

**An Accounting Syllabus for Marketing students as
determined by SME needs and specifications**

By

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DECLARATION BY CANDIDATE

I, Nayeema Bray, hereby declare that the contents of this dissertation represent my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. The opinions expressed reflect my personal perspective and are not necessarily those of the Cape Peninsula University of Technology.

Signed:

Date:

ABSTRACT

In South Africa, SME development has been identified by government as a priority in creating jobs to solve high unemployment.

SMEs also often battle to survive in a tough and ever changing business world. There is a high failure rate among many SMEs. Some of the reasons for the high rate of failure are that the owner or manager is unfamiliar with established business practices, lack of managerial expertise in business management and lack of finance to fund the business.

It is essential that the individuals responsible for the management of the business have the necessary training and expertise to equip them for the successful running of the business.

It is therefore crucial that all employees in the SME sector irrespective of the department they work in obtain some degree of training and expertise. These employees also need some knowledge of the financial position of the business. This can only be made possible if all employees have a fair amount of financial knowledge so that decision-making is made easier.

The curriculum of the CPUT subject 'Accounting for Marketers' may not meet the requirements of SMEs. It is an advisable that SMEs requirements should be continually measured against the course offering to ensure that the course equips the students with the financial knowledge needed by SMEs. This can be done as CPUT has close ties with these SMEs through co-operative education and internships.

An attempt was made to identify the skills and techniques required by the marketing students pertaining to the subject 'Accounting for Marketers' in practice and to comparing the syllabi used in education. This comparison would hopefully lead to a clear understanding of the gaps between education and practice, if any, which will enable the researcher to make recommendations regarding the 'Accounting for Marketers' syllabi.

The main purpose of the study was to measure the gap, if any, between the subjects 'Accounting for Marketers' offered at CPUT and the requirements of the SMEs. If indeed a gap exists, the institution can broaden certain aspects of the syllabi, by incorporating case studies on legitimate companies, which will aid the students to stay informed about Accounting in their field of expertise. There will be better integration of theory and practice.

A descriptive research method was followed using a census survey research design to present a structured comprehensive questionnaire to the total population of SMEs affiliated with the Department of Cooperative Education and that have participated in the experiential training program.

The number of SMEs who completed and returned the questionnaires was 15. This resulted in a response rate of 50 percent which was a fair representation of the entire census.

In support of the findings recommendations were made regarding each component that formed part of an accounting syllabus. The results indicated that certain components in the accounting syllabus were rated as very important and others not. Components that were referred to as important but which were not a part of the syllabus will be under scrutiny by the researcher to come to a resolution, where these components will be accommodated in the accounting syllabus for marketing students for 2008.

**A SPECIAL THANK YOU
TO
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In life we meet many people who are sent to play a special role in our lives. They touch our lives in many ways.

I met someone special, kind, selfless and gentle who helped me start this journey and without whom I would never have reached my dream. Every step was a new experience and lesson. I came to the realization that nothing in life is too difficult to confront and difficulties can be overcome with willpower and faith. Thank you from the bottom of my heart for all the guidance, patience and tolerance that you showed throughout this journey.

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DEDICATION

This dissertation is dedicated to my husband, Mohammed Naeem Bray, for giving me the strength, encouragement and support through all the hard times. Through his determination and commitment I could actualize my goals.

ABBREVIATIONS AND ACRONYMS

Acronyms

AECC	Accounting Education Change Commission
AICPA	American Institute of Certified Public Accountants
B2B	Business to Business
CIMA	Chartered Institute of Management Accountants
CPUT	Cape Peninsula University of Technology
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
ICT	Information Communication Technology
IFA	International Federation of Accountants
NTSIKA	National Small Business Support Network
SAICA	South African Institute of Management Accountants
SARS	South African Revenue Services
SMA	Strategic Management Accounting
SMEs	Small and Medium Enterprises
SMMEs	Small, Micro and Medium Enterprises
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax

CHAPTER 1

1.1 Introduction

The development of small and medium enterprises (SMEs) contributes significantly to job creation, social stability and economic welfare across the globe (Ladzani & Van Vuuren, 2002:2). In South Africa SME development was identified by government as a priority in creating jobs to solve high unemployment.

SMEs also often battle to survive and sustain in a tough and ever changing business world. There is a high failure rate among many SMEs. Some of the reasons for the high rate of failure include unfamiliarity with established business practices, lack of managerial expertise in business management and lack of finance to fund the business.

It is essential that the individuals responsible for the management of the business have the necessary training and expertise to equip them for the successful running of the business.

It is therefore crucial that all employees in the SME sector irrespective of the department they work in, obtain some degree of training and expertise. Employees also need some knowledge of the financial position of the business. This can only be made possible if these employees have a fair amount of financial knowledge so that decision-making is made easier.

Lack of education and training of the owner or manager is one of the problems that lead to low entrepreneurial activity in South Africa. According to Orford *et al* (2003:15) experts in South Africa identify education and training as South Africa's main weakness with regard to an enabling environment for entrepreneurship. Furthermore, problems in the education system are more likely to impact on the entrepreneurial behaviour of younger people, which is precisely where South Africa appears to lag behind other developing countries (Orford *et al*. 2003:17).

1.2 Background

The curriculum of the CPUT course 'Accounting for Marketers' may not meet the requirements of SMEs. It is a reality that SMEs' requirements should be continually measured against the course offering to ensure that the course equips the students with the knowledge needed by the SMEs. This can be done as CPUT has close ties with these SMEs.

From a financial point of view it is important that students are well acquainted with systems used by SMEs, as this will enable students to use the financial statements of the business to make some decisions as a specialist, namely, marketers, rather than from a purely financial point of view.

Currently students gain a general background of different aspects in the accounting system. No aspect is dealt with in depth. Most important in any business is the use of financial statements and students are introduced to the formats of these documents by means of hypothetical examples.

In today's businesses including SMEs more modern methods and technology are used to interpret financial statements. It is therefore important to investigate whether the course offered at CPUT meets the requirements of SMEs.

1.3 Statement of the research problem

It has become debatable whether Accounting for Marketers offered in the National Diploma in Marketing at CPUT meets the requirements of SMEs. A comparison will be drawn between what is required by SMEs from a financial perspective to the content and coursework of the subject Accounting for Marketers.

1.4 Clarification of terms and concepts

- **Small enterprises** constitute the bulk of the established businesses with employment figures ranging between five and about fifty personnel. The enterprises will usually be owner managed and directly controlled by the owner. These enterprises also meet formal registration requirements.
- **Medium enterprises** constitute a category difficult to demarcate vis-à-vis the "small" and "big" business categories. They are still viewed as basically owner manager-controlled, though the shareholding or community control base could be more complex. The employment of 200 staff and capital assets of about R5 million are often seen as the upper limit.
- CPUT (Cape Peninsula University of Technology) is a tertiary institution providing higher education of a vocational nature.
- Accounting for Marketers is a subject offered in the National Diploma in Marketing course at CPUT.
- Accounting syllabus are all essential components that make up the content of the subject.

1.5 Research questions

- 1.5.1 What are the requirements of SMEs when employing CPUT students?
- 1.5.2 Are the topics covered in these course syllabi sufficient to meet the basic requirements of the SMEs?
- 1.5.3 What can be done to ensure that SMEs' needs are constantly being met?
- 1.5.4 Are CPUT students sufficiently knowledgeable to suit the needs of these SMEs?
- 1.5.5 Are the students acquainted with the different computer packages used by these SMEs?

1.6 Research objectives

- 1.6.1 To establish the requirements of SMEs when employing CPUT students.
- 1.6.2 To determine whether the topics covered in the course syllabus meet the basic requirements of the SMEs.
- 1.6.3 To align the course with what is required by the SMEs and other business entities.
- 1.6.4 To determine whether marketing students are sufficiently knowledgeable in respect of accounting or generally to suit the needs of SMEs.
- 1.6.5 To determine the need for the student to have knowledge of accounting computer packages used by SMEs.

1.7 Research Design and Methodology

The aim of the research was developmental, with the underpinning concept being syllabus content, to determine which components of the syllabus needed more focus.

The research design was quantitative and qualitative, with the methodology being descriptive in the form of a survey. The survey technique was a structured questionnaire which was aimed at a census of SMEs affiliated with the Department of Co-operative Education at CPUT. The data were captured in tabular form and were largely presented in chart and graph form.

For the purpose of this research it was decided that since the focus was on SMEs a sample would not be accurate and therefore a census was used.

The census ensured that all the SMEs affiliated with CPUT were represented. The census consisted of 30 SMEs which all participated in the experiential training programme for 2006 which are still currently part of the programme.

For this study, the primary data was quantitative research and the secondary data served as qualitative research. According to Gardner (2004:569), the difference between quantitative and qualitative research lies in the quest for understanding and the depth of the investigation.

Primary data were collected using quantitative structured research questions in the questionnaire and secondary data were collected using open-ended questions in the same questionnaire. The researcher, by means of consultations personally distributed these questionnaires to the participants who represented the SMEs affiliated with CPUT.

The use of the questionnaire as a research instrument assisted in providing the data required to analyse data to discover the findings of the study. The survey methodology was used as it was considered the most appropriate type of research; it entailed asking a set of pre-formulated questions in a predetermined sequence in a structured questionnaire from a sample of individuals so as to be representative of a defined population (Trochim, 2002).

Please see (Annexure C for the questionnaire.)

1.8 Delineation

The intended focus of this study was on 30 Small and Medium Enterprises that are currently linked to the Faculty of Business at the CPUT via the Department of Co-operative Education.

1.9 Significance of the study

An attempt was made to identify the skills and techniques required by the marketing students pertaining to the subject 'Accounting for Marketers' in practice and to comparing the syllabi used in education. This comparison would hopefully lead to a clear understanding of the gaps between education and practice, if any, which will enable the researcher to make recommendations regarding the 'Accounting for Marketers' syllabi.

The main purpose of the study was to measure the gap, if any, between the subject 'Accounting for Marketers' offered at CPUT and the requirements of the SMEs. If indeed a gap exists, the institution can broaden certain aspects of the syllabi which will aid the students to stay informed about Accounting in their field of expertise. There will be better integration of theory and practice.

1.10 Expected Outcomes, Results and Contribution of study

It is expected that a study of this nature will contribute to identifying the needs of the SMEs working with the CPUT in terms of requirements of marketing students from a financial perspective.

Educators might obtain a better understanding of the work performed and how decisions are made in the modern business world. This can be done by introducing more practical case studies relevant to the course of study.

The information might hopefully convince educators to partner with information technology experts on the one hand, and strategic thinkers on the other hand, to better understand how to teach students the wider and more strategic dimension of the subject.

In addition, more time allocated to this course might allow students to do case studies in groups where interaction will take place. These case studies and related assessment methods, will improve communication skills, presentation and writing skills, teamwork and the ability to understand how a business functions.

Lastly it is important that the CPUT can meet the requirement of the SMEs offering internships so that the Faculty of Business can ensure that the requirements, with regards to skills and competencies are met.

1.11 Development of the study

Chapter 2 comprises an extensive literature review related to accounting in a broader sense and how financial information influences decision-making in SMEs.

Chapter 3 explains the research design and methodology that was used to investigate the research problem. An indication is given of what method was used to collect the necessary primary and secondary data.

Chapter 4 documents the analysis and findings of the data collected in terms of the research problem and how this relates to the literature review.

Chapter 5 concludes the research with recommendations of how to address the research problem and areas requiring further research in respect of SME requirements.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The previous chapter indicated that there should be an investigation to measure gaps between education and industry, specifically with regards to accounting offered to marketing students at CPUT. The study is focused on one of the subjects offered within the course namely Accounting for Marketers. It is important that learners are aware of the financial aspects of any business as this awareness will determine the profitability of the business. Over years, students at CPUT have been placed in companies for Cooperative Education (experiential learning) as a requirement of the course. Students are placed with companies that are affiliated with the institutions. They are normally employed for a three-month period. It is expected that the student becomes familiar with industry and the requirements of the specific industry. Students not only gain experience, but are exposed to different systems and procedures in these companies.

CPUT is currently affiliated with 30 companies. These companies are classified as small, medium and micro enterprises (SMMEs). Owing to the size of the companies, students can be exposed to various departments and should have a clear understanding of how these companies operate. CPUT should keep in mind that these SMMEs also have specifications and needs. These specifications led to the essence of the research problem, culminating in the research questions and the stated aims and objectives of this research.

This chapter will review the literature, clarifying gaps in education and highlighting that there is a need for certain skills to meet industry requirements.

2.2 Small, Medium and Micro Enterprises (SMMEs)

SMMEs are an important and crucial segment of the South African economy. They not only contribute to the economy as a whole but encourage entrepreneurship and most importantly aid in alleviating unemployment.

According to Alistair Darling (2007:1), USA Secretary of State for Trade and Industry, countries that will thrive in the future will be those that can compete in converting innovation into goods and services. He also recommends that young entrepreneurs must be

encouraged to delve into business opportunities. Darling also points out that the UK is a dynamic place to start up a new business. Records show that there are 4.3 million businesses in the UK (Global Entrepreneurship Monitor (Gem) Forum 2007). Darling notes that small businesses now account for more than half of private sector turnover and net capital expenditure. In fact, there are 600 000 more businesses (and consequently employment) in small and medium size enterprises, which have risen by over a million since 1997. This sectors special contribution is driving change throughout the economy with new processes (Global Entrepreneurship Monitor (Gem) Forum 2007).

Furthermore Darling indicates that skills, as well as a good education at every level are essential. He continues by stating that entrepreneurs, particularly with scientific and technical knowledge skills need to develop their ideas within the commercial world in order to accelerate economic growth.

