionnaire:

From your experience, what personal characteristics, as indicated in the following table, would you, as the employer, normally:

- *expect newly qualified graduates to have?*
- *Prefer newly qualified graduates to have?*

Indicate your expectation and preference by using the following ratings:
*1: A **high** expectation or preference for them to have this personal characteristic;*
*2: An **average** expectation or preference for them to have this personal characteristic;*
*3: A **lower than average** expectation or preference for them to have this personal characteristic;*
*4: **No** expectation or preference for them to have this personal characteristic.*

Statistical analysis of data gathered from Section 4, as well as discussion of the results:

Table 25 in Appendix G indicates the specific level of personal characteristics that the participants in their view as employer "currently" expected a newly qualified graduate to have. The characteristics were ranked from the highest level to no level expected using the mean as primary measure; the standard deviation was used as second level of sorting the characteristics. A smaller standard deviation implies more consistency between the

participants in respect of the level of a specific characteristic. In other words, the standard deviation was only used to rank characteristics from the smallest to the greatest value where the mean was the same for a number of characteristics. As a last level of sorting the characteristics, the median was used from the smallest value to the greatest value if the first and second levels were by chance the same for two or more characteristics.

Table 26 in Appendix G indicates the specific level of personal characteristics that the participants in their view as employer preferred a newly qualified graduate to have. The characteristics were ranked on the same basis as in Table 25.

Table 27 in Appendix G indicates the percentage of the participants selecting a specific level of personal characteristics that they "currently" expected newly qualified graduates to have, against what they preferred them to have.

Table 14 presents the results of the statistical analysis, with specific reference to the following:

- Column (1) represents the Kappa values of Section 4;
- Column (2) represents the participants (%) whose "current" views equal their preferences;
- Column (3) represents the participants (%) whose "current" views are below their preferences; and
- Column (4) represents the participants (%) whose "current" views exceed their preferences.

Table 14: Statistical analysis of Section 4

Types of personal characteristics	(1) Kappa	(2) Current = preference	(3) Current < preference	(4) Current > preference
Ability to be imaginative/creative in the workplace	None	21%	77%	2%
Integrity in any given situation	None	44%	56%	0%
Ability to take the initiative in the workplace	0.1541*	34%	66%	0%
Emotional flexibility/ability to adapt in work situations	None	36%	64%	0%
Positive attitudes towards:				
- new ideas	None	51%	49%	0%
- stakeholders	0.2597**	51%	49%	0%
- transformation	None	49%	51%	0%
Ability to work in a team	0.1702*	44%	56%	0%
Ability to maintain professional attitude towards all stakeholders (professionalism)	None	44%	56%	0%
Leadership qualifies	None	51%	49%	0%
Management qualities	None	44%	56%	0%
Analytical skills	None	38%	62%	0%
Showing interest in financial and commercial matters	None	28%	72%	0%
Interpersonal skills	0.0922*	36%	64%	0%
Ethical awareness/people skills	0.2983**	51%	49%	0%
Critical thinking	0.2034*	41%	59%	0%
Punctuality	None	44%	56%	0%

Slight, **Fair

Table 25 and 26 indicate that the four most important skills, which employers preferred newly qualified graduates to have the highest level of ability in, are ranked in the same order compared with what employers “currently” expected of newly qualified graduates. These four skills are the ability to show *integrity in any given situation*, the *ability to maintain professional attitude towards all stakeholders (professionalism)*, the *ability to work in a team* and *punctuality*. However, even though these skills were ranked in the same order there were differences in the rating indicating the level that employers “currently” expected compared with their preference.

The data gathered from Section 4, as presented in Table 27, indicates in general that for 13 of the 17 personal characteristics, more that 50% of the participants preferred newly qualified graduates to have a high level of the personal characteristics. However, most participants indicated that they “currently” only expected newly qualified graduates to have

an average level of the personal characteristics for most of the skills listed except for the *ability to be imaginative/creative in the workplace*, the *ability to take the initiative in the workplace* and for *critical thinking*.

Again, the Kappa values, which determine the agreement between the participants' "current" views and preferences, could only be calculated for some of the personal characteristics included in the questionnaire. The Kappa values for these personal characteristics range between 0.0922 and 0.2983. Thus, the strength of agreement between the "current" views and preferences of the participants in respect of newly qualified graduates for these specific personal characteristics, is only slight or fair. This indicates that the participants' "current" views of these personal characteristics did mostly not agree with their preferences. When analysing the data gathered regarding these personal characteristics, the following was found:

- *Ability to take the initiative in the workplace*: There is only a slight agreement (Kappa value of 0.1541) between the participants' "current" views and preferences of this personal characteristic. Of the participants, 62% were of the opinion that they preferred newly qualified graduates to have a higher ability to take initiative in the workplace than that which they "currently" had. Of the participants, 50% expected newly qualified graduates to have a lower than average or no level of this characteristic, while 69% of the participants preferred them to have a high level of this characteristic.
- *Positive attitudes towards: stakeholders*: For the personal characteristic, the research data indicates that there is a fair agreement between the participants' "current" views and their preferences (Kappa value of 0.2597). Results indicate that 51% of the participants' "current" views of this personal characteristic were similar to their preferences, while 49% preferred newly qualified graduates to have a more positive attitude towards stakeholders.
- *Ability to work in a team*: There is only a slight agreement (Kappa value of 0.1702) between the participants' "current" views and preferences in respect of this characteristic. However, on a high and average level, this characteristic had the smallest difference (17%) between what employers "currently" expected compared with what they preferred. This is because 97% of the participants preferred newly qualified graduates to have a high or average ability to work in a team and 80% of the

participants were of the view that newly qualified graduates "currently" had a high or average ability to work in a team (see Table 27). Forty-four percent of the participants' "current" expectation of newly qualified graduates' ability to work in a team matched what they preferred (see Table 14).

- *Interpersonal skills*: Again, there is only a slight agreement (Kappa value of 0.0922) between the participants' "current" views and preferences in respect of this characteristic. Only 36% of the participants were satisfied with the level of interpersonal skills offered by newly qualified graduates, whereas 64% of the participants considered newly qualified graduates to have less interpersonal skills than what they preferred them to have (see Table 14). Only 26% of the participants were of the opinion that newly qualified graduates "currently" had a high or average level of interpersonal skills. This stands against 97% of the participants who preferred newly qualified graduates to have a high or average level of this skill (see Table 27).
- *Ethical awareness/people skills*: When comparing this with the other personal characteristics for which Kappa values could be calculated, the results were a bit more satisfactory, as this was the characteristic with the highest Kappa value (Kappa value of 0.2983) and the agreement between the participants' "current" views and preferences is at least fair. Of the participants, 51% indicated that the "current" expected level of newly qualified graduates in terms of this skill matched the level that they preferred (see Table 14).
- *Critical thinking*: Unfortunately, the research data for this personal characteristic indicates that there is only a slight agreement between the participants' "current" views and their preferences (Kappa value of 0.2034). Of the participants, 41% indicated that they were satisfied with newly qualified graduates' "current" ability to think critically (see Table 14). Of the participants, 46% indicated that they considered newly qualified graduates, at the time of the study, to have a lower than average or no ability to think critically, whereas 98% of the participants preferred newly qualified graduates to at least have an average or high level of the ability to think critically (see Table 27).

Other than the above, the following information was identified:

- At a high level, there were no instances where the preferred level of the personal characteristics was lower than the "current" expected level.

- The *ability to be imaginative/creative in the workplace* indicated the biggest gap between what participants preferred (98%) and what they "currently" expected (54%) when considering an average or high ability of this specific personal characteristic. This resulted in 77% of the participants preferring newly qualified graduates to have a higher level of this ability compared with what they "currently" had (see Table 14). The other personal characteristic with a similar rating where 72% of the participants preferred newly qualified graduates to be on a higher level than what they "currently" were, was *to show interest in financial and commercial matters*.
- All the participants preferred newly qualified graduates to have a high or average level of the ability to show *integrity in any given situation*, to be *flexible emotionally/adapt in work situations*, to *show positive attitudes towards new ideas*, to *maintain professional attitude towards all stakeholders (professionalism)*, to have *leadership qualities*; to *have analytical skills* and to *show interest in financial and commercial matters* (see Table 27).

It can be concluded that, on average, employers preferred newly qualified graduates to have a higher level of all the personal characteristics listed in the questionnaire than what they "currently" had (see Tables 25 and 26) even though some characteristics were ranked the same.

4.3 CONCLUSION

In this chapter, the research methodologies as set out in Chapter 3 were used successfully to gather the relevant information and to analyse the data forming the findings discussed in this chapter in order to meet the research objectives. The next chapter summarises the above findings and makes suggestions for future research.

CHAPTER 5

CONCLUSION

5.1 INTRODUCTION

The main purpose of this exploratory study was to determine the range of tax work carried out at small accounting firms as well as to examine what the employers of these firms preferred when recruiting newly qualified graduates. This was done by determining the "current" and preferred views of the employers in respect of the qualifications held, the theoretical knowledge, practical skills and other personal characteristics of newly qualified graduates. Each research objective is discussed separately.