The development of SMMEs contributes significantly to job creation, social stability and economic welfare across the globe (Ladzani & Van Vuuren, 2002:2) In South Africa, the development of SMMEs was identified by government as a priority in creating jobs to solve the high rate of unemployment. There is evidence that national unemployment is currently estimated at 28.4 percent (Statistics South Africa 2004:1), and is increasing at an alarming rate. Ntsika is a promotion agency that provides support for SMMEs: technical assistance, capacity building and financial support (National Small Business Support Network 2007). According to the Ntsika annual review (2001:111), SMMEs constitute 97.5 percent of all businesses in South Africa. This sector generates 34.8 percent of the gross domestic product (GDP), contributes 42.7 percent of the total value of salaries and wages paid in South Africa, and employs 54.5 percent of all formal private sector employees (Diederichs, 2001:64). The gap between high and low income groups is increasing over time. Small businesses and entrepreneurship development therefore serve as a facilitator in filling these economic gaps (Bulletononline 2007).

According to the **National Small Business Act 102 of 1996 (South Africa, 1996)** SMMEs are defined as separate and distinct business entities in any sector of the economy managed by one owner or more. These include cooperative enterprises and nongovernmental organisations, as well as branches or subsidiaries if any (Rwigema & Venter, 2004:314). The South African government has defined the SME sector according to various factors, ownership, employment size and formality (*Government Gazette South Africa, 1995:8*) resulting in a classification of businesses.

It is of utmost importance that we distinguish between the different classifications of businesses according to their size as this will indicate who is running the business and also indicate the duties and responsibilities of the employees in the different departments, if there are any separate departments.

Micro-enterprises are very small businesses, often involving the owner, some family member/s and at the most one or two paid employees. They usually lack formality in terms of business licences, value added tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and their operators have only rudimentary technical or business skills. However, many micro-enterprises advance into viable small businesses (Mutezo, 2005:13).

Small enterprises constitute the bulk of the established businesses with employees ranging between five and approximately 50. The enterprise will usually be owner-managed and directly controlled by the owner-community. They also meet formal registration requirements (Mutezo, 2005:14).

Medium enterprises constitute a category difficult to demarcate vis-à-vis the "small" and "big" business categories. They are still viewed as basically owner-managed and directly controlled, although the shareholding or community control base could be more complex. The employment of 200 workers and capital assets of about R5 million are often seen as the upper limit (Mutezo, 2005:14).

2.2.1 Entrepreneurship versus small business management

A small business is any business that is independently owned and operated, but is not dominant in its field and does not engage in any new marketing or innovative practices (Carland, 1984 in Nieman, 2004:10)

2.2.2 Special contributions of small businesses

Small, medium, and micro-enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in South Africa.

2.2.3 Contributions

They provide job opportunities, introduce innovative products, stimulate economic competition, aid big business, and produce goods and services. Storey (1994) in Kirby and Watson (2003:1) has concluded that small businesses do create jobs at a faster rate than large businesses and that they are more consistent, since they are less influenced by changes in the macro economy.

Thuli Johnson, Barclays Bank Managing Director contends that the main reason SMMEs fail is because of lack of money, in particular not enough start-up capital (Kubuitsile, 2006:32-37). It becomes clear that some of the reasons for the high rate of failure include unfamiliarity with established business practices, lack of managerial expertise in business management and lack of finance to fund the business. Lack of education and training is one of the problems that lead to low entrepreneurial activity in South Africa. According to Orford *et al* (2003:15), experts in South Africa (Mutezo, 2005:28) consider education and training as South Africa's main weakness with regard to an enabling environment for entrepreneurship. Furthermore problems in the education system are more likely to impact on the entrepreneurial behaviour of younger people, which is precisely where South Africa appears to lag behind other developing countries (Orford *et al.*, 2003:17).

Johnson, Barclays Bank Managing Director, in Botswana, and a guest speaker at the annual Mahalapye Boccim business council dinner claims that once the SMMEs are up and running, many encounter problems because of lack of cash flow. This is caused by most entrepreneurs having to make a living from their business, but since the business is cash starved from the beginning, it needs to keep all the cash it raises. This leads to a situation where the business cannot meet its financial obligations and collapses.

2.2.4 Training for SMME sector

The majority of SMME operations are not complex it should be noted that a basic level of education is a prerequisite for the successful management of the small business unit (Antonites & Van Vuuren 2004:4). A basic educational level is not usually the norm among micro and medium entrepreneurs, a factor found militating against them. On the part of the entrepreneur or small business person, there seems to be insufficient practical or vocational training readily available for skills training and enhancement (Mutezo, 2005:37-38).

2.2.5 SMME support

Mutezo, points out that owing to limited managerial resources, small business owners play the roles of financial controller, marketing manager, operations manager and purchasing manager. They also deal with staff members as well as executing strategic decisions similar to those of the chief executive officer in a macro enterprise. This places intolerable pressure on the SMME owner, making time the main constraint to the growth of the business (Naude & Havenga, 2004:110). However in research by Netswera (2001:67), it emerges that entrepreneurs concede that training for skills development and improvement is the most accessible support system. Hands-on, managerial and staff development training is indicated to be the most available form of training for small businesses.

It is self-evident that proper training is of utmost importance in any business. There are numerous opportunities for SMMEs in South Africa. What is lacking is the expertise that can only be gained if individuals are trained while they are pursuing their careers at tertiary institutions. All individuals employed by these SMEs need considerable financial acumen, irrespective of the department they work in. Joint decisions with management can only be made if the financial position of the business is understood. Students at CPUT are provided with an extensive amount of knowledge, including financial expertise, which will prepare them for employment in these SMMEs. It is noted that SMMEs have skills shortages and CPUT is helping these companies to fill the existing gaps.

It is recommended that the management of SMMEs should do a feasibility study before business venture is started. They should prepare a business plan on a continual basis to ensure that a well-structured and appropriate accounting system is instituted in their business. This will provide them with up-to-date information for decision-making. It is also important to prepare a presentation before eliciting financial assistance from a qualified accountant or professional to assist in preparing an application for financial assistance. It is also imperative that management improve their managerial skills, financial acumen, financial information preparation, and calculation of capital requirements.

2.2.6 Challenge

Thus the challenge for SMMEs in South Africa is tremendous. Within the global village it is clear where the mainstream of business is and where it is heading. As such it calls for an incremental mind shift on the part of the South African SMME environment (bulletonline, 2007).

2.3 The Finance Function in SMMEs

In the subject, Accounting for Marketers students are exposed to various financial aspects of businesses. The areas covered in this course provide students with an extensive knowledge of accounting principles and practices. The purpose of the information is to ensure that these individuals, when employed, are able to make valuable contributions to the decision-making process in a business. On completion of the course students are able to interpret and analyse basic financial statements. Profit and loss accounts are compiled to indicate the effect expenses have on any business. The relevance of the financial information will be dealt with in the literature that follows.

The objective of financial statements is to provide information about the financial position, performance and changes in the financial position of an enterprise, that is useful to users of such information in making economic decisions. Financial statements show the results of management's stewardship of and accountability for the resources entrusted to it. (UNCTAD, 2003:1-9)

It is noted that qualitative characteristics are the attributes that make the information provided in the financial statements useful to the user. These four principal characteristics are:

Comprehension: it is essential that information that is provided in financial statements is readily understood by users.

Relevance: Information must be relevant to the decision-making needs of users. Thus the relevance of information is affected by its nature and materiality.

Reliability: information is reliable when it is free from material error and bias and can be depended on by users or represents faithfully that which is said to represent. In assessing reliability, substance over form, prudence, neutrality and completeness are also considered.

Comparability: users must be able to compare the financial statements of an entity over time in order to identify trends in the entity's financial position and performance (UNCTAD, 2003:1-9).

The above-mentioned characteristics are crucial as they focus on the importance of accounting knowledge and its application. There should be a clear distinction between financial

information provided and information needed. This will ensure that managers prioritise time accordingly, thus promoting efficiency throughout the business.

Collis & Jarvis (2002:100-110) undertook a survey of 385 private limited companies in the UK that fall within the 1999 EU size thresholds for a small company. The research examines the use of financial information in small companies, as financial management is critical in their success and survival.

The survey methodology used a sample of systematically selected private limited companies. The main sources of financial information and the relative utility of information used in the management of small companies were questioned. The factors that affect the utility of periodic management accounts in small companies indicated concerns.

The results in the survey revealed that 82 percent of the companies use what were described as monthly or quarterly management accounts, which would normally require accounting knowledge to prepare and interpret. To explore the type of management accounting information used, the respondents were asked to indicate the specific type of management accounting information used from a list of potential sources.

The main finding indicated that 87 percent of small companies prepare profit and loss accounts and 78 percent prepare balance sheets. These key financial statements allow management to monitor the profitability of the business as well as its net assets. However other comparative performance measures prescribed in the literature, such as ratio analyses, industry trends and inter firm comparisons are not widely used. They may indicate that small companies experience problems in gaining access to appropriate benchmarks, but could also be the result of competitors filing abbreviated accounts, which reduces the amount of information available for calculating ratios and making comparisons. Not only is management aware of the importance of cash to the survival of the company, but they are also anxious to monitor profitability and 67 percent of the companies use monthly and quarterly profit and loss accounts. Tools for financial planning and control are dependent upon the availability of professional financial expertise in the company (Collis & Jarvis, 2002:100-110)

The availability of professional financial expertise in the company is required for the financial success of any company. Although it is mentioned that SMEs employ professional accountants, it should be noted that selected employees in various positions in the company also need a strong financial background to aid in the decision-making process.

From the management viewpoint, the contingency approach to organisation theory suggests that the larger the business, the more likely it is that the management will want formal rather than informal information systems to help plan, monitor and control the activities of the company (Perren *et al.*, 1999). This concurs with the finding that the utility of periodic management accounts is positively correlated with turnover, which can be considered to be a proxy for the complexity of the business.

Collis & Jarvis (2002:100-110) indicated that the educational qualifications and training of the respondent called Finsoph, which was used as a proxy for the sophistication of management's financial skills, were not found to be a significant factor in the analysis that measured skills development. They argue that this may be due in part to the inadequacy of construct, which excluded any measure of skill developed from tacit knowledge. However, in support of the finding, neither the presence of a qualified accountant in the company nor the use of a computerised accounting system was found to be key factors in predicting the utility of the periodic management accounts.

An important conclusion from his study is that from a financial management perspective, the behaviour of the owner managers of the small companies studied does not match the large company template. This is highlighted in several ways in the sources of information and the utilisation of the information. It was found that small companies invariably rely on two external sources of information, namely the bank and the external accountant. In contrast large businesses usually generate their own financial management information. In terms of utilisation of this information, it was found that the owners place a considerable emphasis on cash management and the management of their relationship with the bank (Collis & Jarvis, 2002:100-110).

From the above literature it can be noted that emphasis is placed on cash management in the light of this requirement it must be noted that students at CPUT are able to compile and analyse budgets that support the need for knowledge in cash management. It is of utmost importance that the student understands the importance of cash management in a business and the detrimental effects of incorrect cash management. As described by McMahon (1995) the intention in the research paper *Putting SMEs Financial Reporting into Theoretical and Practical Perspective* was to summarise, synthesise and extend elements of two theoretical perspectives on financial reporting by small and medium-sized enterprises (SMEs) drawn mainly from the literature of economics and finance that supplied by neoclassical Micro Economics as reflected in modern finance theory, and that provided by so-called Austrian economics. The aim was to sketch as succinctly as possible the likely financial reporting scenario for SMEs in a less than perfect world, with a particular concern for internal use of

general purpose financial reports by owner-managers. The resulting portrayal established a conceptually sound but realistic backdrop against which to view SME financial reporting practices. Most importantly, it reinforced the point that owner-manager decisions regarding financial reporting are multifaceted, and not simply a dichotomous choice between two extreme positions.

2.3.1 Theoretical perspectives on SMME financial reporting

The Austrian perspective emphasises the role of the entrepreneur in economic activity and holds that actions undertaken by entrepreneurs are mainly the outcome of alertness to opportunities found by scanning the business environment. Cheam (1990:343) described this as “profitable discrepancies, gaps, and mismatches in knowledge and information that others have not yet exploited”. In this scenario, the financial information provided by a conventional accounting system is likely to have less importance to decision-making by owner-managers of SMMEs.

Thus, the principal role of financial reporting is essentially retrospective and confirmatory. In other words, financial information is useful mainly in evaluating the success of past decisions and in determining present position. In this context, the financial reporting requirements of taxation legislation and/or corporation’s regulation legislation are more than likely to be sufficient to satisfy the information needs of SMME owner-managers.

According to McMahon (1995) it cannot be generally accepted that regulation and legislation will satisfy the information need of SMME owner-managers. These regulations and legislations are not the key factors in the success and profitability of the business. A good accounting foundation will ensure that the owner manager utilises financial information in the best possible way. This will hopefully yield success.

Overall, the results from McMahan’s studies support the alternative view of accounting information use in small firms: accounting information is not used because it has no implicit utility in making decisions. This view is strongly supported in respect of planning decisions. In making control decisions, however, accounting data (but not accounting information) may have some utility although the quality and source of data used does appear to vary extensively.

McMahon (1995) further indicate that much of the disclosures and information required by full financial statements are seen as not relevant to smaller businesses. There is general agreement that the users and user needs of SMME financial reports are not the same as for

larger entities and the purpose for which financial reports are produced is related to the size and complexity of the entity. Collis (2001) suggests that larger companies use their financial statements for a wider range of decisions and that they undertake more complex transactions than smaller enterprises, providing aggregated information that requires more sophisticated analysis.

However, it is not only the benefits that must be considered, but also the cost of compliance. Financial reporting requirements can impose a significant burden upon smaller enterprises and in particular costs associated with compliance (page,1984; Keasey & Short, 1990; Barker & Noonan, 1995; Collis, 2001; Aicpa, 2005; Kormaier, 2005).

Generally small businesses have limited capital and need to spend their money wisely. It can become a favourable cost-saving factor if individuals within the business possess the financial expertise needed.

2.3.2 Preparers

The International Federation of Accountants (2006:1-13) indicates that for the smallest entities, financial information tends to be prepared either internally by owner managers themselves or bookkeepers (using a computerised package) or externally by a hired accountant. While most small entities do maintain accounting records of some description, either manually or on a computer, there is some evidence supporting the claim that owners have limited financial expertise and some reliance is therefore placed upon external accountants to assist the preparation of financial statements and offer advice.

The author has highlighted that owners have limited financial expertise and therefore rely on outsiders to prepare necessary financial documents. Students gain a fair amount of financial information in accounting and therefore, when employed, can become excellent support systems to owner- managers in these SMMEs. Knowledge gained in the subject will aid in the decision-making process, which will make their contribution valuable to the business.

2.3.3 Users and user needs:

McMahon (1995) identifies the main users of the financial statements of small entities as banks, directors (or owner-managers and non-manager-owners) and tax authorities. Financial reports are utilised by owners for a variety of functions including, to ascertain remuneration awards and dividend payouts, to monitor performance, capital expenditure,

budgeting, planning, for loans and financing, as a confirmatory tool and in some countries as a means of minimising tax liabilities.

2.3.4 Usefulness of financial information for SMEs

The International Federation of Accountants (IFA) highlighted some of the GAAP based statements that provide reasons to support the regulations for SMMEs

- They may be used as a decision tool
- They provide useful information
- They utilise a standardised language
- They allow for comparability between reporting periods and with other companies

It is noted that many of the smallest SMMEs do not actually keep proper financial records or accounts. It could be that they are not convinced of their usefulness for decision-making and control or they lack the business knowledge, skilled accounting personnel or infrastructure required to implement existing accounting regulations. One issue here may be the price of professional accountancy services (UNCTAD, 2002).

Ultimately SMMEs need professionals within the business that possesses a fair amount of financial expertise. If individuals have the necessary accounting knowledge necessary decision-making will be easier and timely. This will benefit the business as a whole.

2.4. Gaps within Accounting Change

All organisations, big or small, have distinctive organisational structures that differentiate the different departments from one another. Employees within each department have certain tasks allocated to them and are expected to fulfil these tasks to the best of their ability. Each employee has a unique job description but eventually forms part of the same organisation. All employees must strive for the success of the organisation. This can only be achieved with a certain level of integration between departments. All departments provide a certain amount of support to each other in one way or another. Decisions taken by management also affect all the departments and therefore employees at all levels should have a foundational financial background to understand the financial position of the organisation. They can then successfully work together to achieve the common goal of the organisation. In reality, there are many barriers that hinder change. These will be discussed further in the literature that follows.

According to Kasurinen (2002:323-329), changing priorities, accounting staff and staff attitudes to change were indicated as examples of barriers. In this study, motivators, catalysts, facilitators, leaders and momentum are collectively defined as advancing forces of change.

The author indicates that difficulties implementing change have also been related to structural barriers, which can be defined as organisational structures that once (may) have served as an efficient way of managing a company. He also cautions that if the goal and technology (i.e., connections between actions and consequences) do not correspond to those widely held in the organisation, the probability of resistance increases.

Scapens and Roberts (1993) claim that the resistance to accounting change is due to the failure to secure the legitimacy of a new system, and an inability to find a workable relationship between the languages of production and accounting. The authors also note, importantly, that the encountered resistance was not irrational but that there were some very legitimate concerns and fears behind it. For example the new system was a potential threat to the autonomy of the business unit, and attempted to make the unit managers more visible to the divisional management. Furthermore, there were fears that the "divisionally designed" system would not meet the local needs of the unit companies. This system also posed a worry about job security, particularly among the employees who were asked to cooperate with the project team.

Kasurinen (2002:323-329) further points out that for top level managers change is often an opportunity, whereas for many employees and middle managers change is neither sought nor welcomed. He therefore suggests that managers at all levels must understand what change is from the employees' perspective, and examine the terms of "personal compacts".

After examining the barriers, it became clear to the researcher that a wide variety of potential problems related to change implementation in practice existed. The increasing interdependency and cross-functionality of activities in organisations seem to increase these problems in the future (Roberts & Silvester, 1996).

Kasurinen (2002:323-329) emphasises that similar accounting change models could be used for the analysis of a new product costing system, which aims at fundamentally changing organisational processes by forcing sales personnel to evaluate the profitability of incoming orders, and for the analysis of a strategic balanced scorecard, which requires that employees at all levels of the organisation combine their daily working expertise with the understanding of the organisation's strategic goals.

From the above literature it becomes clear that integration of all departments of an organisation will ensure all employees understand strategic goals set by the organisation which will ultimately yield profitability.

2.5. Researching gaps in accounting

All departments in a business play a vital role in the success of the business. It is also important that all departments are aware of the company's financial position so that they all work towards a common goal.

Both the accountant and marketing staff play important roles in a business. The accountant is the bearer of all financial information that concerns the business. It is the responsibility of the accountant to share financial information with other departments to ensure a common goal is achieved. It is important that relevant information is communicated to the various departments, about the company's financial situation, so that the decision-making process can be quick and accurate. Integration in all departments of a business is essential so that all departments are clear about the way forward. The general manager and other department managers need a fair amount of financial knowledge, as all decisions are taken by management. It is not necessary that all employees are burdened with information that does not concern them, but they need to be informed by management what results their actions could yield. They must be aware of the company's financial situation. The success of any business depends on the efficient functioning of all departments within the business. This can only be achieved when financial information is shared among departments and employees depending on their area of expertise. These issues are further discussed below.

According to Roslender & Hart (2003:255-279), Strategic Management Accounting (SMA) is best understood as a generic approach to accounting for strategic positioning. It is further defined by an attempt to integrate insights from management accounting and marketing management within the strategic management framework. The outcome of an exploratory field study of practices at the interface between management accounting and marketing management affirmed SMA limit impact on practice in the UK.

2.5.1. Refining the strategic management accounting concept

Strategic management accounting requires that the accountants embrace new skills extending beyond their usual areas and cooperate much more with general management,

corporate strategist, marketing and product development staff, who may not have a good image of accountants. (Bromwich & Bhimani, 1994:130)

Further evidence that SMA is intimately associated with both management accounting and marketing management can be gleaned from Simmond's seminal thesis (1982:206-214) that management accountants were better placed than their colleagues in marketing (and business policy) to develop such an approach.

Therefore Roslender (1995) identified SMA as a generic approach to accounting for strategic positioning, characterised by the attempt to integrate insights from the marketing literature into management accounting.

For Kaplan & Norton (1996, 2001), SMA amounts to integrating elements of strategy theory into management accounting, while for Roslender and Hart, (2003), being externally focused on the marketplace, SMA seeks to integrate insights from management accounting and marketing management within a strategic management framework.

The author further provides evidence that marketing managers are increasingly dissatisfied with the nature of the pricing information made available to them by their management accounting colleagues.

2.5.2 Enhancing the marketing content of strategic management accounting

In common with management accounting, in the early 1980s, marketing faced growing questioning about its relevance as a vital management function.

From the management accounting perspective this entails the pursuit of the controller function, with the installation of the most rudimentary forms of financial management within the business by means of some form of budgetary control system. For their part, marketing managers are receptive to the necessity of embracing such controls on their activities in the best interest of the business, and in turn to engage in a measure of responsibility accounting. Such relationships can be considered as being largely one-dimensional since they involve only limited management accounting content (Roslender & Hart, 2003:255-279).

Individuals are not always susceptible to change. People tend to stick to what they know rather than exploring new techniques or methods. This could become a problem as it hinders development and innovation and employees are not able to share ideas. Management accounting is not only crucial to the finance department but to all the departments in the

company. Integration among departments ensures that all employees in the company strive toward a common goal.

Sulaiman & Mitchell (2005) point out that accounting has traditionally been viewed as a bastion of conservatism. They also mention that from this perspective, change is likely to be slow and constrained rather than frequent and extreme. Otley, (1985) and Choudhury, (1986) support the view that there is indeed a gap between theory in education and practice within companies, while Dunk (1989) and Sapens (1994) adds evidence that indicates a lag in the practical adoption of new techniques.

Sulaiman & Mitchell (2005) emphasise that there is no substantial literature which provides evidence that change has become a prominent feature of contemporary management accounting practice.

Recent research has provided further substantiation for the existence and nature of management accounting change. New technique adoption has been a focus of many surveys which reveal that practice has changed in a substantial number of firms worldwide (Bright *et al.*, 1992; Green & Amenkhienan, 1992, Drury *et al* 1993; Armitage & Nicholson, 1993; Drury & Tayles, 1994; Innes & Mitchell, 1995; Shields, 1995; Bhimani, 1996; Luka & Granlund, 1996; Bjornenak, 1997; MCGowan & Kalmmer, 1997; Foster & Swenson, 1997; Chenhall & Langfield-Smith, 1998; Malmi, 1999; Innes *et al.*, 2000). It also becomes evident from the research that, even for specific new techniques, the nature, importance and success of management accounting can vary considerably.

According to Sulaiman & Mitchell (2005) studies support the growing evidence from the research literature that contemporary management accounting is not static in nature. The author also indicates that in the large majority of the companies studied, change has been a reasonably common feature of management accounting both over time and throughout many of their sub- systems. The author point out that this incidence of management accounting change confirms its potential importance as a continuing focus for management accounting research.

The authors highlight that different types of change may be distinguishable in respect of the factors, which drive them: for example, change involving the addition of new techniques may be more likely to reflect a "fad or fashion "motive and, being relatively more radical in nature, this type of change may also be more susceptible to both loose coupling and resistance. These factors may therefore contribute to its relatively low success ratings (Sulaiman & Mitchell, 2005:422-437).

The aim of the research conducted by Simmons (1987; 1992) was to test the relationship between accounting control systems and business strategy. He questions the role accounting plays in stimulating emergent strategies, and suggests that accounting is evident in the interactive control systems where data is collected about strategic uncertainties. Debate in response to that data triggers organisational learning which may cause unanticipated strategies to emerge. However, he admitted that these emergent strategies are still shaped and guided by top managers.

Dermet (1990) proposed that accounting has three roles in shaping strategy: it may be used as a language discourse, as an authority establishing and maintaining credibility, and as a provider of a historical context for strategy.

2.5.3 Management Accounting

Lord (1996) notes that according to a former director with an accounting background, the management accounting system at the time of re-positioning was completely inadequate. There was no-one in the firm with accounting training and product costing was performed by the former managing director and the factory manager, but only for the purpose of inventory valuation for financial reporting. Accounting information, which was collected for financial reporting purposes only, was collected by the office manager, and transmitted at the end of the month to a firm of chartered accountants. The author describes the information in financial statements as neither being timely nor sufficiently detailed for management decision-making and planning

Dimnik & Kudar (1989) caution managers not to use accounting numbers to drive decisions, as this fosters concerns about accuracy of the numbers used. He emphasises that accounting numbers should be used to guide decision, with care of being taken that attitudes and behaviours congruent with organisational goals are promoted.

The environment in which management accounting is practised certainly appears to have changed with advances in information management practices (Drury *et al.*, 1993), there is evidence that the use of accounting within the management process has changed (Bromwich & Bhimani, 1992; 1994).

Conventional wisdom portrays management accounting as providing information for management planning and control, and argued elsewhere, such a portrayal is grounded in the neo-classical economic theory of the firm (Scapens & Arnold, 1986). In an institutional

framework, the starting point for research is the recognition that management accounting practices can shape and be shaped by the institutions which govern organisational activity (Burns & Scapens, 2000:3-25).

All individuals involved in the decision-making process should have a relatively good knowledge of management accounting. The financial information will thus lay a foundation and aid departments in strategic decision making. Employees of various departments are not expected to be accountants but they must be apprised of financial aspects for the smooth running of the business.

Technology has effected considerable changes in the business world. It is therefore crucial that traditional accounting practices be adjusted so that more efficient techniques are explored and all departments work toward a common goal. All businesses have to move with the trends as competition is fierce. Therefore integration of departments is of utmost importance for the success of the business. Management accounting is a tool to be installed in all employees within the business.

It thus seems likely that management accounting change which is consistent with the existing routines and institutions will be easier to achieve than change which challenges those routines and institutions.

2.6 Research gaps in education

There will always be either large or small gaps between what is taught in tertiary institutions and what is expected by individuals in companies. Educational institutions are generally slower in adapting to changes than companies are. These lacunae are investigated in this research so that reasons for the gaps can be identified and examined. The literature below elaborates.

Taylor (2006) indicates that in accounting education a growing gap exists between what accountants do and what is taught. As a result accounting education has seen a large-scale institutional endeavour over recent years to effect pedagogical change in higher education. The recent American Institute of Certified Public Accountants (AICPA) vision report (2000) has called for modified accounting education programmes to meet their future needs.

Taylor also noted that the Accounting Education Change Commission (AECC) in the US and professional accounting bodies in Canada and Australia have endeavoured to promote and evaluate accounting teaching effectiveness.

The AECC identified five characteristics of effective teaching to be emphasised in accounting programmes:

- **Curriculum design and course development:** The assessor must set appropriate objectives; develop a useful framework; integrate courses with other related course disciplines, and current research; and be innovative and adoptive to change.
- **Use of well-conceived course materials:** Effective course materials enhance presentation skills, fulfil course objectives, are consistent with current developments and new technology in the field, create a base upon which continued learning can be built, challenge students to think, and give them the tools to solve problems.
- **Presentation skills:** Effective presentation skills stimulate students' interests and their active participation in the learning process respond to classroom developments as they occur; instil professionalism; and engage students with different learning styles.
- **Well chosen pedagogical and assessment devices:** Effective pedagogical methods, e.g., cases and small group activities: assessment devices, e.g., exams, projects, papers and presentations
- **Guidance and advising:** An effective assessor guides and advises students as appropriate to the level of study and research (e.g., a first- year student's exploration of potential careers, a final year student' job placement or a doctoral student's work on a dissertation).

The above characteristics are very important in moulding student to become equipped in different areas so that these areas may become their strengths. It will also ensure that they have achieved the outcomes set in the course curriculum. Teachers not only have the task of teaching course work, but also provide support in various ways to students. Teachers should assist in finding suitable employment for the students or provide students with contacts in industry.

2.6.1 Employers' expectations of accounting graduates

It has become crucial to ascertain what companies expect from graduates before they complete their tertiary studies. This responsibility should rest upon the teacher as he is the only person who can best prepare these graduates for the road ahead. Close ties should be formed with companies so that the teacher can monitor gaps in the curriculum and incorporate changes that will help the graduate meet some of the expectations of the employers.