This chapter summarises the findings and draws conclusions from the following research objectives:

- to determine the range of tax work carried out at a small accounting firm;
- to determine the qualifications preferred by the employers of small accounting firms when appointing newly qualified graduates;
- to determine whether the employers of such newly qualified graduates were satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualifications;
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates valued most; and
- to determine the agreement between employers' current views and their preferences in respect of the level of theoretical knowledge, practical skills and personal characteristics obtained by newly qualified graduates.

Suggestions for future research are also presented.

5.2 SUMMARY OF FINDINGS

The most significant findings from the study are the following:

5.2.1 Findings in respect of tax work carried out

5.2.1.1 Research objective

- to determine the range of tax work carried out at a small accounting firm.

5.2.1.2 Summary of findings dealing with this objective

The results indicate that participants provided a wide range of tax services. Employers indicated that, on average, 50% of their time was spent on tax matters. This time was mainly spent on providing tax compliance services while a large number of firms also provided tax advice and/or tax risk management services. However, on average, 42% of the firms' income was received from providing tax services, which was less than the time spent by employees. Even though this is the case, taxation is still a substantial part of these small accounting firms' daily operations. See Paragraphs 4.2.2 and 4.2.4 for more detail.

5.2.2 Findings in respect of qualifications

5.2.2.1 Research objective

- to determine the qualifications preferred by the employers of small accounting firms when appointing newly qualified graduates.

5.2.2.2 Summary of findings dealing with this objective

The findings of this study indicate that most employers of small accounting firms "currently" employ and prefer newly qualified graduates with a *Bachelor of Commerce degree, specialising in Accounting Sciences*. Of the participants, 18% also preferred most of their employees to have a *Bachelor of Commerce degree, specialising in Taxation.* However, only 13% of the participants indicated that some or few of their employees "currently" had this qualification. See Paragraph 4.2.5 for more detail. Based on the results of the range of

tax work carried out by these small accounting firms, it is clear that a need and demand exist for qualified employees who can provide tax services.

Table 15: Comparison of preferred qualifications by employers of small accounting firms and employers of large accounting firms

Qualification	Small accounting firms' employers	Large accounting firms' employers
Bachelor of Commerce degree, specialising in Accounting Sciences (BCom Accounting)	60%	29%
Other Bachelor of Commerce degree	8%	2%
Bachelor of Commerce degree, specialising in Taxation	18%	23%
Bachelor of Laws (LLB)	0%	8%
Honours degree, specialising in Accounting Sciences	5%	13%
Honours/Postgraduate diploma, specialising in Taxation	13%	44%
Master of Commerce in Taxation/Master of Laws	3%	38%
Qualified attorney	0%	4%
Chartered accountant	8%	35%

The study conducted at large accounting firms by Doman (2011:55) indicated that these employers mostly preferred to employ employees who specialised in Taxation (Bachelor of Commerce degree, specialising in Taxation, Honours/Postgraduate diploma, specialising in Taxation and Master of Commerce in Taxation/Master of Laws) as well as chartered accountants. The biggest differences between the preferences of small accounting firms and large accounting firms (as indicated in Table 15) were that large accounting firms mostly preferred newly qualified graduates with postgraduate qualifications, whereas small accounting firms mostly preferred undergraduate qualifications.

The above difference could be due to the fact that large accounting firms have separate tax departments which provide specialised taxation services and therefore require more specialised employees, whereas small accounting firms mostly provide tax compliance services and do not have separate tax departments where employees only do tax-related work. Small accounting firms also seldom have the finances available to afford an employee with specialised knowledge that can provide specialised services.

5.2.3 Findings in respect of theoretical knowledge, practical skills and personal characteristics

5.2.3.1 Research objectives

- to determine whether employers of newly qualified graduates were satisfied with the theoretical knowledge, practical skills and personal characteristics relating to such graduates' qualifications;
- to determine what level of theoretical knowledge, practical skills and personal characteristics employers of newly qualified graduates valued most; and
- to determine the agreement between employers' "current" views and their preferences in respect of the level of theoretical knowledge, practical skills and personal characteristics obtained by newly qualified graduates.

5.2.3.2 Summary of findings dealing with these objectives

Theoretical knowledge

For most topics, the participants considered the level of theoretical knowledge a newly qualified graduate "currently" had to be too low and participants preferred a newly qualified graduate to have a higher level of theoretical knowledge of these topics.

The results of this study indicate that the most important topics of which newly qualified graduates should possess the highest level of knowledge as desired by employers of small accounting firms are: *Value-added tax (VAT)*, *Individual tax (excluding capital gains tax)*, *General administration (returns & objections)*, *Capital gains tax* and *Company tax (excluding capital gains and corporate rules)*. Certain topics, e.g. *Taxation of long-term insurers*, *Taxation of mines*, *Transfer pricing*, *Corporate rules (unbundling, amalgamations, intragroup transactions, etc.)* and *Customs and excise duty* are less important, but employers of small accounting firms still prefer newly qualified graduates to have an average level of knowledge of these topics as they should be able to assist clients in all aspects of taxation. See Paragraph 4.2.7 for more detail.

Table 28 in Appendix H displays a comparison of the findings of Alberts (2012), Doman (2011) and this study.

Overall, an average of 45% of the employers of small accounting firms preferred a high level of theoretical knowledge as opposed to 24% of the employers of large accounting firms who preferred the same level of knowledge (Doman, 2011). However, almost in the middle of the averages as preferred by small and large firms, 32% of educators were of the view that employers would expect a high level of the skills concerned (Alberts, 2012).

Taxation of public benefit organisations (excluding capital gains tax), *Turnover tax* and *Customs and excise duty* were the topics where the largest differences existed when considering a high or average level of theoretical knowledge between the preferences of small accounting firms and educators' view of what employers preferred.

When considering a high or average level of theoretical knowledge between the preferences of small accounting firms and large accounting firms, the topics for which the largest differences existed were *Taxation of farming operations*, *Estate duty* and *Lump-sum benefits from pension, provident and retirement annuity funds*. For all three of these topics, a higher percentage of small accounting firms preferred a high or average level compared with large accounting firms' employers. However, even though the preferences of small and large firms' employers did not differ substantially when considering a high and average level of knowledge, there were reasonable differences when comparing high or average levels of knowledge individually.

As discussed in Chapter 4, the increase in the percentage of employers of small accounting firms that preferred a high level of knowledge could be due to the broad tax services rendered by small accounting firms to their clients as opposed to large accounting firms. In other words, large accounting firms require a high percentage of knowledge of a certain topic but very little knowledge of another depending on their services rendered and the specific expertise as required for the specific department. However, small accounting firms in the rural area must be able to advise and assist clients with all their tax affairs and normally, do not have different departments that deal with different tax matters and therefore require a broader base of tax knowledge.

Practical skills

The results of this study indicate that the most important skills newly qualified graduates should have as desired by employers of small accounting firms are the *ability to prepare and complete SARS forms and tax returns*; the *ability to assist in general tax administration, e.g. returns, objections and registrations.*; the *ability to use a variety of software packages, e.g. Microsoft Word and Excel* and the *ability to prepare tax computations by applying current tax legislation and case law (fact gathering for tax engagement and practical calculations)*.

Generally, employers were of the view that at least an average level of the skills concerned for all of the practical skills listed in Table 23 would be preferred by small accounting firm employers. See Paragraph 4.2.8 for more detail. Table 29 in Appendix H illustrates a comparison of the findings of Alberts (2012), Doman (2011) and this study.

Overall, an average of 59% of the employers of small accounting firms preferred a high level of practical skills, whereas 52% of the employers of large accounting firms preferred the same level of practical skills (Doman, 2011). However, only 32% of educators were of the view that employers would expect a high level of the skills concerned (Alberts, 2012). Thus, educators will have to place more emphasis on the level of practical skills. This can be done by requiring students to do more real-life practical assignments as part of their degree.

The ability *to prepare tax computations by applying current tax legislation and case law*, the *ability to evaluate the impact of taxation on decision-making by individuals and businesses* and the *ability to write tax opinions* are the skills with the largest differences when considering a high or average level of practical skill between the preferences of small accounting firms and educators' view of what employers preferred.

The skills with the largest differences when considering a high or average level of practical skill between the preferences of small accounting firms and large accounting firms are the *ability to conduct tax research*, the *ability to write tax opinions* and the *ability to use computer applications, e.g. E-filing and WinTax*. For the first two mentioned, a higher percentage of large accounting firms preferred a high or average level compared with

small accounting firms, whereas for the *ability to use computer applications, e.g. E-filing and WinTax*, a higher percentage of small accounting firms preferred a high or average level compared with large accounting firms. This difference could be the result of the types of services provided at large accounting firms compared with small accounting firms. Large firms mainly provide tax advice while small accounting firms mainly complete tax forms and provide tax compliance services.