Taylor (2006) proposes that it is necessary to identify the broad competencies and other qualities sought by the major employers of accounting graduates.

Deppe *et al.* (1991) conclude from this literature as well as from independent findings of their own that the following characteristics are commonly emphasised:

- Critical thinking and problem solving
- Resolving diverse and unstructured problems
- Deducing general conclusions from specific situations
- Selecting and assigning priorities within restricted resources
- Professionalism
- Dealing effectively with imposed pressures
- Motivation to continue lifelong learning
- Identifying ethical issues

A study by Penafort and Ahmad (1997), which undertook document analysis of classified advertisements for accounting graduates, found frequent reference to both "analytical mind" and other qualities related to professionalism such as "being motivated and innovative", "able to work under pressure" and "able to work under minimum supervision".

Taylor (2006) points out that in the above findings it can be seen that the public accounting profession has called for critical thinking skills in accounting graduates. Baril *et al.* (1998) identifies some of the competencies essential to success in public accounting. It was revealed in their findings that the profession uses the term critical thinking to be a broad set of competencies that include both cognitive and non-cognitive attributes, attitudes and behaviours. The competencies highlighted include recognition of problems, recognition of the need for additional information, fitting details into the environment and planning ahead, exhibiting initiative, curiosity and confidence, and communicating clearly and articulately.

Taylor (2006) further discusses a study of accounting undergraduate students and their instructors that investigated the nature and extent of the gap between students' learning

approaches and instructors' teaching orientations towards facilitating these approaches. It revealed several significant differences of emphasis between instructors and students in terms of deep and strategic studying/learning approaches that can link theory in education to what occurs in the real world. The study also identifies from a literature review of employers' expectations and specific employability qualities of accounting graduates as a basis for interpreting the results of this studying-teaching gap.

It is noted that instructors in accounting education programs conscious of the fact that their discipline's professional bodies and major employers express their views from time to time about the directions that instructors should take in shaping the learning/studying behaviours of accounting graduates to meet the contemporary expectations of the profession (Taylor, 2006)

The author foregrounds the lack of evidence about the connection between students' perceived learning/studying approaches and instructors' perceived teaching roles in the facilitation of these approaches, and questions how this connection is linked to the expectations of prospective employers of those students.

Unanswered questions relating to the gap between instructors' priorities in facilitating particular qualities in student learning and students' own rating of their learning/studying approaches include:

- Does the gap change over the duration of an accounting degree?
- Are the gaps different for males and females?
- To what extent is the gap affected by express views of professional bodies or employers of accounting graduates?

A further unanswered question of importance that relates to this study, therefore, is whether the teaching/learning gap differs between local and international students learning in the same classroom (Taylor, 2006).

2.6.2 The impact of the changing practitioner requirements on management accounting education at South African Universities

South Africa is known to be a developing country that still needs to adapt to many changes to be globally competitive. Technology is a key factor accelerating change. Tertiary institutions in South Africa must keep abreast with changes in accounting education to ensure that students are equipped with the necessary information when seeking employment.

It is emphasised that the South African environment is changing very rapidly and some of the management accounting techniques that had their origin in the customised behaviour of earlier days are no longer applicable in practice. This has caused an expectation gap between what industry wants and what management accounting education offers (Bromwich & Bhimani, 1992; Burns, 2001; Pierce & O’dea, 2003:257-290). New quantitative methods for solving accounting problems in the changing market-place have been developed, but the behavioural sciences have suggested that the impact of accounting goes well beyond the systems and reports which are the most visible product of the accountant’s work (Belkoui, 1980; Ashton, Hopper & Scapens, 1995:21; Emmanuel, Otley & Merchant, 1992).

Kaplan (1983:390-418) Emmanuel, Otley and Merchant (1992:587) and Fowler and Hawkes (2004:20-24) recommends that it is necessary that we understand the sources of today’s practices. Thereafter a strategy to meet these demands should be developed.

Jacobs (2004:1-38) avers to our attention that not much research has been done in South Africa on the relevance of management accounting education at universities. This implies that the discussions and recommendations made in the study were limited to the outcome of his questionnaires and a few relevant South African articles. These discussions and recommendations, however, were supported by international research and could be assumed to be relevant in a South African context because of the globalisation of South African industries.

Accounting educators have been warned many times that management accounting education must change to maintain relevancy, retain its position within the profession, and add value to students and business (Carnell, 1999; Russel & Kulesza, 2000; Boyce, 2004). It is identified that changes are made to improve on areas of the past and transformation is viewed as a way of survival. But failure to embrace market-based changes will continue to decrease the relevance of management accounting education (Carnell, 1999; Gabbin, 2002 Howieson, 2003).

It is generally known that accounting education continues to be delivered in the same way it has been for the past 20 to 30 years. Yet accounting practice has changed dramatically to meet new market-based demands brought on by changes in business, that is, e-commerce, global competition and interaction, and “web-speed” decision-making (Parker, 2001). There is no doubt that business changes and technology have outpaced accounting education, which has led to an increasing gap between what business needs from accounting education and what it receives; therefore the gap must be closed (Russell and Kulesza, 2000).

Howieson (2003) attempted to ascertain whether management accounting education in South Africa concurred with the expectations of managers in practice and how the expectation gap between education and practice would be addressed.

Institutions need to realise that change is inevitable. The sooner gaps are minimised the better the quality of education; education that will produce a more efficient and knowledgeable graduates who are equipped with knowledge required by companies, not only benefiting the graduates but also promotes the institution as a leader in adopting change in education.

Bromwich and Bhimani (1992); Emmanuel, Otley and Merchant (1992); Ashton, Hopper and Scapens (1995); Coates and Longden (1989: 47-51); Innes and Mitchell (1989); Burns and Yazdifar (2001) and Parker (2001:421-453) discusses the various reasons for the changes in varying expectations in business practices in the emerging environment namely:

- Technology has introduced sophisticated information systems into companies and has given rise to better management information systems at relatively low costs. New accounting software and electronic business (e-commerce) are widely used and are influencing decision-making and management accounting information in a fundamental way.
- The economy of South Africa has become more open, which means that competition is international and more fierce and companies must be able to make the correct decisions in a relatively short time period to remain competitive. This has a huge impact on the content and availability of management reports.
- There has been a shift from purely financial performance measurements to a more balanced way of measuring performance, which is called the “balanced scorecard”. This implies that those non-financial factors, such as client satisfaction, innovation,

employee satisfaction and ecological issues have become more important in evaluating the performance of business, departments and managers.

- The focus of management accounting has always been almost entirely on internal activities and relatively little attention was given to the external environment in which the business operated. This phenomenon is changing in accordance with the above-mentioned shift described in subsection 4.

According to Burns and Yazdifar (2001); Russel & Kulesza (2000) and Sharma (2000:1-14), traditional management accounting techniques and tools which are important in assisting managers to implementing the changes and expectations in business practices, could possibly include the following:

- Activity-based costing (ABC)
- Rolling forecasts
- Employee-based measures
- Benchmarking
- Strategic management accounting
- Value-added accounting
- Variance analysis
- Total quality management

According to Jacobs (2004), academics focus on the theory of management accounting which are set in syllabuses and do not necessarily know what the most important management accounting tools and techniques required by practitioners are. These tools and techniques required in practice have changed rapidly over the last decade, yet the management accounting syllabuses at the academic institutions have not necessarily taken these changes into account, because of the close link between the academic institutions and Management Accounting Syllabus (Saica) and Management Accounting Syllabus –final stage (Cima).

Many researchers, like Scapens (1991), Fowler and Hawkes (2004), have indicated that there is a significant gap between the theory of management accounting, as portrayed in textbooks, and management accounting in practice. Jacobs (2004) has investigated possible reasons for this gap so that the relevant recommendations can be made.

The reasons could be that there are too many theoretical models of what ought to be, which means that textbook techniques are rejected in practice. Very simple techniques are often used in practice and the reasons could be:

- Availability of information in practice
- Swiftness with which decisions have been made, leaving no time for work with complicated models
- Lack of theoretical understanding by practitioners
- Failure of theory to address the reality faced by practitioners.

2.7 Conclusion

Highlights of this chapter:

- Small, Medium and Micro enterprises were defined and their contribution to the business world was discussed. It was also a fact that SMEs contributed significantly to job creation social stability and economic welfare across the globe (Ladzani & Van Vuuren, 2002:2)
- The purpose of the finance function in SMEs was discussed. Therefore it can be deduced that the availability of professional expertise in a company is required for the financial success of a company.
- Why does gaps in accounting change exists? There seems to be little or no integration between the different employees in departments in a company and therefore financial decisions are taken in isolation.
- Further research to bridge gaps in Accounting was explored. A good example is the integration between sales and production in the company.
- Focus was on research done concerning gaps in education.

It has therefore become clear from the above literature that there are indeed gaps between theory and in respect of practice. It is in this light that this research was conducted. It is important for every teacher to realise that he/she is responsible for the grooming of graduates and that it is vital that graduates are able to easily adapt to the needs of companies when they are employed. Graduates should not be faced with situations for the first time when in the workplace, although this cannot be avoided. A well-prepared and trained graduate will respond positively to the requirements of the company. This will not only benefit the graduate but also provide credibility to the institution where the graduate received the qualification.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The previous chapter reviewed the literature related to the research topic. In order to determine whether the accounting syllabus for marketing students consists of the relevant components as determined by the small medium enterprises (SMEs) more insight was required.

This chapter discusses the design and methodology used in the research. It is significant to note that the research instrument was applied to a group of SMEs affiliated with CPUT.

3.2 Research design

The aim of the research was developmental, with the underpinning concept being syllabus content, to determine which components of the syllabus needed more focus.

The research design was quantitative and qualitative, with the methodology being descriptive in the form of a survey. The survey technique was a structured questionnaire which was aimed at a census of SMEs affiliated with the Department of Co-operative Education at CPUT. The data were captured in tabular form and were largely presented in chart and graph form.

A pilot study was utilized to detect any errors. Ten individuals who were in education but not employed at any of the SMEs in the census were chosen. These individuals were from the Faculty of Business at the CPUT. The data from the pilot study was analysed by a statistician to check for errors. Thereafter the researcher and the supervisor reached a consensus and the survey was processed. A letter of explanation that served as a cover letter for the questionnaire was written and attached to the questionnaire.

3.3 Sampling

3.3.1 Sample profile

For the purpose of this research it was decided that since the focus was on SMEs a sample would not be accurate and therefore a census was used and of which a sample responded.

The term census refers to those situations where data are obtainable from or about every member of the population of interest (McDaniel & Gates, 2001:328-329). The authors further highlight that the idea of taking a census maybe appealing since it is perceived to be more accurate than a sample.

A census was taken of the SMEs currently involved with the experiential training in conjunction with the Department of Co-operative Education at CPUT. These SMEs participated in the experiential training programme for 2006.

3.4 Research methodology

The census ensured that all the SMEs affiliated with CPUT were represented. The census consisted of 30 SMEs which all participated in the experiential training programme for 2006 which are still currently part of the programme.

For this study, the primary data was quantitative research and the secondary data served as qualitative research. According to Gardner (2004:569) the difference between quantitative and qualitative research lies in the quest for understanding and the depth of the investigation.

Quantitative research focuses on the control of action and representation of the participants. The outcome of the desired result will therefore be guided by pre-determined questions which are carefully worded to establish a relationship between the answers obtained in the research. Essentially, research does not allow participants to express data that cannot be captured by pre-determined instruments (Henning *et al.*, 2004:3).

In qualitative research there is usually no control exercised over the participants, as the freedom and natural development of action and representation displayed are what the researcher wants to encapsulate. Qualitative research focuses more on the depth of the research than the quantity of understanding (Henning *et al.*, 2004:3). One of the main concerns when doing research is the validity of the sample, and whether the feedback obtained from this sample is valid and can be ascribed to a larger group (Janes, 2001:419).

Primary data were collected using a quantitative structured research questions in the questionnaire and secondary data were collected using open ended questions in the same questionnaire. The researcher, by means of consultations personally handed these questionnaires to the participants who represented the SMEs affiliated with CPUT. The researcher remained present while the participant was completing the questionnaire. The

reason for the researcher's presence was to assist the participant when questions were not clear enough for the respondent to answer. The questionnaire contained content of a perceived accounting syllabus to ascertain whether all components were used in a work situation and how often were they used.

Thirty (30) SMEs were visited by the researcher. A contact person was identified by CPUT and this contact person completed the questionnaire. It was important to get the balance of the questions correct for the compilation of the questionnaire which would be used to gather information from these 30 SMEs concerning their requirements. The course content of the syllabus for accounting for marketers was also under scrutiny.

The use of the questionnaire as a research instrument assisted in providing the data required to analyse the findings of the study. The survey methodology was used as it was considered the most appropriate type of research as it entailed asking a set of pre-formulated questions in a predetermined sequence in a structured questionnaire from a sample of individuals so as to be representative of a defined population (Trochim, 2002).

Qualitative research is the process used to deepen the understanding of complex social and human factors in ways that cannot be understood with numbers (Kerlin, 1999)

The researcher asked questions to check which components in the accounting syllabus were considered most important and which components deemed least important.

3.4.1 Census

Owing to the fact that there were 30 SMEs as part of the census it was obligatory for all of them to be consulted. The data was obtained via a consultation which entailed the SME contact person to completing the questionnaire in the presence of the researcher. The main reason for the presence of the researcher was to ensure questions were understood and clarification obtained if required by the SME participant. The advantage of the researcher's awaiting the completion of the questionnaire was to allow for the immediate return of the questionnaire after consultation.

The SMEs involved varied according to product and service type. The research focused on determining needs and specifications by these SMEs with regards to accounting or financial aspects of a business.

3.4.2 Questionnaire and consultation

The primary data collection for this study was conducted by the researcher via 30 structured questionnaires (see Appendix B), to ensure uniformity and objectivity. According to Janes (2001:419), questions and interviews should be as concise as they possible can be, as each one should be important for the research undertaken. Janes further expands on this point by stating that questions should not be asked merely because they can be asked, rather that questions should have a meaningful purpose.

The questionnaire (Appendix B) used to capture the information provided by the thirty 30 SMEs was a carefully constructed questionnaire used to obtain data which could be analysed at a later stage. The nature and size was taken into consideration when the questionnaire was compiled. The areas of enquiry included questions related to the content of the accounting syllabus and the skills required as specified by the SMEs.

List of SMEs which completed the questionnaires

1. Wired Loop
2. Vernon John Design
3. Unitech
4. Ukhona New Media
5. Uhuru Communications
6. Tradelink
7. TLC Hylube
8. The Learning Centre
9. Techsys Informatics
10. Spice Mecca
11. Spectiles
12. Really Great Brand Company
13. Pro Vending
14. Premedia Broadcasting
15. Jenny Handy
16. Inspirations
17. Ince Cape
18. Hlumisa
19. Head Space Brands
20. Fusion Design
21. Flag Factory
22. Firefly Advertising

23. Desert Rose Music
24. Citezen Surveys
25. Career Vision
26. Benjamin Pure Foods
27. BBDO
28. Auto Trader
29. Anix Trading
30. 8 ink Media

3.4.3 The purpose of the research

Not everything that can be counted counts and not everything that counts can be counted
Albert Einstein (1879-1955)

The purpose of the research was firstly, to determine whether the accounting syllabus for marketing students at CPUT met the requirements of SMEs and secondly, to determine which skills, as perceived by these SMEs, are essential in equipping marketing students for industry.

3.5 Conclusion

The research focused on a census of SMEs who are currently affiliated with the Department of Co-operative Education at CPUT which participated in the experiential training programme in 2006. They were targeted to establish whether the accounting syllabus for marketing students met requirements of SMEs when students become employable. This information will then be used to find methods of bridging some of the identified gaps between education and industry.

It has become crucial in today's business world that individuals realise how important personal development and performance management is in staying abreast with changes in industry requirements. This can only be provided by means of meaningful and relevant training. It is known that South Africa has a shortage of skilled individuals that are required in industry, and therefore in the light of this problem, tertiary institutions should incorporate selected skills programmes in certain disciplines.

CHAPTER 4

ANALYSIS OF RESULTS

4.1 INTRODUCTION

To evaluate the relevance of various financial components of the accounting syllabus, a comprehensive and detailed questionnaire was compiled specifically for the sample population. This sample consisted of 30 small and medium enterprises (SMEs) affiliated with the Department of Cooperative Education at CPUT. This self-administered questionnaire was completed by 15 SMEs who were from a diverse business culture. The remainder of 15 SMEs were non responses.

The questionnaire consisted of five introductory questions, one open-ended question and fifty four qualitative questions. The nine main sections that were covered were:

- 4.1.1 Financial statements
- 4.1.2 Analyses of financial statements
- 4.1.3 Bank reconciliation
- 4.1.4 Costing
- 4.1.5 Budgeting
- 4.1.6 Pricing
- 4.1.7 Taxation
- 4.1.8 Inventory
- 4.1.9 Cost profit volume analyses

Each section was described as a financial technique with various sub-sections. Each section contained a number of quantitative questions followed by one open-ended question based on that specific section where respondents could comment on skills required pertaining to that section. These open-ended questions formed part of the qualitative data.

4.2 ANALYSIS OF RESEARCH RESULTS

The results analysed in the various charts and tables are based on the responses received from the 15 SMEs and recorded by the researcher. The overall results indicated that there were components in an accounting syllabus that were rated as unimportant and yet formed a large part of the syllabus; on the other hand other components were highlighted as very important but were not covered in such detail in the present syllabus.

4.3 RESPONSES

In the final analysis 50% formed the sample population that responded to the questions asked in the detailed qualitative and quantitative questionnaire.

4.4 Introductory Questions

Questions 1-5 were general yet elicited important information about the sample SMEs. These questions provided relevant information highlighting the size of the business, nature of the business, post levels of respondents that answered the questionnaire, number of employees in the business, and number of employees in marketing and sales.

Question 1: Post level of respondent

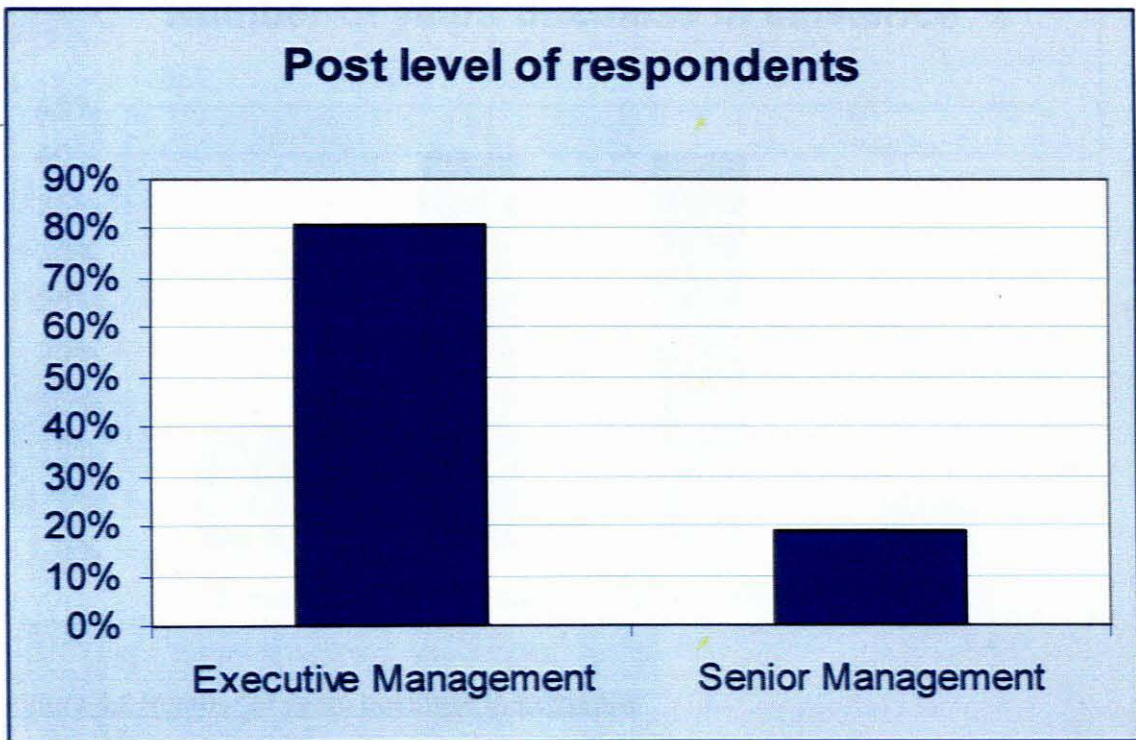


Figure 4.1 Post levels of respondents

Results showed that 81 percent of the respondents were top management and 19 percent were senior management. It can therefore be established that the feedback received in the questionnaire is extremely important and valid due to the fact that these individuals are specialists and highly skilled.

Question 2: What is the nature of the business?

These SMEs were from diverse businesses and ranged from advertising consulting to selling sports products; this comprises a satisfactory mix as the sample population.

Question 3: The number of years the business is in existence

The results are illustrated in the graph that follows

The figure below is an indication of the number of years that the business has been in existence.

Criterion for a size of an SME

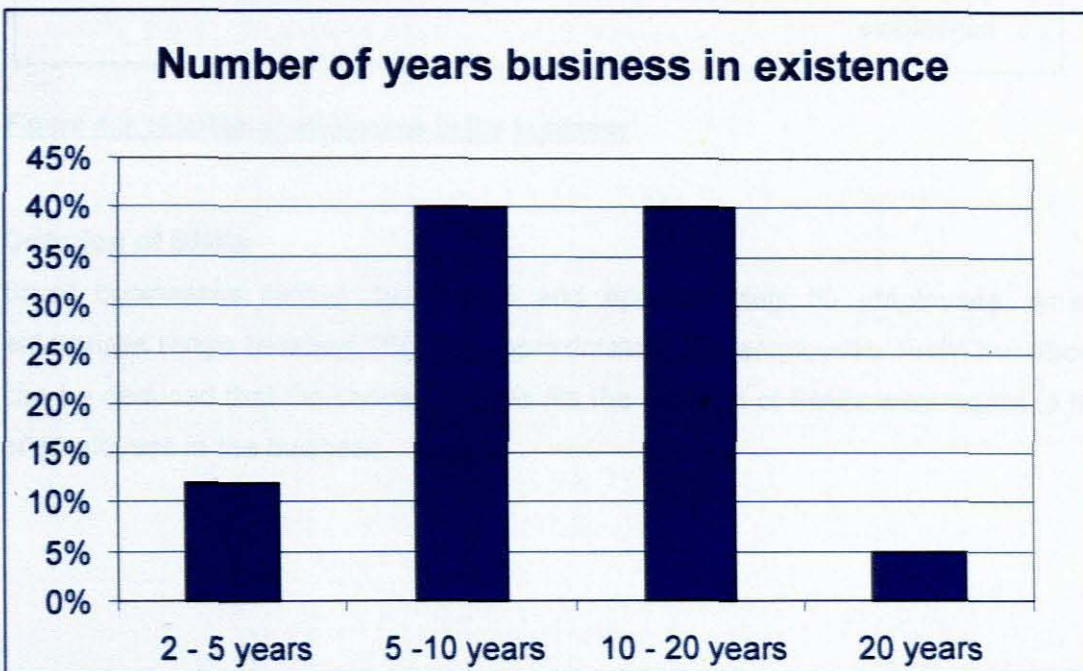


Figure 4.2 Number of years business in existence

The above figure indicates that 40 percent of the SMEs have been in operation between 5 and 10 year and 40 percent of the SMEs has been established between 10 and 20 years. One can therefore say that 80 percent of the SMEs are well established.

Question 4 and 5 indicate the number of employees in the business and the number of employees in marketing.

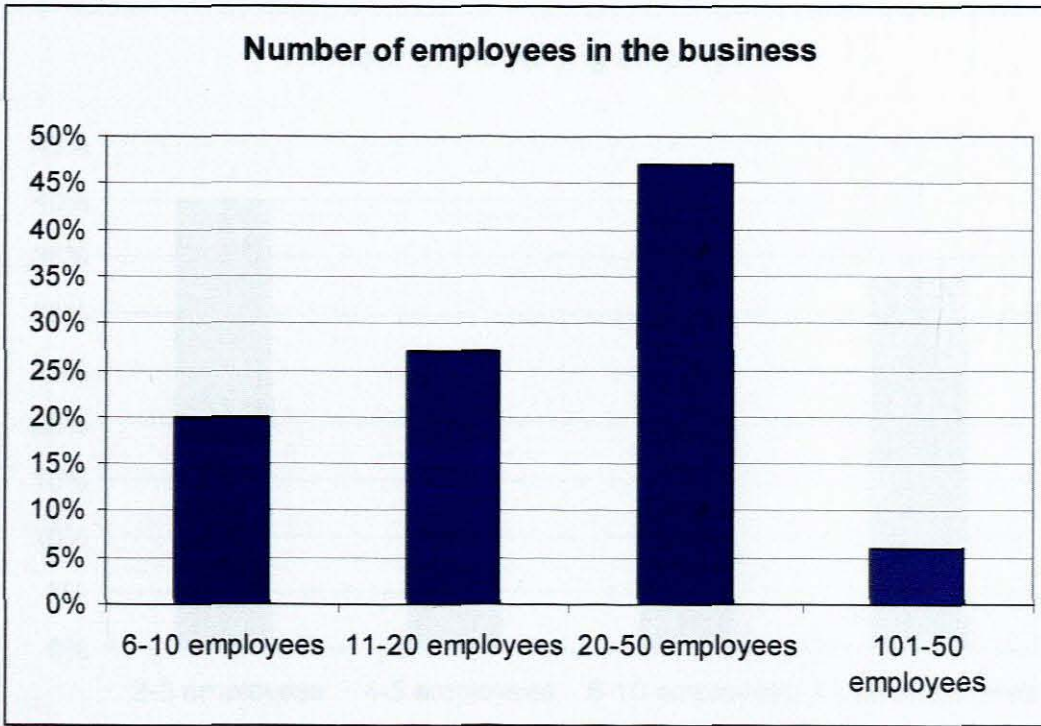


Figure 4.3: Number of employees in the business

Criterion of SMEs

Small businesses ranges between 5 and approximately 50 employees, while medium enterprises range between 100 and approximately 200 employees. From the above graph it can be deduced that the chosen sample fits the criterion of SMEs with regard to the number of employees in the business.

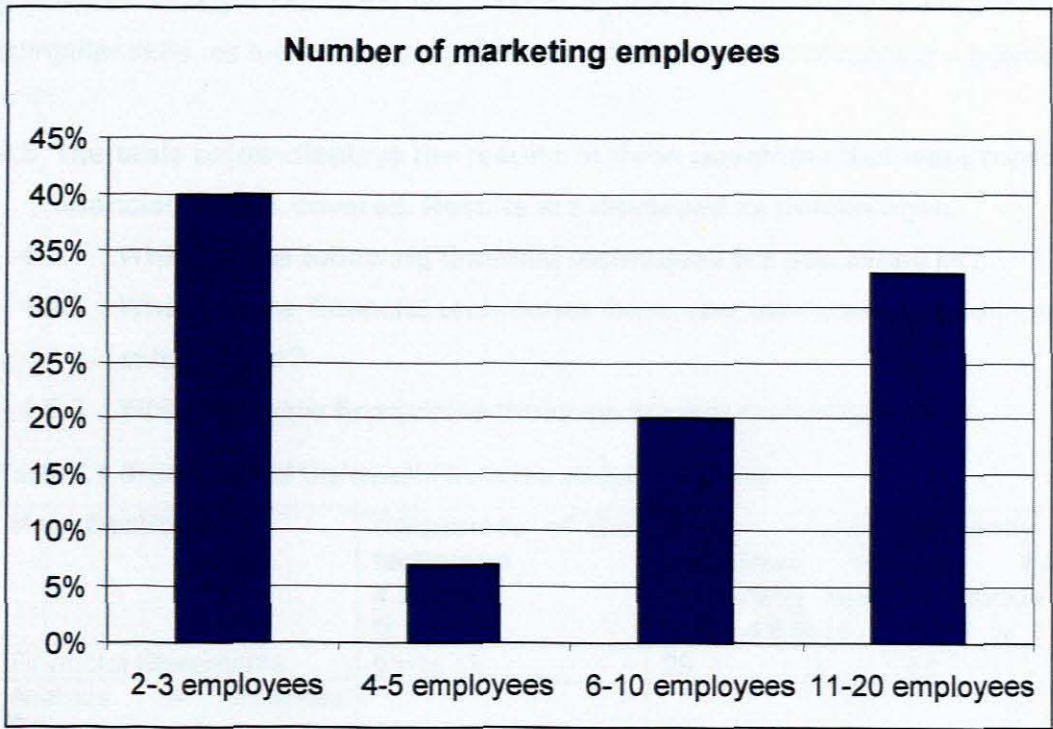


Figure 4.4 Number of marketing employees in the business

Figure 4.4 illustrates that 40 percent of the businesses had only two to three marketing employees, 33 percent of the businesses had 11 to 20 employees and 20 percent had 6 to 10 employees. This is an indication that these marketing employees are specialist in their fields and should have the necessary skills to fulfil their tasks. They therefore become of value to the business.