Personal characteristics

The findings of this study indicate that in terms of employers of small accounting firms, the most desired personal characteristics are the ability to *show integrity in any given situation*, the ability to *maintain professional attitude towards all stakeholders (professionalism)*, the *ability to work in a team* and *punctuality*.

Generally, employers were of the view that at least an average level of the personal characteristics listed in Table 26 would be preferred by small accounting firm employers. See Paragraph 4.2.9 for more detail. Table 30 in Appendix H compares this study's findings with the findings of the studies of Alberts (2012) and Doman (2011) regarding personal characteristics of newly qualified graduates.

No significant differences exist when considering a high or average level of personal characteristics between the preferences of small accounting firms and those of large accounting firms. However, most of the employers of large accounting firms preferred a high level for most of the personal characteristics, while most of the small accounting firms preferred an average level for most of the personal characteristics listed.

Overall, an average of 61% of the employers of small accounting firms preferred a high level of practical skills, while 74% of the employers of large accounting firms preferred the same level of practical skills (Doman, 2011). However, 53% of educators were of the view that employers would expect a high level of the skills concerned (Alberts, 2012).

The largest differences that exist when considering a high or average level of personal characteristics between the preferences of small accounting firms and the perceptions of educators of what employers preferred are *positive attitudes towards new ideas*, the *ability*

to take the initiative in the workplace and *emotional flexibility/the ability to adapt in work situations*.

The findings indicate that the majority of employers of small accounting firms prefer newly qualified graduates to have a high ability to *show integrity in any given situation*. This could be due to the fact that the field of taxation is people orientated and require honesty in all circumstances as taxation is bound by legislation.

In summary, Table 16 compares the preferences of large and small accounting firms as well as the perceptions of educators.

Table 16: Comparison between the preferences of large accounting firms, preferences of small accounting firms and perceptions of educators

Component	Large accounting firms	Small accounting firms	Educators
Qualification	Employees specialising in Taxation (under- or postgraduate and CAs).	Bachelor of Commerce degree, specialising in Accounting Sciences as well as Bachelor of Commerce degree, specialising in Taxation.	BCom Accounting or BCom Accounting Honours. Not specialist tax qualifications.
Theoretical knowledge	Prefer high/average level for most topics listed. Current level is too low.	Prefer high/average level for most topics listed. Current level is too low.	The more specialised the industry/field becomes, the lesser level of knowledge is expected.
Practical skills	Prefer high/average level for most practical skills listed Current level is average/lower than average.	Prefer high/average level for most practical skills listed. Current level is average/lower than average.	Expect at least an average or high level. Slight difference between undergraduate and postgraduate levels.
Personal characteristics	Satisfied with current level.	Prefer a higher level.	Expect at least an average or high level. Equal level for undergraduate and postgraduate qualifications.

Source: Summary of the studies of Alberts (2012); Doman and Nienaber (2012) and the results obtained from this study.

The agreement between current expectations and preferences

The findings of this study generally indicate that where a Kappa value could be calculated, there is only a slight or fair agreement between the employers' "current" expectations compared with their preferences of the theoretical knowledge, practical skills as well as

personal characteristics. This statistical analysis could not be conducted on all the data as all the requirements to perform this test were not always met (see Paragraph 4.1). In most instances, participants preferred more than what they "currently" expected. See Paragraphs 4.2.7 to 4.2.9 for more detail.

5.3 SUGGESTIONS FOR FUTURE RESEARCH

There could be a difference between the views and preferences of employers operating in urban areas compared with those of employers in rural areas. This research can therefore be extended to employers of small accounting firms in the urban areas employing newly qualified graduates.

The exploratory research conducted in this study considered the expected and preferred level of theoretical knowledge, practical skills and personal characteristics of newly qualified graduates with a specific formal qualification, but without any tax-specific work experience. The study could be widened to include the views and opinions of these newly qualified graduates regarding what employers prefer and the value-added by tertiary education as well as the importance and practical application of their tertiary education. It can, furthermore, also be expanded to include the opinions of students on the above-mentioned matters.

5.4 FINAL CONCLUSION

The main purpose of this exploratory study was to determine the range of tax work carried out at small accounting firms as well as to examine what the employers of these firms prefer when recruiting newly qualified graduates in respect of the qualifications held, the theoretical knowledge, practical skills and other personal characteristics of newly qualified graduates.

This study concludes that a wide range of tax services are provided by employers of small accounting firms in the rural area. These firms provide mostly tax compliance services.

Secondly, the difference between who employers prefer to employ and who they "currently" employ is insignificant. However, there is a demand for more employees who

possess these qualifications, but results indicate that employees with these qualifications are not always available to employ. Employers prefer to employ employees with a Bachelor of Commerce degree, specialising in Accounting Sciences as well as Bachelor of Commerce degree, specialising in Taxation.

Thirdly, there is a substantial difference between the "current" views and preferences of small accounting firms' employers in respect of theoretical knowledge of most topics listed in the dissertation, as well as in almost all the types of practical skills listed in the dissertation. Almost all these differences indicate that employers prefer more than what they "currently" expect newly qualified graduates to have. It is clear that South African universities do not provide sufficient theoretical knowledge and practical skills in tax curricula included in the various degrees offered. This conclusion is consistent with the conclusion drawn from the study conducted at large accounting firms by Doman (2011:88). However, there are differences between the levels preferred by large accounting firms and the levels preferred by small accounting firms. Also in respect of personal characteristics, this research concludes that employers prefer newly qualified graduates to have a higher level of personal characteristics than those that they strive for.

Finally, from Table 16, it can be concluded that different stakeholders have different preferences. In order to provide newly qualified graduates that will satisfy the needs of future employers, all stakeholders should be taken into consideration when determining the level of theoretical knowledge, practical skills and personal characteristics that should be developed by these newly qualified graduates. Currently, it is evident that there is room for improvement in order to provide better newly qualified graduates to the market who are 'all-rounders' in taxation.

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APPENDIX A

- Degrees offered by South African universities, which include taxation as one of the major subjects forming part of the degree -

Table 17: Undergraduate and postgraduate degrees, with taxation as major subject forming part of a degree, offered by South African universities

University	Bachelor of Commerce degrees specialising in Accounting Sciences	Other Bachelor of Commerce degrees	Bachelor of Commerce degrees specialising in Taxation	Honours degrees specialising in Accounting Sciences	Honours/ Postgraduate diploma in tax or other postgraduate degrees	Master of Commerce in Taxation	SAICA Accredited Programme
Nelson Mandela Metropolitan University	✔			✔		✔	✔
North-West University	✔	✔		✔	✔	✔	✔
Rhodes University	✔			✔	✔	✔	✔
Stellenbosch University	✔			✔	✔	✔	✔
University of Cape Town	✔	✔		✔	✔	✔	✔
University of Johannesburg	✔			✔	✔	✔	✔
University of KwaZulu-Natal	✔			✔			✔
University of Pretoria	✔	✔		✔	✔	✔	✔
University of South Africa	✔	✔	✔	✔	✔	✔	✔
University of the Free State	✔			✔	✔		✔
University of the Western Cape	✔			✔			✔
University of the Witwatersrand	✔			✔	✔	✔	✔

Source: Relevant universities website (2013). Refer to Appendix B.

APPENDIX B

- Reference list of 2013 yearbooks or student handbooks of various South African universities -

Nelson Mandela Metropolitan University. 2013a. *Information for postgraduate studies: 2013.* Faculty of Business and Economic Sciences, NMMU. [Online] Available from: http://accounting.nmmu.ac.za/accounting/media/Store/documents/Postgraduate%20Info/1_Postgrad-Guide-2011.pdf [Downloaded: 2013-08-30].

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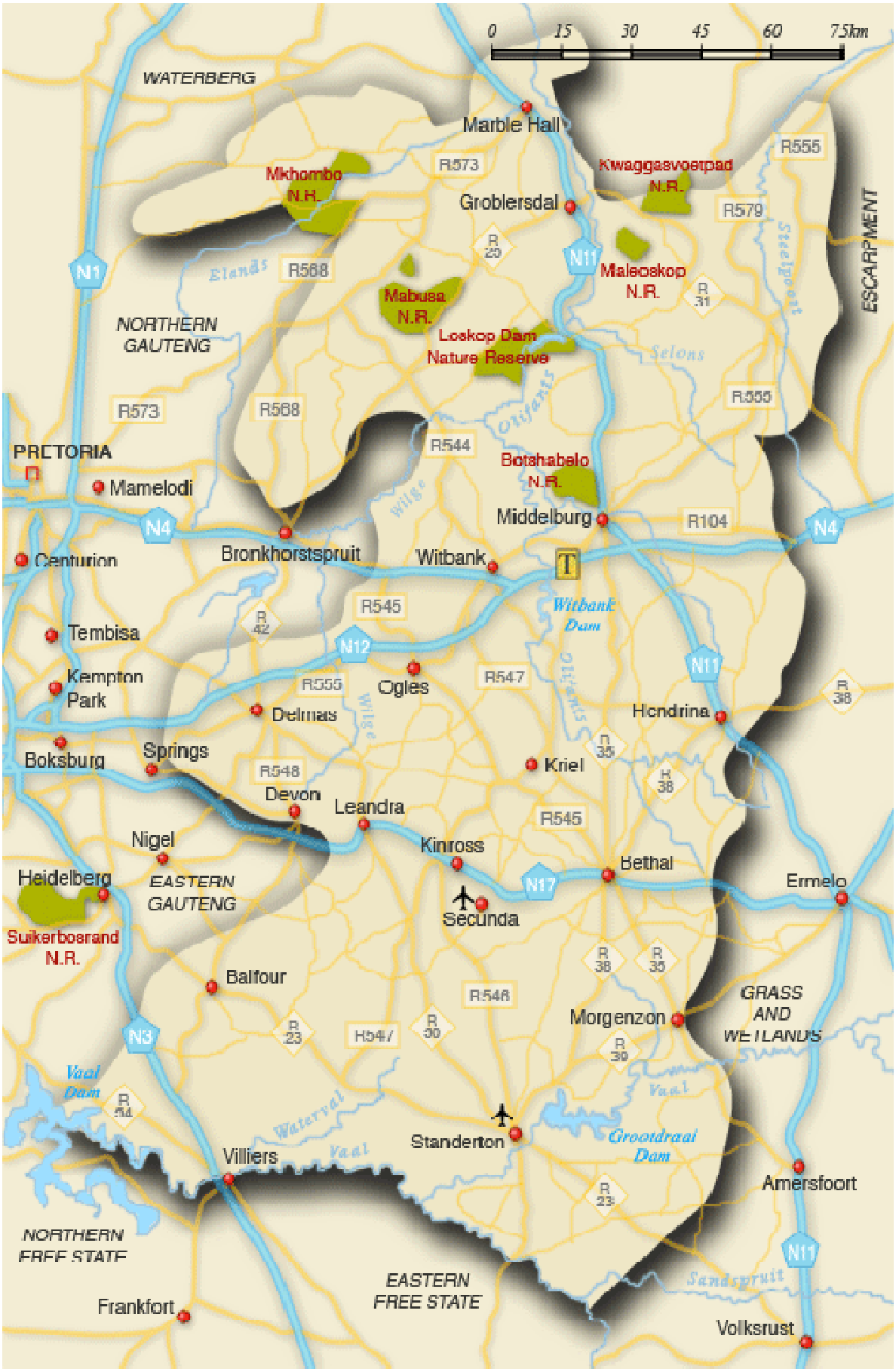
APPENDIX C

- Area of study -



APPENDIX D

- Description of the list of topics included in the questionnaire -

Table 18: Description of the list of topics included in the questionnaire

Topic	Description
Taxation environment in RSA	An understanding of all the relevant types of taxes that may be imposed in South Africa, how they may impact on various transactions and how they affect each other.
Fiscal framework for RSA	An understanding of the principles involved in the legislation process.
History of taxation	Knowledge about the development of taxation in South Africa, i.e. the switch from being a source-based tax system to being a resident-based tax system, and the difference between how items of a capital nature were treated prior to 1 October 2001 and how such items are currently treated for income tax purposes.
Individual tax (excluding capital gains tax)	Knowledge about all the principles related to calculating taxable income and tax payable for individuals.
Secondary tax on companies (STC)/Dividend tax	Knowledge about when STC/dividend tax is payable by companies/shareholders, how it is calculated as well as the administration related to the payment thereof.
Company tax (excluding capital gains and corporate tax)	Knowledge about the principles of calculating income tax for companies, i.e. gross income, exempt income, deductions, capital allowances and applicable tax rates.
Capital gains tax	Knowledge about the principles of when capital gains tax is payable, i.e. what is a capital gains tax event and how to determine the taxable capital gain for different types of persons.
Employees' tax	Knowledge about the principles applicable when calculating employees' tax for different types of employees, i.e. directors of private companies, standard employment, as well as the administration surrounding employees' tax.
Taxation of expatriates	Knowledge about the principles applicable when calculating employees' tax and normal tax for expatriates.
Fringe benefits	Knowledge about how different fringe benefits arise and what gives rise to a fringe benefit, the detailed principles to calculate the taxable fringe benefits in different circumstances and how it affects monthly employees' tax.
Provisional tax	Knowledge about the requirements of when to pay provisional tax, the administration surrounding provisional tax, including penalties and interest and the principles to determine the amount of provisional tax payable.
Donations tax	Knowledge about when donations tax is payable and the exemptions that apply.
Lump-sum benefits from pensions, provident and retirement annuity funds	Knowledge about the taxability of lump-sum benefits paid by funds or employers at retirement, death or resignation.
Estate duty	Knowledge about when estate duty is payable, how to calculate the dutiable amount, by whom it is payable and the administration related to it.
Taxation of trusts (excluding capital gains tax)	Knowledge about the principles of using a local trust or an off-shore trust as a tax vehicle and the provisions guiding the taxing of accruals in the hands of beneficiaries, donators or the trust.
Turnover tax	Knowledge of the simplified tax system implemented for small sole proprietors, partnerships and incorporated businesses.

Topic	Description
Taxation of employment companies (e.g. personal service provider, independent contractor and labour broker)	Knowledge about the employees' tax principles applicable on employment companies, i.e. why a company/trust is classified as a personal service provider or when is a person classified as an independent contractor.
Taxation of non-resident branches	Knowledge about when a non-resident branch is taxed in South Africa, including the principles to determine the taxable income by considering the source as well as the rates applicable.
International tax	Knowledge about the different international tax principles applicable including: the principles to determine when double tax agreements should be applied, principles surrounding controlled foreign companies, principles surrounding thin capitalisation and transfer pricing, the translation of foreign amounts into South African currency for tax purposes and principles surrounding rebates or deductions to prevent double taxation when foreign taxes are paid.
Transfer pricing	Knowledge about all principles surrounding the effect of foreign transactions between connected persons.
Taxation of public benefit organisations (excluding capital gains tax)	Knowledge about the administration relating to registering a PBO and the principles to which the PBO should comply to qualify for tax exemption.
Taxation of farming activities	Knowledge about the special provisions applicable to farming operations in terms of the First schedule of the Income Tax Act (58/1962).
Corporate rules (unbundling, amalgamations, intragroup transactions, etc.)	Knowledge about the principles applicable when a person wants to apply corporate rules, thus the requirements to apply corporate rules, if it is selectively applied or automatically applied and what the implications are when applying the corporate rules.
Taxation of long-term insurers	Knowledge about all the special provisions applicable to long-term insurers.
Taxation of retirement funds	Knowledge about all the special provisions applicable to retirement funds in terms of Section 10(1)(d)(i) and (ii) of the Income Tax Act (58/1962).
Value-added tax (VAT)	Knowledge about the principles of value added tax, i.e. that it is payable on certain transactions, the calculation thereof, how to determine outputs, inputs and other adjustments as well as the administration of VAT.
Transfer duty	Knowledge about when transfer duty is payable, by whom it is payable, how to determine the dutiable amount and the administration surrounding the payment thereof.
Customs and excise duty	Customs duty – Knowledge about how to classify imports, when customs duty is payable (origin) and on which amount (value). Excise duty – Knowledge about the principles of why excise duty is payable and on which amount.
Security transfer tax	Knowledge about all the provisions applicable to the payment of security transfer taxes, i.e. when it is payable, on which amount and the administration regarding to the payment thereof.
Taxation of mines	Knowledge about all the special provisions applicable to mining operations.
Other topics (Please specify)	Knowledge about any other topic which the participant may feel is relevant.

Source: Alberts (2012) and Doman (2011).