Question 6: How appropriate do you think it is for the potential marketing graduates to have financial knowledge in the working environment?

One hundred percent of respondents indicated that it was essential for anyone in the industry to have basic financial knowledge. They elaborated by indicating that basic financial knowledge was essential for sound decision-making in business. A respondent pointed out that marketers should always bear in mind that they are the first point of contact with the client when negotiating deals and should therefore be knowledgeable about the overall financial situation in the company.

The actions of the marketer can affect the profitability of the company and therefore the marketers should be aware of the consequences of their actions, which could either be positive or negative. In their opinion, marketers need to use a hands-on approach in everything they do.

It was mentioned that the marketers will gain experience when they “get their hands dirty”. This encourages them to become involved in various tasks in business cycles and

processes. Finally, most of the respondents agreed that marketers needed to have a level of computer skills, as technology simplifies almost all processes of running a business.

4.5 The table below displays the results of three questions that were repeated in each financial section covered. Results are displayed as percentages.

4.5.1 Which of the following financial techniques are you aware of?

4.5.2 Which of the financial techniques have you ever used in your marketing and sales career?

4.5.3 Which of these financial techniques are you currently using?

Table 4.1 Breakdown of the results from the above questions

Main Sections	Awareness of the technique 4.5.1 as a %	Ever used technique in marketing and sales 4.5.2 %	Currently using this financial technique 4.5.3 %
Financial Statements	58	29	47
Analysis of Financial Statements	93	57	71
Bank Reconciliation	53	30	43
Costing	83	63	64
Budgeting	84	73	83
Pricing	91	72	83
Taxation	80	51	64
Inventory	62	45	77
Cost Volume Profit Analysis	60	46	87

The table indicates that 47 percent of the SMEs use financial statements. The reason is that almost all respondents indicated that they had outsourced this function to an outside accountant. This was also confirmed by the literature study. It was also noted that marketers should have the requisite skills to analyse financial statements rather than to compile them. From the results it can also be noted that 43 percent of the SMEs used the bank reconciliation but that this was not compiled by the marketer.

Each SME has its own accounts department that executes this technique. Budgeting and pricing are shown to be important in all three questions. It can therefore be said that marketers are expected to be aware of and be able to use this technique in the SMEs. Cost profit volume analysis was used by 87 percent of the SMEs which is an indication of how important it is for marketers to be able to calculate profits at various levels of productivity and ensure that the company always covers all costs and expenses in the business. The results indicated that 51 percent of respondents had used this technique before and a basic understanding of the different tax structures is advisable for marketers.

4.6 Each section contained a question focusing on the importance of that specific financial technique in terms of marketing and sales management.

The sections covered and presented as a financial technique are:

4.6.1 Financial statements

Financial Statements provide businesses with an annual report which highlights business profits, assets and liabilities. The Income Statement is used to show all the business income received and money spent on expenses which results in either a profit or a loss for a specific financial year. The business will be able to use this information to make adjustments for the next financial year to improve the business potential.

The Balance Sheet compares the business assets against liabilities. The business will be able to allocate values to their assets and also realise to what extent the business is covered by debt. Thereafter adjustments can also be made for the next financial year by either investing in more assets or reducing liabilities. The results indicated that most of the SMEs have outsourced this function to an outside private accountant

4.6.2 Analysis of financial statements

This technique entails analysing financial statements by using formulas to measure different activities in the business. The following formulae are used:

Current Ratio	Measure short-term solvency
Quick Acid Ratio	To test if the business can meet its current obligations with quick funds on hand
Current Liability To Owners Equity	Evaluating financial conditions by comparing what is owed and what is owned.
Fixed Assets To Tangible Net-Worth.	Shows the relationship between investment in total assets and the owner's capital.
Total Debt To Owners' Equity	Measures what is owed to what is owned.
Stock Turnover Ratio	Determine whether the rate is acceptable
Debtors' Collection Period	How promptly outstanding accounts are being collected
Creditors' Payment Period	How promptly outstanding accounts are settled
Gross Profit Margin	Profitability should be the business's main objective
Net Profit Ratio	Measures the difference between Gross Income and what is spent in the process of conducting business

The main reason for using this technique is to aid in sound decision-making to plan for the next financial year.

4.6.3 Bank Reconciliation

This financial technique is currently being used in the SMEs but is executed by the debtors and creditors control departments. Statements received from the bank are reconciled with the business records of all debits and credits that occurred for that particular month to check for that all payments were made and received and for any errors or omissions.

4.6.4 Costing

Cost classification: direct and indirect cost

The three basic components of costing are: material costs, labour costs and production overheads depending on the type of business.

Material and labour costs are both direct inputs into the manufacturing process. Production overheads are indirect inputs. They are costs involved in running a production facility but which are not themselves identifiable with individual items produced.

Direct cost: direct materials
labour

Indirect cost: These are overheads or expenses, which is money spent where no profits are recovered.

Production cost: These are costs related to the production of goods or services for sale by the business. These costs include direct and indirect production costs.

Period cost: These are the costs incurred in the period of account for example salaries of sales and marketing personnel.

The above information indicates that costing is a very complex and specialised area in a business.

Although results indicated that costing is important, results from the degree of competence are an indicator that marketers are not expected to be totally competent to execute this technique. Most businesses have cost accountants who are specialists and skilled to execute this financial technique.

It is agreed that marketers need to be knowledgeable about product cost but the extent is questionable. Marketers sell the final product and must be aware of the cost price of the products so that they are able to give the correct discounts when giving special offers to

selective clients. Costing for marketers is merely a guide, and they are not expected to deal with costs involving production, since they deal only with the end product.

4.6.5 Budgeting

A budget is a plan, expressed in financial or more general terms, which extends for a period into the future (Gowthorpe, 2005:378). Budgeting forms part of a broad planning process.

The process of setting budgets encompasses:

- Setting business objectives
- Assessing alternatives and making decisions and plans
- Monitoring outcomes
- Redefining objectives and plans

Budgets in small businesses are said to be straightforward in that they involve communication between fewer parties. Budgets are effective in planning and coordinating activities. Targets are set in the budgets that will in turn motivate staff to work harder in order to achieve strategic and short-term objectives. Budgets can also be a measure of control of operations and activities. Performance management evaluation is one of the benefits of budgets where sales targets are set for departments and rewards to employees will be bonuses. Budgets are set by management and all employees must be fully aware of the expectations of the budget for that financial period (see chapter 5).

4.6.6 Pricing

This involves attaching values to products taking all costs into account. In a business, run with a view to profit, pricing is also of great importance. If prices are set too low to cover costs in the medium to long term, the business will suffer, and may even fail.

In economic terms, supply and demand are critical elements in the determination of prices. In a pure market environment, scarcity of supply of a commodity pushes up prices; lower available quantities command higher prices.

Effects on pricing

- If advertising is effective, it can affect both demand and the price that people are willing to pay for a commodity or service.
- A novelty product on the market can often command higher prices initially simply because of its novelty value.
- An item that is widely perceived as more fashionable may be able to command a premium price.

- A good brand name may command a premium price due to its reputation.
- The number and nature of competitors in the market will also affect prices of products.

The different ways business set prices

Market-based pricing

If market information is available or can be obtained at a relatively low cost, businesses should use it. Sometimes pricing is based on perceptions and experience of the market that have very little to do with costs.

Cost-based pricing

Cost-based pricing is the fixing of the price for the product or service on the cost of providing it. This method cannot be undertaken without any reference at all to the market, especially in the longer term. If a cost-based price results in a product with a very much higher price than similar or identical products in the market, there is likely to be a problem.

Tendering

This is a process that involves several businesses competing for a contract; usually it involves the submission of sealed bids by a certain date or time. The customer opens the tenders simultaneously, compares prices and conditions, and decides which tender to accept. This is to allow for fair competition and to give the customer the best opportunity of obtaining a fair price.

Target pricing

A target price is established by reference to the market, not cost. After setting this, the firm will then deduct the desired profit margin on selling price. The remainder of the amount then represents the maximum amount of cost that the firm can incur in producing the product or service. If the amount appears to be too small to accommodate all the relevant costs, the firm will make strenuous efforts to reduce those costs so that the target can be met.

Discounting

Many businesses give discounts on selling price to reward customers for their loyalty or to make sure that they make early payments for goods or services supplied. This will reduce suppliers' profits by only a small amount and does not affect costs drastically.

Auction

In this case the seller abandons part of his control over setting prices. Auctions are accepted as a method of contracting when selling certain types of goods like art, antiques and real estate. The seller will usually stipulate a reserve price. The auctioneer will not sell the product if after bidding the price was not reached (see chapter 5).

4.6.7 Taxation

Taxation is a fact of life for most individuals and businesses. There are a few common taxes that affect all individuals.

Types of taxation

Income tax

Profits made by sole traders and partnerships are liable for tax. The tax that is levied is not a specific business tax: it is charged according to individuals own circumstances at income tax rates.

Corporation tax

This is tax that is levied on companies. Directors are paid a salary for working in the company, and they will pay income tax and national insurance on the amounts they earn just like any other employee. The company itself however is liable for corporation tax on its profits.

Capital gains tax

If an item such as an office building is sold at a profit, capital gains tax is likely to be charged. This tax applies to both individuals and companies, and is levied on sole traders, partnerships and limited companies.

Value added tax

This tax (VAT) is a form of indirect tax. It is a tax that is added to the purchase of goods. As private individuals, tax is paid each time customers purchase at your normal stores. These prices already include VAT and consumers are unaware of the tax as prices are said to be vat inclusive. Businesses pay vat as well due to the fact that they also purchase goods that is VAT-inclusive. They will then claim this VAT back from the South African Revenue services (SARS).

4.6.8 Inventory

Items bought by the business to sell to someone else, or to process in some way to make them saleable, are called inventory. This term is more commonly used internationally, locally inventory is known as stock. Inventory is an asset to the company as it can be transformed into cash quite easily.

Keeping records of the amount of stock available will ensure that potential demand is satisfied. Most businesses have periodic stock-taking which usually coincide with the date at which accounts are drawn up. This allows management to keep track of stock, to identify those products that are not selling, to dispose of any damaged items and to generally make sure that there have not been any losses through poor accounting or theft.

Stock-taking gives an indication of the quantity of stock and therefore a value can also be attached to it. When the profit and loss account and the balance sheet are drawn up a valuation of stock is established. Purchases can be established from the invoices received from the suppliers. Because stock value at the beginning and end of an accounting period are established, and because the total purchases are known it is easy to calculate the cost of sales for that period.

A common error occurs when too much stock is tied up in the business and therefore there is not enough cash flow. This can lead to the following problems:

- If the stock comprises items that rapidly go out of fashion, the stock may lose most or all of its value before it can be sold.
- If the stock is perishable it may reach the end of its shelf life before it can be sold.
- It also costs money to store stock safely as theft is a reality in most businesses.
- If too much money is tied up in stock it is therefore not available for any type of investment elsewhere in the business.

One must always remember that if there is not sufficient stock the customer will go elsewhere and this inevitably affects profits.

4.6.9 Cost profit volume analysis

It is important to understand the relationships between the level of business activity, the different types of costs and profitability. The analysis of the interaction of these factors is known as *cost-profit-volume-analysis*.

Definitions

Costs

Variable cost varies in proportion to sales volume and an example of this would be commission to sales force.

Fixed cost does not vary and will always remain a hurdle that a business must overcome. It is set at a fixed amount and an example of this would be the rent paid for the business premises.

Contribution margin indicates the amount that is left after deducting the variable cost from the selling price to cover the fixed cost

Break-even analysis is an indication that the business has just made enough sales to cover all costs that were incurred in the business.

The following areas are analysed in this section:

- The calculation of break-even point is crucial as it indicates that the business has just made enough sales to cover both its variable and fixed costs.
- Calculating of the margin of safety assures management that the business has overcome all hurdles and is now starting to yield profits.
- Changing of fixed costs that were not in the control of the business.
- Calculation of variable cost that varies with production.
- Calculating of the selling price and scenarios where prices are adjusted to explore increased profitability.
- Calculation of sales volume to establish whether the correct amount of stock is being produced to meet demand and increase profitability.

There are set formulae to calculate the above-mentioned areas.

The charts that follow present the results indicating the importance of the above financial techniques.

4.7.1 The importance of financial statements

The chart below indicates the importance of Financial Statements as a financial technique to marketers and sales staff in the SMEs.