APPENDIX E

- Tables representing data gathered from Section 2: theoretical knowledge -

Table 19: Ranked theoretical knowledge "currently" expected of newly qualified graduates

Rank	General description of topic	Mean	Standard deviation	Median
1	Individuals (excluding capital gains tax)	1.76316	0.6752061	2
2	Value-added tax (VAT)	1.79487	0.7670685	2
3	Company tax (excluding capital gains and corporate rules)	1.84615	0.812354	2
4	Capital gains tax	1.94872	0.8255371	2
5	Employees' tax	1.97436	0.8732028	2
6	Provisional tax	2	0.8885233	2
7	Taxation of partnerships	2.05128	0.7236137	2
8	Taxation of small business corporations	2.05128	0.7930195	2
9	Fringe benefits	2.10256	0.8206182	2
10	Taxation environment in RSA	2.10256	0.7878977	2
11	Taxation of trusts (excluding capital gains tax)	2.17949	0.8544557	2
12	Secondary tax on companies (STC)/Dividends tax	2.17949	0.9698561	2
13	General administration (returns & objections)	2.20513	0.9781693	2
14	Donations tax	2.33333	0.8983416	2
15	Turnover tax	2.38462	0.9628736	2
16	Fiscal framework for RSA	2.48718	0.6436653	2
17	Taxation of employment companies (e.g. personal service provider, independent contractor and labour broker)	2.51282	0.7904627	3
18	Taxation of farming activities	2.56410	1.0207034	3
19	Lump-sum benefits from pensions, provident and retirement annuity funds	2.56410	0.9677666	2
20	Estate duty	2.64103	0.8425269	3
21	History of taxation	2.71795	0.6468026	3
22	Taxation of public benefit organisations (excluding capital gains tax)	2.74359	0.7853242	3
23	Taxation of expatriates	2.74359	0.9656726	3
24	Transfer duty	2.76923	0.8417256	3
25	Taxation of non-resident branches	2.87179	0.9508857	3
26	Customs and excise duty	3.05128	0.7591102	3
27	Taxation of retirement funds	3.05128	0.9161911	3
28	International tax	3.07692	0.928627	3
29	Security transfer tax	3.12821	0.8328609	3
30	Corporate rules (unbundling, amalgamations, intra-group transactions, etc.)	3.20513	0.8328609	3
31	Transfer pricing	3.23077	0.8417256	3
32	Taxation of long-term insurers	3.33333	0.8377078	4
33	Taxation of mines	3.38462	0.8148421	4

Table 20: Ranked theoretical knowledge preferred from newly qualified graduates

Rank	General description of topic	Mean	Standard deviation	Median
1	Value-added tax (VAT)	1.075	0.2667468	1
2	Individual tax (excluding capital gains tax)	1.15385	0.4315493	1
3	General administration (returns & objections)	1.2	0.4050957	1
4	Capital gains tax	1.225	0.4229021	1
5	Company tax (excluding capital gains and corporate rules)	1.25	0.5883484	1
6	Provisional tax	1.275	0.4522026	1
7	Employees' tax	1.275	0.5986095	1
8	Taxation of small business corporations	1.3	0.4640955	1
9	Taxation on farming activities	1.3	0.5163978	1
10	Taxation on trusts (excluding capital gains tax)	1.325	0.4743416	1
11	Fringe benefits	1.375	0.5856182	1
12	Taxation of partnerships	1.45	0.5523841	1
13	Secondary tax on companies (STC)/Dividend tax	1.55	0.9044052	1
14	Taxation environment in RSA	1.625	0.7048368	2
15	Turnover tax	1.65	0.6998168	2
16	Lump-sum benefits from pensions, provident and retirement annuity funds	1.65	0.6998168	2
17	Donations tax	1.675	0.6558416	2
18	Estate duty	1.725	0.7156672	2
19	Taxation of employment companies (e.g. personal service provider, independent contractor and labour broker)	1.8	0.5638694	2
20	Fiscal framework for RSA	1.8	0.7232406	2
21	Transfer duty	2.025	0.8619447	2
22	Taxation of public benefit organisations (excluding capital gains tax)	2.05	0.9044052	2
23	Taxation of expatriates	2.125	0.9388345	2
24	History of taxation	2.125	0.7905694	2
25	Taxation of non-resident branches	2.25	0.9268087	2
26	Taxation of retirement funds	2.325	1.0951525	2
27	Security transfer tax	2.475	0.9867715	2
28	International tax	2.525	0.9604353	2
29	Customs and excise duty	2.55	0.9044052	2
30	Corporate rules (unbundling, amalgamations, intra-group transactions, etc.)	2.575	0.9841696	2
31	Transfer pricing	2.575	0.9577618	2
32	Taxation of mines	2.625	1.0545992	2.5
33	Taxation of long-term insurers	2.775	1.0250078	3

Table 21: Data gathered from Section 2

Type of theoretical knowledge	High level of theoretical knowledge		Average level of theoretical knowledge		Lower than average / No level of theoretical knowledge	
	Current expectation	Preference	Current expectation	Preference	Current expectation	Preference
Taxation environment in RSA	23%	49%	46%	46%	31%	5%
Fiscal framework for RSA	59%	33%	33%	62%	8%	5%
History of taxation	3%	18%	31%	62%	66%	20%
Individual tax (excluding capital gains tax)	37%	87%	50%	10%	13%	3%
Secondary tax on companies (STC)/Dividend tax	28%	67%	36%	23%	36%	10%
Company tax (excluding capital gains and corporate rules)	36%	79%	49%	18%	15%	3%
Capital gains tax	36%	77%	33%	23%	31%	0%
Employees' tax	33%	77%	41%	21%	26%	2%
Taxation of expatriates	13%	28%	23%	44%	64%	28%
Fringe benefits	28%	67%	33%	28%	39%	5%
Provisional tax	36%	72%	31%	28%	33%	0%
Donations tax	21%	44%	33%	49%	46%	7%
Lump-sum benefits from pension, provident and retirement annuity funds	13%	46%	38%	46%	49%	8%
Estate duty	10%	41%	28%	44%	62%	15%
Taxation of trusts (excluding capital gains tax)	26%	67%	33%	33%	41%	0%
Taxation of small business corporations	26%	69%	46%	31%	28%	0%
Turnover tax	18%	49%	41%	41%	41%	10%
Taxation of partnerships	18%	59%	64%	38%	18%	3%
Taxation of employment companies (e.g. personal service provider, independent contractor and labour broker)	10%	28%	36%	64%	54%	8%
Taxation of non-resident branches	8%	18%	28%	56%	64%	26%
International tax	5%	10%	23%	51%	72%	39%
Transfer pricing	3%	10%	18%	46%	79%	44%
Taxation of public benefit organisations (excluding capital gains tax)	3%	28%	38%	51%	59%	21%
Taxation of farming activities	18%	72%	28%	26%	54%	2%

Type of theoretical knowledge	High level of theoretical knowledge		Average level of theoretical knowledge		Lower than average / No level of theoretical knowledge	
	Current expectation	Preference	Current expectation	Preference	Current expectation	Preference
Corporate rules (unbundling, amalgamations, intra-group transactions, etc.)	26%	13%	28%	41%	46%	46%
Taxation of long-term insurers	3%	10%	15%	36%	82%	54%
Taxation of retirement funds	5%	28%	23%	33%	72%	39%
Value-added tax (VAT)	41%	92%	38%	8%	21%	0%
Transfer duty	5%	28%	33%	51%	62%	21%
Customs and excise duty	26%	8%	44%	51%	30%	41%
Security transfer tax	28%	15%	31%	44%	41%	41%
Taxation of mines	3%	15%	13%	36%	84%	49%
General administration (returns & objections)	28%	79%	33%	21%	39%	0%

APPENDIX F

- Tables representing data gathered from Section 3: practical skills -

Table 22: Ranked practical skills "currently" expected of newly qualified graduates

Rank	General description of practical skill	Mean	Standard deviation	Median
1	Ability to use a variety of software packages, e.g. Microsoft Word and Excel	2.0512821	0.7236137	2
2	Ability to apply tax rules to different types of entities	2.3589744	0.8425269	2
3	Ability to prepare tax computations by applying current tax legislation and case law (fact gathering for tax engagement and practical calculations)	2.4102564	0.7510676	3
4	Ability to prepare and complete SARS forms and tax returns	2.4358974	1.0207034	2
5	Ability to communicate and negotiate by means of written communication	2.4871795	0.7904627	3
6	Ability to communicate and negotiate by means of oral communication	2.4871795	0.7564388	3
7	Ability to review tax computations by applying current tax legislation and case law	2.4871795	0.7208108	3
8	Ability to use computer applications, e.g. E-filing and Win Tax	2.5641026	0.9945872	3
9	Ability to assist in general tax administration, e.g. returns, objections and registrations	2.6153846	0.9065662	3
10	Ability to identify basic personal and business tax-planning opportunities (structuring of and advice on a client's tax affairs)	2.6153846	0.8148421	3
11	Ability to evaluate the impact of taxation on decision-making by individuals and businesses	2.6666667	0.8377078	3
12	Time management	2.7435897	0.9380256	3
13	Ability to apply SARS's regulations and court cases	2.7435897	0.8181477	3
14	Ability to conduct tax research	2.7948718	0.7670685	3
15	Ability to reason and solve problems with limited guidance	2.8717949	0.8328609	3
16	Ability to write tax opinions	2.9487179	0.8870032	3

Table 23: Ranked practical skills preferred from newly qualified graduates

Rank	General description of practical skill	Mean	Standard deviation	Median
1	Ability to prepare and complete SARS forms and tax returns	1.175	0.5494753	1
2	Ability to assist in general tax administration, e.g. returns, objections and registrations	1.325	0.6558416	1
3	Ability to use a variety of software packages, e.g. Microsoft Word and Excel	1.35	0.6222375	1
4	Ability to prepare tax computations by applying current tax legislation and case law (fact gathering for tax engagement and practical calculations)	1.35	0.5334936	1
5	Ability to use computer applications, e.g. E-filing and Win Tax	1.375	0.6674675	1
6	Ability to apply tax rules to different types of entities	1.375	0.5856182	1
7	Ability to review tax computations by applying current tax legislation and case law	1.4	0.5453768	1
8	Ability to communicate and negotiate by means of written communication	1.45	0.7828285	1
9	Ability to communicate and negotiate by means of oral communication	1.475	0.7840559	1
10	Ability to evaluate the impact of taxation on decision-making by individuals and businesses	1.475	0.5057363	1
11	Ability to identify basic personal and business tax-planning opportunities (structuring of and advice on client's tax affairs)	1.475	0.5057363	1
12	Time management	1.575	0.7807787	1
13	Ability to reason and solve problems with limited guidance	1.7	0.7232406	2
14	Ability to apply SARS's regulations and court cases	1.75	0.5883484	2
15	Ability to write tax opinions	1.85	0.8335897	2
16	Ability to conduct tax research	1.925	0.8589648	2