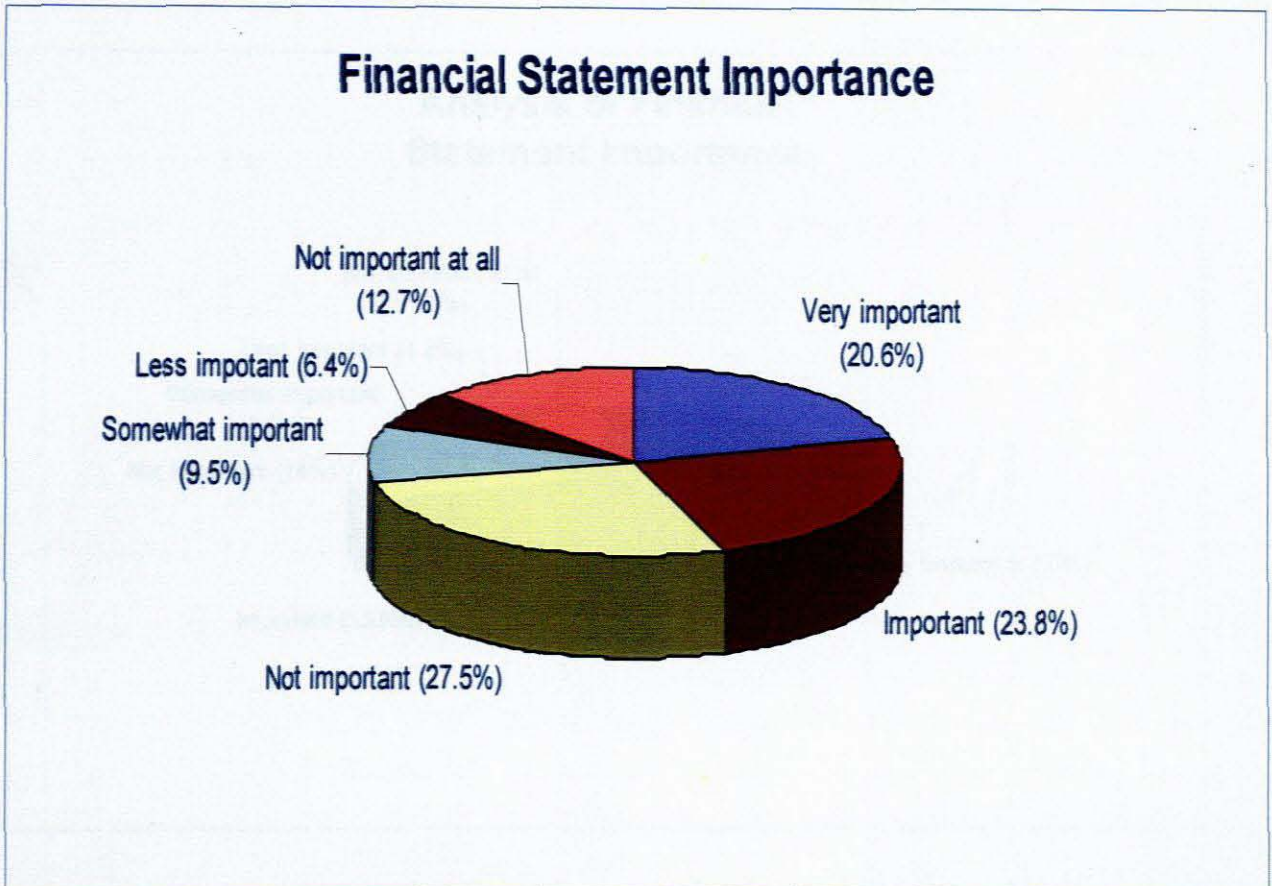


Figure 4.5: Financial statement importance

Of the sample population 54 percent indicated that financial statements were important. Of the 54 percent, 20.6 percent indicated that financial statements were very important and 23.8 percent indicated that they were important; the balance of the 9.5 percent were border-line cases that showed some uncertainty.

We can therefore say that 44.4 percent found financial statements important to marketers and it is therefore not expected for marketing students to be able to compile these statements.

4.7.2 Importance of the analyses of the Financial Statements

The figure below illustrates the importance of the Analyses of Financial Statements as a financial technique to marketing and sales staff in the SMEs.

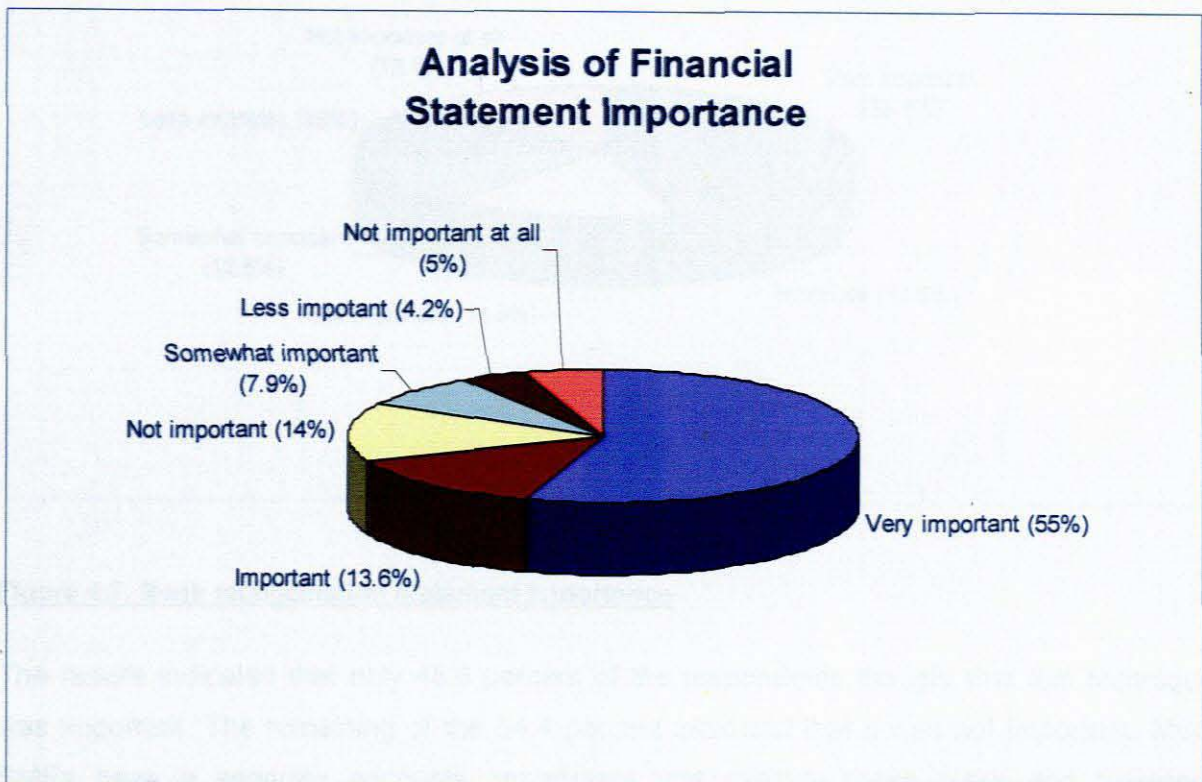


Figure 4.6: Analysis of financial statements importance

The majority of SMEs, 76.5 percent indicated that this technique was important to the business. Of the 76.5 percent 55 percent, of the respondents indicated that this technique was very important and 13.6 percent indicated it was important.

The balance of 7.9 percent again showed uncertainty, but still viewed this technique as important. The reason for the high level of importance can be ascribed to the general consensus of the respondents that this technique was an aid to sound business decision-making.

4.7.2 The importance of the Bank Reconciliation

The figure below illustrates the importance of the Bank Reconciliation as a financial technique to marketing and sales staff in the SMEs.

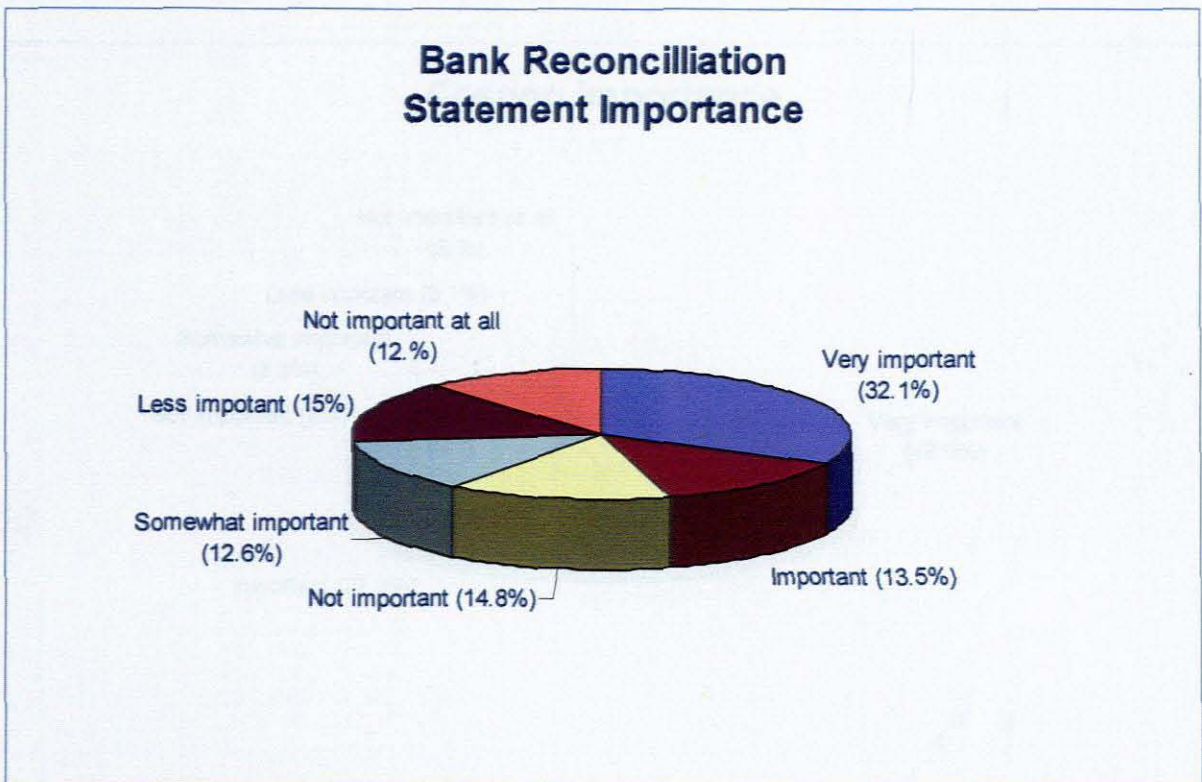


Figure 4.7: Bank reconciliation statement importance

The results indicated that only 45.6 percent of the respondents thought that this technique was important. The remaining of the 54.4 percent indicated that it was not important. Most SMEs have a separate accounts department that execute these tasks and therefore marketing and sales staff are not required to use this technique.

4.7.4 The importance of Costing

The figure below illustrates the importance of Costing as a financial technique to marketing and sales staff in the SMEs.

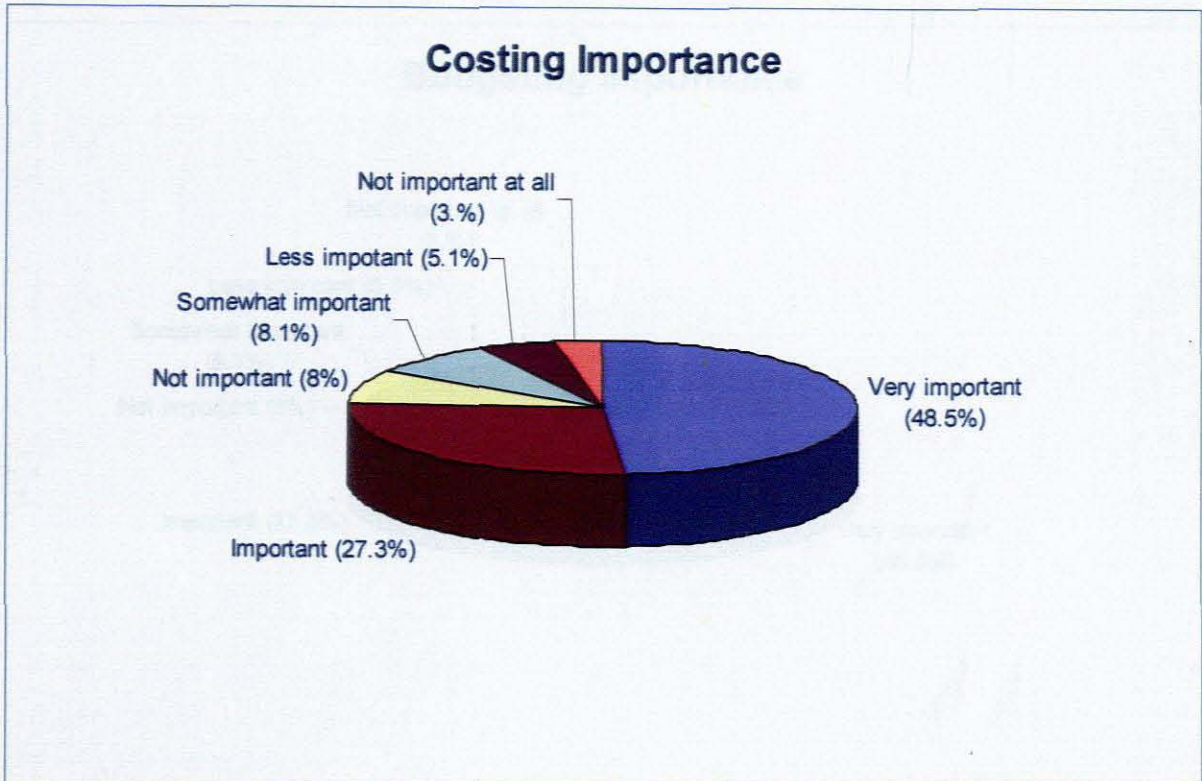


Figure 4.8: Costing importance

From the above results one notes that a large portion of the sample population considered that this technique important. The results show that 75.8 percent of the respondents indicated that this technique was important to marketers. Of the 75.8 percent, 48.5 percent said that this technique was very important and 27.3 percent said it was important.

The balance of 8.1 percent was unsure. Marketers have the task of selling and promoting certain product lines and it is therefore crucial that they are aware of the costs of the products to attain maximum benefits in terms of profits for the business when selling them to clients.