Table 24: Data gathered from Section 3

Types of practical skills	High level of practical skills		Average level of practical skills		Lower than average / No level of practical skills	
	Current expectation	Preference	Current expectation	Preference	Current expectation	Preference
Ability to prepare tax computations by applying current tax legislation and case law (fact gathering for tax engagement and practical calculations)	13%	67%	36%	31%	51%	2%
Ability to review tax computations by applying current tax legislation and case law	8%	62%	41%	36%	51%	2%
Ability to apply SARS's regulations and court cases	5%	31%	33%	62%	62%	7%
Ability to identify basic personal and business tax-planning opportunities (structuring of and advice on client's tax affairs)	8%	54%	36%	46%	56%	0%
Ability to evaluate the impact of taxation on decision-making by individuals and businesses	8%	51%	33%	49%	59%	0%
Ability to apply tax rules to different types of entities	13%	67%	49%	28%	38%	5%
Ability to conduct tax research	3%	36%	33%	44%	64%	20%
Ability to prepare and complete SARS forms and tax returns	21%	87%	33%	10%	46%	3%
Ability to use a variety of software packages, e.g. Microsoft Word and Excel	21%	72%	56%	26%	23%	2%
Ability to use computer applications, e.g. E-filing and Win Tax	18%	72%	26%	23%	56%	5%
Ability to assist in general tax administration, e.g. returns, objections and registrations	10%	74%	36%	21%	54%	5%
Ability to write tax opinions	5%	39%	26%	46%	69%	15%
Ability to reason and solve problems with limited guidance	3%	44%	33%	46%	64%	10%
Time management	8%	54%	36%	38%	56%	8%
Ability to communicate and negotiate						
- Oral communication	10%	64%	36%	28%	54%	8%
- Written communication	10%	67%	38%	26%	52%	7%

APPENDIX G

- Tables representing data gathered from Section 4: personal characteristics -

Table 25: Ranked personal characteristics "currently" expected of newly qualified graduates

Rank	General description of personal characteristic	Mean	Standard deviation	Median
1	Integrity in any given situation	1.8461538	0.6703676	2
2	Ability to maintain professional attitude towards all stakeholders (professionalism)	1.8974359	0.753758	2
3	Ability to work in a team	1.9487179	0.6862836	2
4	Punctuality	2	0.8271702	2
5	Ethical awareness/people skills	2.0769231	0.7740738	2
6	Positive attitudes towards new ideas	2.1025641	0.753758	2
7	Interpersonal skills	2.1282051	0.6561245	2
8	Leadership qualities	2.1794872	0.6833276	2
9	Positive attitudes towards stakeholders	2.2307692	0.7420292	2
10	Emotional flexibility/ability to adapt in work situations	2.2307692	0.7766845	2
11	Positive attitudes towards transformation	2.2564103	0.7510676	2
12	Showing interest in financial and commercial matters	2.2820513	0.6862836	2
13	Analytical skills	2.3076923	0.6941047	2
14	Critical thinking	2.3333333	0.7008766	2
15	Management qualities	2.3589744	0.7066295	2
16	The ability to take the initiative in the workplace	2.3846154	0.8465218	3
17	The ability to be imaginative/creative in the workplace	2.5128205	0.6833276	3

Table 26: Ranked personal characteristics preferred from newly qualified graduates

Rank	General description of personal characteristic	Mean	Standard deviation	Median
1	Integrity in any given situation	1.125	0.3349321	1
2	Ability to maintain professional attitude towards all stakeholders (professionalism)	1.175	0.3848076	1
3	Ability to work in a team	1.275	0.5057363	1
4	Punctuality	1.3	0.6076436	1
5	Emotional flexibility/ability to adapt in work situations	1.3	0.4640955	1
6	Ethical awareness/people skills	1.35	0.5334936	1
7	Showing interest in financial and commercial matters	1.375	0.4902903	1
8	Interpersonal skills	1.4	0.5453768	1
9	Analytical skills	1.4	0.4961389	1
10	Ability to take the initiative in the workplace	1.4102564	0.6773769	1
11	Positive attitudes towards new ideas	1.45	0.5038315	1
12	Critical thinking	1.475	0.5541221	1
13	Positive attitudes towards transformation	1.6	0.7089176	1.5
14	Positive attitudes towards stakeholders	1.6	0.6717753	2
15	Leadership qualities	1.65	0.4830459	2
16	Ability to be imaginative/creative in the workplace	1.65	0.6621643	2
17	Management qualities	1.675	0.5256254	2

Table 27: Data gathered from Section 4

Types of personal characteristics	High level of personal characteristics		Average level of personal characteristics		Lower than average / No level of personal characteristics	
	Current expectation	Preference	Current expectation	Preference	Current expectation	Preference
Ability to be imaginative/creative in the workplace	8%	44%	36%	54%	56%	2%
Integrity in any given situation	31%	87%	54%	13%	15%	0%
Ability to take the initiative in the workplace	18%	69%	32%	26%	50%	5%
Emotional flexibility/ability to adapt in work situations	18%	72%	44%	28%	38%	0%
Positive attitudes towards:						
- new ideas	21%	56%	51%	44%	28%	0%
- stakeholders	13%	46%	56%	49%	31%	5%
- transformation	13%	51%	54%	44%	33%	5%
Ability to work in a team	26%	74%	54%	23%	20%	3%
Ability to maintain professional attitude towards all stakeholders (professionalism)	33%	82%	44%	18%	23%	0%
Leadership qualifies	15%	36%	51%	64%	34%	0%
Management qualities	10%	36%	46%	62%	44%	2%
Analytical skills	13%	59%	44%	41%	43%	0%
Showing interest in financial and commercial matters	13%	64%	46%	36%	41%	0%
Interpersonal skills	15%	64%	56%	33%	29%	3%
Ethical awareness/people skills	26%	67%	41%	31%	33%	2%
Critical thinking	13%	54%	41%	44%	46%	2%
Punctuality	31%	74%	41%	23%	28%	3%

APPENDIX H

- A comparison between the findings of Alberts (2012) Doman (2011) and this study -

Table 28: Comparison of theoretical knowledge of newly qualified graduates as preferred by employers of small accounting firms and employers of large accounting firms and as viewed by educators

Type of theoretical knowledge	High level of theoretical knowledge			Average level of theoretical knowledge			Lower than average / No level of theoretical knowledge		
	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators
Taxation environment in RSA	49%	53%	41%	46%	45%	36%	5%	2%	23%
Fiscal framework for RSA	33%	30%	23%	62%	63%	41%	5%	7%	36%
History of taxation	18%	11%	0%	62%	41%	37%	20%	48%	63%
Individual tax (excluding capital gains tax)	87%	16%	78%	10%	69%	22%	3%	15%	0%
Secondary tax on companies (STC)/ Dividend tax	67%	59%	55%	23%	28%	32%	10%	13%	13%
Company tax (excluding capital gains and corporate rules)	79%	65%	68%	18%	24%	32%	3%	11%	0%
Capital gains tax	77%	61%	50%	23%	35%	50%	0%	4%	0%
Employees' tax	77%	20%	78%	21%	59%	22%	2%	21%	0%
Taxation of expatriates	28%	7%	27%	44%	50%	32%	28%	43%	41%
Fringe benefits	67%	22%	82%	28%	54%	18%	5%	24%	0%
Provisional tax	72%	48%	78%	28%	44%	22%	0%	8%	0%
Donations tax	44%	24%	59%	49%	44%	27%	7%	32%	14%
Lump-sum benefits from pension, provident and retirement annuity funds	46%	2%	50%	46%	41%	37%	8%	57%	13%
Estate duty	41%	4%	32%	44%	22%	45%	15%	74%	23%

Type of theoretical knowledge	High level of theoretical knowledge			Average level of theoretical knowledge			Lower than average / No level of theoretical knowledge		
	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators
Taxation of trusts (excluding capital gains tax)	67%	28%	32%	33%	37%	36%	0%	35%	32%
Taxation of small business corporations	69%	-	-	31%	-	-	0%	-	-
Turnover tax	49%	-	14%	41%	-	18%	10%	-	68%
Taxation of partnerships	59%	-	-	38%	-	-	3%	-	-
Taxation of employment companies (e.g. personal service provider, independent contractor and labour broker)	28%	11%	24%	64%	54%	48%	8%	35%	28%
Taxation of non-resident branches	18%	33%	9%	56%	48%	32%	26%	19%	59%
International tax	10%	30%	0%	51%	52%	32%	39%	18%	68%
Transfer pricing	10%	24%	0%	46%	49%	30%	44%	27%	70%
Taxation of public benefit organisations (excluding capital gains tax)	28%	7%	0%	51%	46%	9%	21%	47%	91%
Taxation of farming activities	72%	7%	-	26%	20%	-	2%	73%	-
Corporate rules (unbundling, amalgamations, intra-group transactions, etc.)	13%	41%	-	41%	50%	-	46%	9%	-

Type of theoretical knowledge	High level of theoretical knowledge			Average level of theoretical knowledge			Lower than average / No level of theoretical knowledge		
	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators
Taxation of long-term insurers	10%	2%	0%	36%	44%	0%	54%	54%	100%
Taxation of retirement funds	28%	2%	0%	33%	38%	9%	39%	60%	91%
Value-added tax (VAT)	92%	30%	68%	8%	57%	32%	0%	13%	0%
Transfer duty	28%	17%	10%	51%	43%	30%	21%	40%	60%
Customs and excise duty	8%	7%	0%	51%	28%	5%	41%	65%	95%
Security transfer tax	15%	13%	5%	44%	36%	9%	41%	51%	86%
Taxation of mines	15%	14%	0%	36%	48%	0%	49%	38%	100%
General administration (returns & objections)	79%	-	-	21%	-	-	0%	-	-

Source: Summary of the studies of Doman (2011) and Alberts (2012) and the results obtained from this study.

Table 29: Comparison of practical skills of newly qualified graduates as preferred by employers of small accounting firms and employers of large accounting firms and as viewed by educators

Types of practical skills	High level of practical skills			Average level of practical skills			Lower than average / No level of practical skills		
	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators
Ability to prepare tax computations by applying current tax legislation and case law (fact gathering for tax engagement and practical calculations)	67%	58%	59%	31%	40%	37%	2%	2%	4%
Ability to review tax computations by applying current tax legislation and case law	62%	58%	41%	36%	40%	46%	2%	2%	13%
Ability to apply SARS's regulations and court cases	31%	-	-	62%	-	-	7%	-	-
Ability to identify basic personal and business tax-planning opportunities (structuring of and advice on client's tax affairs)	54%	38%	18%	46%	60%	41%	0%	2%	41%
Ability to evaluate the impact of taxation on decision-making by individuals and businesses	51%	41%	23%	49%	54%	32%	0%	5%	45%
Ability to apply tax rules to different types of entities	67%	-	-	28%	-	-	5%	-	-

Types of practical skills	High level of practical skills			Average level of practical skills			Lower than average / No level of practical skills		
	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators
Ability to conduct tax research	36%	73%	9%	44%	24%	50%	20%	3%	41%
Ability to prepare and complete SARS forms and tax returns	87%	-	-	10%	-	-	3%	-	-
Ability to use a variety of software packages, e.g. Microsoft Word and Excel	72%	58%	55%	26%	38%	36%	2%	4%	9%
Ability to use computer applications, e.g. E-filing and Win Tax	72%	39%	50%	23%	43%	27%	5%	18%	23%
Ability to assist in general tax administration, e.g. returns, objections and registrations	74%	40%	46%	21%	49%	27%	5%	11%	27%
Ability to write tax opinions	39%	63%	5%	46%	33%	37%	15%	4%	58%
Ability to reason and solve problems with limited guidance	44%	57%	14%	46%	39%	50%	10%	4%	36%
Time management	54%	-	-	38%	-	-	8%	-	-
Ability to communicate and negotiate		52%	36%		41%	41%		7%	23%
- Oral communication	64%	-	-	28%	-	-	8%	-	-
- Written communication	67%	-	-	26%	-	-	7%	-	-

Source: Summary of the studies of Doman (2011) and Alberts (2012) and the results obtained from this study.

Table 30: Comparison of personal characteristics of newly qualified graduates as preferred by employers of small accounting firms and employers of large accounting firms and as viewed by educators

Types of personal characteristics	High level of personal characteristics			Average level of personal characteristics			Lower than average / No level of personal characteristics		
	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators
Ability to be imaginative/creative in the workplace	44%	57%	14%	54%	36%	73%	2%	7%	13%
Integrity in any given situation	87%	93%	87%	13%	7%	9%	0%	0%	4%
Ability to take the initiative in the workplace	69%	83%	41%	26%	14%	45%	5%	3%	14%
Emotional flexibility/ ability to adapt in work situations	72%	67%	60%	28%	31%	27%	0%	2%	13%
Positive attitudes towards:									
- new ideas	56%	85%	50%	44%	15%	36%	0%	0%	14%
- stakeholders	46%	79%	64%	49%	21%	27%	5%	0%	9%
- transformation	51%	73%	64%	44%	27%	27%	5%	0%	9%
Ability to work in a team	74%	86%	55%	23%	14%	41%	3%	0%	4%
Ability to maintain professional attitude towards all stakeholders (professionalism)	82%	81%	73%	18%	19%	23%	0%	0%	4%
Leadership qualifies	36%	45%	37%	64%	50%	50%	0%	5%	13%
Management qualities	36%	-	-	62%	-	-	2%	-	-
Analytical skills	59%	-	-	41%	-	-	0%	-	-
Showing interest in financial and commercial matters	64%	68%	37%	36%	32%	59%	0%	0%	4%

Types of personal characteristics	High level of personal characteristics			Average level of personal characteristics			Lower than average / No level of personal characteristics		
	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators	Small accounting firms	Large accounting firms	Educators
Interpersonal skills	64%	-	-	33%	-	-	3%	-	-
Ethical awareness/ people skills	67%	-	-	31%	-	-	2%	-	-
Critical thinking	54%	-	-	44%	-	-	2%	-	-
Punctuality	74%	-	-	23%	-	-	3%	-	-

Source: Summary of the studies of Doman (2011) and Alberts (2012) and the results obtained from this study.

APPENDIX I

- Informed consent form obtained from participants -

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences

Informed Consent for participation in academic research study

Department of Taxation

PERCEPTIONS OF SMALL ACCOUNTING FIRMS IN RURAL SOUTH AFRICA OF THE SKILLS OF TAX GRADUATES

Research conducted by:
Ms. S.E. Maritz (27014810)
Cell: 082 929 1585

Dear Respondent

You are invited to participate in an academic research study conducted by Sunelle Maritz, a master's degree student from the Department of Taxation at the University of Pretoria.

The purpose of the study is to investigate in your capacity as employer, your view and preferences on the level of theoretical knowledge, practical skills and personal characteristics desired when employing a newly qualified graduate.

Please note the following:

- This study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give. [Kindly note that consent cannot be withdrawn once the questionnaire is submitted as there is no way to trace the particular questionnaire that has been filled in.]
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 20 minutes of your time.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my study leader, Mr S.G. Nienaber, at 012 420 4098, or at Gerhard.Nienaber@up.ac.za, if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

_____ _____

Respondent's signature **Date**

If you elected not to have an interview, please e-mail the signed consent form and completed survey to sunelle.maritz@up.ac.za or alternatively please fax them to 086 234 2840.

APPENDIX J

- Cover letter and final questionnaire used to collect data for this study -

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA
FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

Questionnaire Cover Letter

Department of Taxation

PERCEPTIONS OF SMALL ACCOUNTING FIRMS IN RURAL SOUTH AFRICA OF THE SKILLS OF TAX GRADUATES

The purpose of this study is to obtain from you, in your capacity as an employer, your view and preferences on the level of theoretical knowledge, practical skills and personal characteristics desired when employing a newly qualified graduate.

Layout of the questionnaire:

In your capacity as employer, please provide your opinion on the following sections:

- Section 1 of the questionnaire deals with the background information of your practice.
- Section 2 of the questionnaire deals with the **expected and preferred level of theoretical knowledge** of newly qualified graduates.
- Section 3 of the questionnaire deals with the **expected and preferred level of practical skills** of newly qualified graduates.
- Section 4 of the questionnaire deals with the **expected and preferred level of personal characteristics** of newly qualified graduates.

Information regarding the completion of the survey:

- For the purposes of completing this questionnaire, it is important to take note that the questions refer to an "**employer**". An employer, in this context, is a tax practitioner, whether an individual natural person or a professional firm, that is hiring newly qualified graduates as employees.
- A "**tax practitioner**" for the purposes of this study and in a South African context, is defined as, but not limited to: any natural person who provides advice to other persons with respect to the application of any Act administered by the Commissioner or completes and assists with any documents to be submitted to the Commissioner and who is registered as a tax practitioner in terms of Section 67A(1) of the Income Tax Act, No 58 of 1962.
- Throughout the survey, reference is made to a "**newly qualified graduate**". For the purposes of this study, a newly qualified graduate is any student who has recently graduated from a tertiary institution and has completed tax modules as part of his/her degree, whether an undergraduate or postgraduate degree, without any work-related experience.
- This questionnaire deals with tax practitioners as a whole and is not limited to chartered accountants or members of a specific professional institution.

Questionnaire

In your capacity as employer, please provide your view and preferences on the following sections:

Section 1

1.1 Please indicate, with an X, with which **professional institution** you are registered as a member:

Institution:	
South African Revenue Service (SARS) as a Tax Practitioner	
South African Institute of Tax Practitioners (SAIT)	
South African Institute of Chartered Accountants (SAICA)	
South African Institute of Professional Accountants (SAIPA)	
Other (Please specify)	

1.2 What is the percentage of **tax work conducted** at your practice?

	0% - 100%
According to the time spent by employees	
According to the income received by the firm	

1.3 Please indicate the number of all **personnel** in your practice in the table provided below.

In total	
Partners	
Employees conducting mainly tax work	
Employees conducting tax as well as other work e.g. accounting, auditing and financial management	

1.4 Please indicate, with an X, the type of tax service **mainly** provided by your **practice**:

Tax services:	
Tax compliance	
Tax advice (including tax-planning)	
Tax risk management	
Other (Please specify)	

1.5 In respect of the composition of your practice, please indicate the following by referring to the **highest qualification** obtained by tax specialist employees with tax-related qualifications:

1.5.1 **Current composition** of your practice

1.5.2 **Preferred composition** of your practice

Please indicate the current (1.5.1) and preferred composition (1.5.2) by using the following indicators:

1: **Most** employees hold or are preferred to hold this qualification
2: **Some** employees hold or are preferred to hold this qualification
3: Only a **few** employees hold or are preferred to hold this qualification
4: **None** of the employees hold or are preferred to hold this qualification

	1.5.1 Current composition					1.5.2 Preferred composition			
	Most	**Some**	**Few**	**None**		**Most**	**Some**	**Few**	**None**
Bachelor of Commerce degree, specialising in Accounting Sciences (BCom Accounting)	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Other Bachelor of Commerce degree	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Bachelor of Commerce degree, specialising in Taxation	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Bachelor of Laws (LLB)	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Honours degree, specialising in Accounting Sciences	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Honours/Postgraduate diploma, specialising in Taxation	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Master of Commerce in Taxation/Master of Laws	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Qualified attorney	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Chartered accountant	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Other (Please specify)	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**

1.6 Would you prefer **newly qualified graduates** to have a qualification designed to equip them equally with (1) computational ability and (2) the ability to interpret legislation, if such a qualification was available?

Yes	**No**
1	**2**

Section 2

From your experience, if a **newly qualified graduate** had completed Taxation as one of the major subjects forming part of their degree, what **level of theoretical knowledge**, as indicated in the following table, would you, as the employer, normally:
2.1 **expect** them to have?
2.2 **prefer** them to have?

Indicate your expectation (2.1) and preference (2.2) by using the following ratings:
1: A **high** expectation or preference of this level of knowledge
2: An **average** expectation or preference of this level of knowledge
3: A **lower than average** expectation or preference of this level of knowledge
4: **No** expectation or preference of this level of knowledge

Theoretical knowledge	**2.1 Expected theoretical knowledge**					**2.2 Preferred theoretical knowledge**			
	High	**Average**	**Lower than average**	**None**		**High**	**Average**	**Lower than average**	**None**
Taxation environment in RSA	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Fiscal framework of RSA	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
History of taxation	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Individual tax (excluding capital gains tax)	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Secondary tax on companies (STC)/Dividend tax	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Company tax (excluding capital gains and corporate rules)	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Capital gains tax	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Employees' tax	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Taxation of expatriates	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Fringe benefits	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Provisional tax	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Donations tax	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Lump-sum benefits from pensions, provident and retirement annuity funds	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**

	2.1 Expected theoretical knowledge					2.2 Preferred theoretical knowledge			
	High	Average	Lower than average	None		High	Average	Lower than average	None
Estate duty	1	2	3	4		1	2	3	4
Taxation of trusts (excluding capital gains tax)	1	2	3	4		1	2	3	4
Taxation of small business corporations	1	2	3	4		1	2	3	4
Turnover tax	1	2	3	4		1	2	3	4
Taxation of partnerships	1	2	3	4		1	2	3	4
Taxation of employment companies (e.g. personal service provider, independent contractor and labour broker)	1	2	3	4		1	2	3	4
Taxation of non-resident branches	1	2	3	4		1	2	3	4
International tax	1	2	3	4		1	2	3	4
Transfer pricing	1	2	3	4		1	2	3	4
Taxation of public benefit organisations (excluding capital gains tax)	1	2	3	4		1	2	3	4
Taxation on farming activities	1	2	3	4		1	2	3	4
Corporate rules (unbundling, amalgamations, intra-group transactions, etc.)	1	2	3	4		1	2	3	4
Taxation of long-term insurers	1	2	3	4		1	2	3	4
Taxation of retirement funds	1	2	3	4		1	2	3	4
Value-added tax (VAT)	1	2	3	4		1	2	3	4
Transfer duty	1	2	3	4		1	2	3	4
Customs and excise duty	1	2	3	4		1	2	3	4
Security transfer tax	1	2	3	4		1	2	3	4
Taxation of mines	1	2	3	4		1	2	3	4
General administration (returns & objections)	1	2	3	4		1	2	3	4
Other (Please specify)									

Section 3

From your experience, if a **newly qualified graduate** had completed Taxation as one of the major subjects forming part of their degree, what level of **practical skills**, as indicated in the following table, would you, as the employer, normally:

3.1 **expect** them to have?
3.2 **prefer** them to have?

Indicate your expectations (3.1) and preferences (3.2) by using the following ratings:

1: A **high** expectation or preference for them to have this skill
2: An **average** expectation or preference for them to have this skill
3: A **lower than average** expectation or preference for them to have this skill
4: **No** expectation or preference for them to have this skill

Practical skills	3.1 Expected practical skills					3.2 Preferred practical skills			
	High	Average	Lower than average	None		High	Average	Lower than average	None
Ability to prepare tax computations by applying current tax legislation and case law (fact gathering for tax engagement and practical calculations)	1	2	3	4		1	2	3	4
Ability to review tax computations by applying current tax legislation and case law	1	2	3	4		1	2	3	4
Ability to apply SARS's regulations and court cases	1	2	3	4		1	2	3	4
Ability to identify basic personal and business tax-planning opportunities (structuring of and advice on a client's tax affairs)	1	2	3	4		1	2	3	4
Ability to evaluate the impact of taxation on decision-making by individuals and businesses	1	2	3	4		1	2	3	4
Ability to apply tax rules to different types of entities	1	2	3	4		1	2	3	4
Ability to conduct tax research	1	2	3	4		1	2	3	4

	3.1 Expected practical skills					3.2 Preferred practical skills			
	High	**Average**	**Lower than average**	**None**		**High**	**Average**	**Lower than average**	**None**
Ability to prepare and complete SARS forms and tax returns	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to use a variety of software packages, e.g. Microsoft Word and Excel	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to use computer applications, e.g. E-filing and Win Tax	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to assist in general tax administration, e.g. returns, objections and registrations	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to write tax opinions	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to reason and solve problems with limited guidance	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Time management	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to communicate and negotiate									
- Oral communication	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
- Written communication	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Other (Please specify)									

Section 4

From your experience, what personal characteristics, as indicated in the following table, would you, as the employer, normally:
4.1 **expect newly qualified graduates** to have?
4.2 **prefer newly qualified graduates** to have?

Indicate your expectations (4.1) and preferences (4.2) by using the following ratings:
1: A **high** expectation or preference for them to have this personal characteristic
2: An **average** expectation or preference for them to have this personal characteristic
3: A **lower than average** expectation or preference for them to have this personal characteristic
4: **No** expectation or preference for them to have this personal characteristic

Personal characteristics	**4.1 Expected personal characteristics**					**4.2 Preferred personal characteristics**			
	High	**Average**	**Lower than average**	**None**		**High**	**Average**	**Lower than average**	**None**
Ability to be imaginative/creative in the workplace	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Integrity in any given situation	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to take the initiative in the workplace	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Emotional flexibility/ability to adapt in work situations	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Positive attitudes towards:									
- new ideas	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
- stakeholders	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
- transformation	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to work in a team	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ability to maintain professional attitude towards all stakeholders (professionalism)	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Leadership qualities	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Management qualities	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Analytical skills	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**

	4.1 Expected personal characteristics					4.2 Preferred personal characteristics			
	High	**Average**	**Lower than average**	**None**		**High**	**Average**	**Lower than average**	**None**
Showing interest in financial and commercial matters	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Interpersonal skills	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Ethical awareness/people skills	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Critical thinking	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Punctuality	**1**	**2**	**3**	**4**		**1**	**2**	**3**	**4**
Other (Please specify)									

Thank you for completing this survey.
We appreciate your participation.

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