4.7.3 The importance of Budgeting

The figure below illustrates the importance of Budgeting as a financial technique to marketing and sales staff in the SMEs.

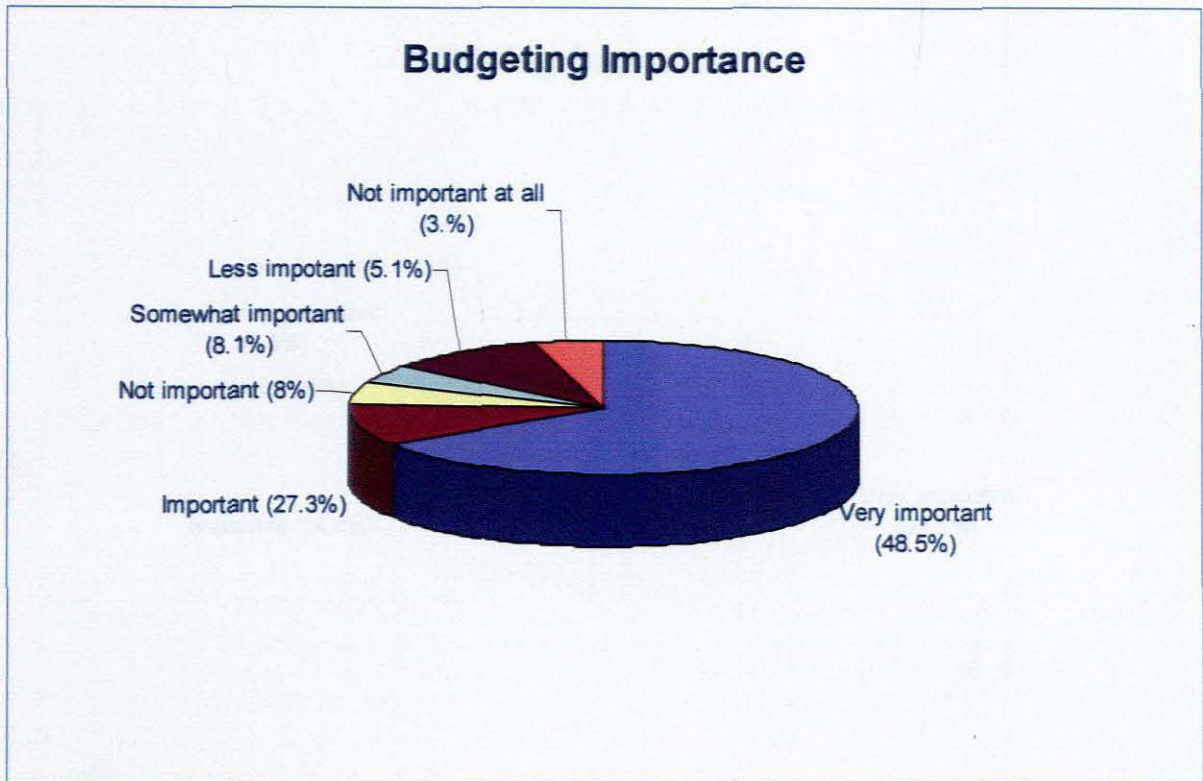


Figure 4.9: Budgeting importance

It can without clearly be seen that budgeting is an extremely important technique in industry. This is confirmed in the literature also. The results showed that 84 percent of the respondents indicated that budgets as a financial technique were important to the business. Of the 84 percent, 48.5 percent indicated that this technique was very important and 27.3 percent said it was important.

The remainder of the respondents were uncertain. Marketers have target levels that have to be reached and therefore it is crucial they are aware of this technique. Targets are set in budgets and therefore this technique will be utilised most often by the marketers.

4.7.4 The importance of Pricing

The figure below illustrates the importance of Pricing as a financial technique to marketing and sales staff in the SMEs.

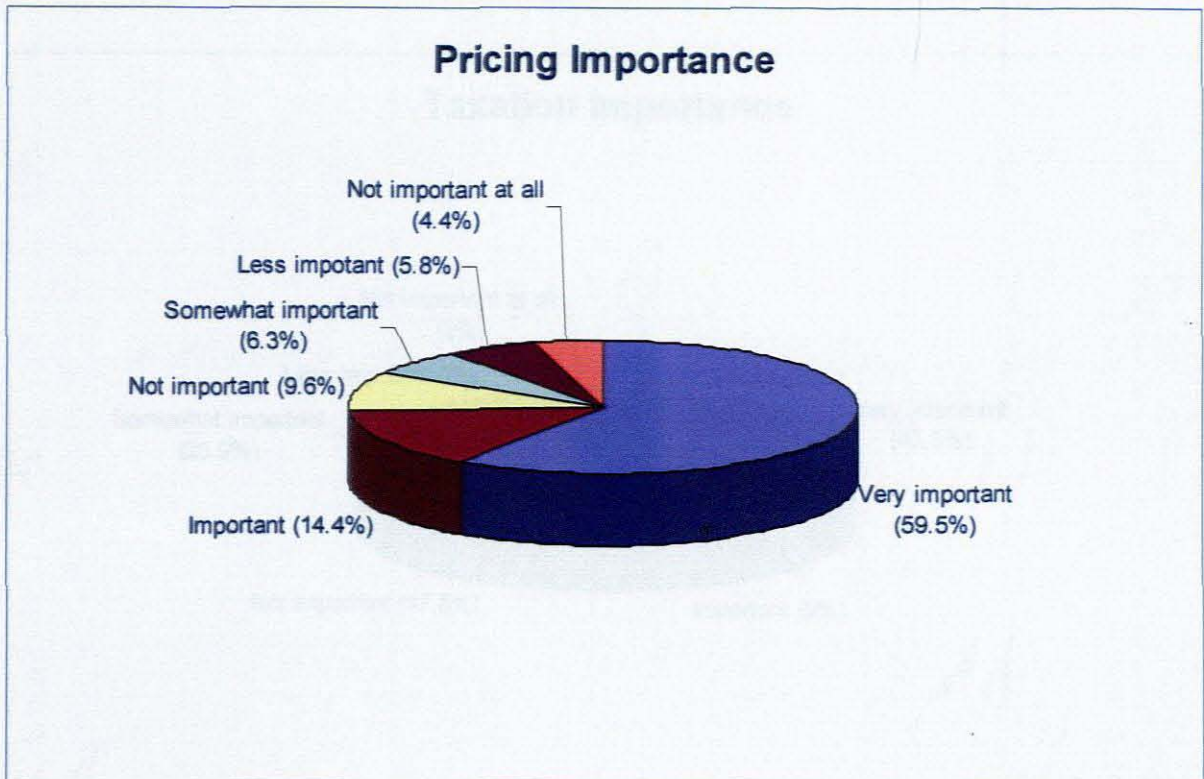


Figure 4.10: Pricing importance

This technique also draws a degree of attention. The results indicated that 80.2 percent of the respondents considered this technique important. Of the 80.2 percent, 59.5 percent felt that this technique was very important, while 14.4 percent indicated it was important. The balance of the 6.3 percent was uncertain. Marketers work with this technique on a daily basis, when setting prices, and this is one of the most important factors when selling products to clients. When products are offered at the right price, deals already appear favourable. In marketing there are the four important Ps of which pricing is one, the rest of them are promotion, place and product.

4.7.5 The importance of Taxation

The figure below illustrates the importance of Inventory as a financial technique to marketing and sales staff in the SMEs.

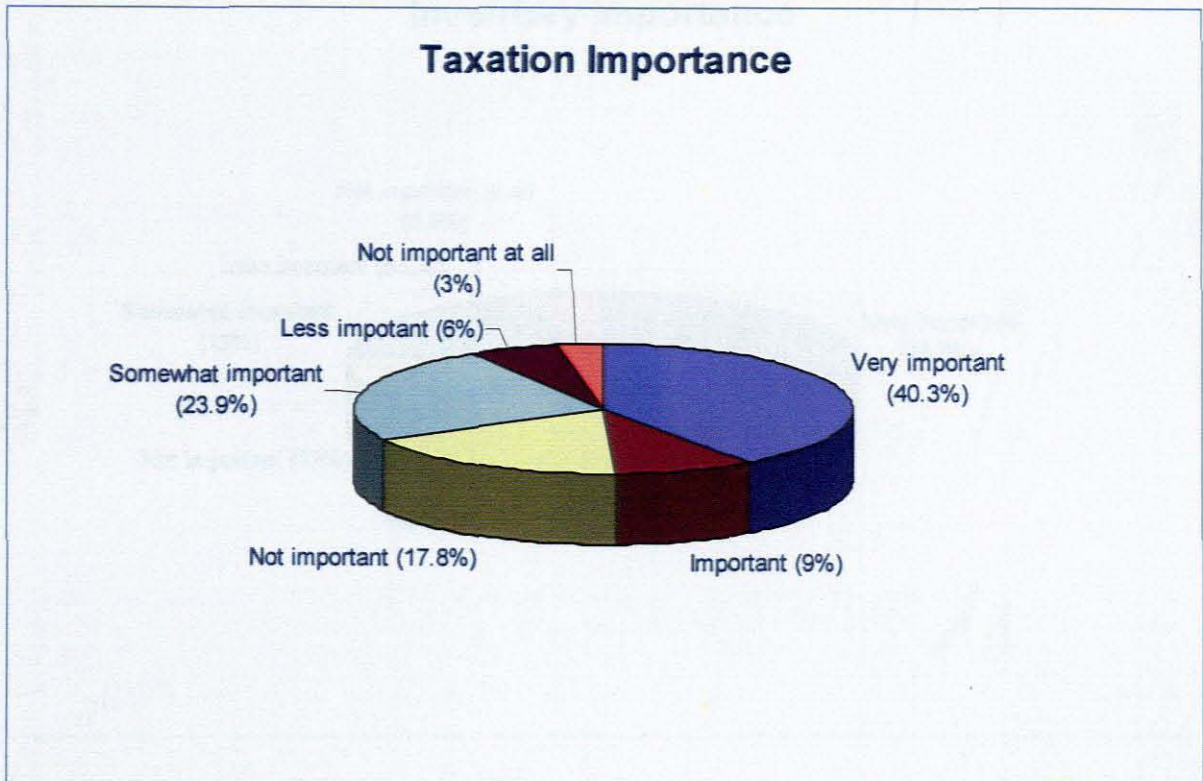


Figure 4.11: Taxation importance

The results show that 49.3 percent of respondents indicated that this technique was important. Of this 43.3 percent, 40.3 found this technique very important and 9 percent said it was important to the business. A point to note is that 23.9 percent showed uncertainty in respect of the importance of this technique. Marketers should be aware of this technique as they use the Value Added Tax (VAT) system on a daily basis when calculating the final prices of products. The other aspect of tax that can be of interest to marketers is Income Tax which affects their livelihood.

4.7.6 The importance of Inventory

The figure below illustrates the importance of Inventory as a financial technique to marketing and sales staff in the SMEs.

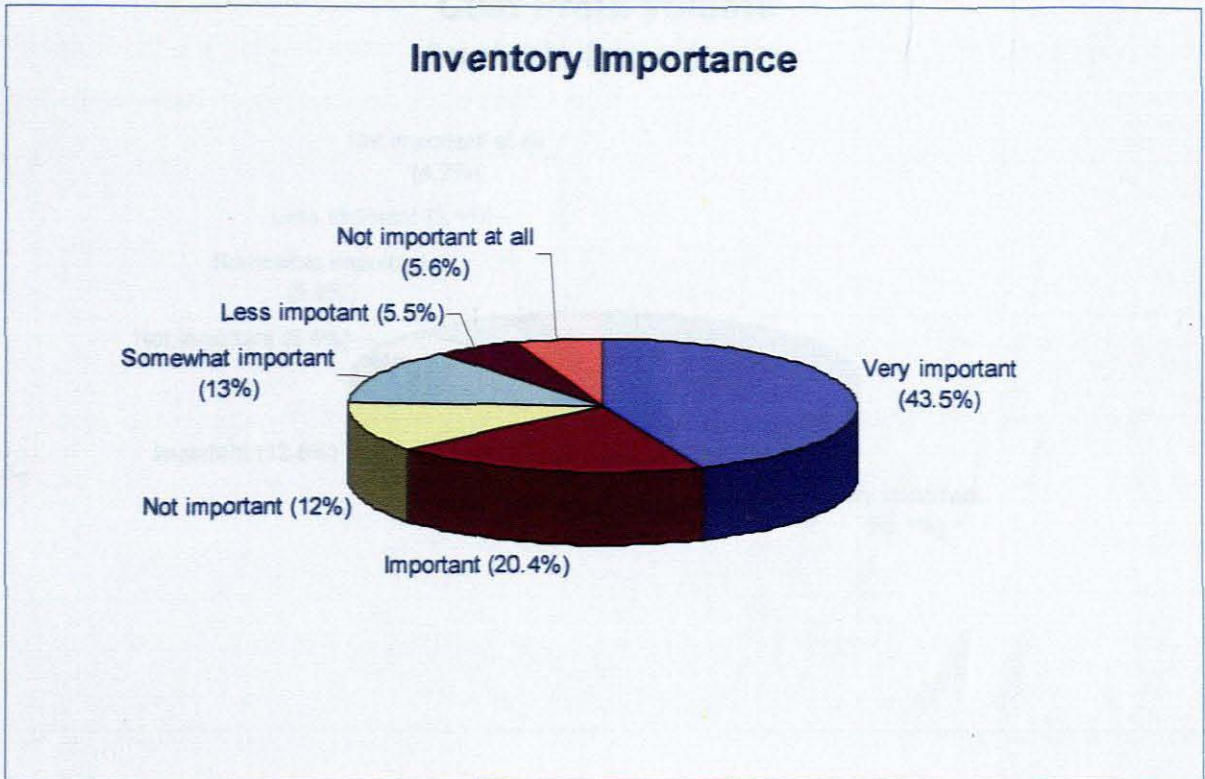


Figure 4.12: Inventory importance

Of the sample population 63.9 percent indicated that this technique is important. Of the 63.9 percent, 43.5 percent indicated that this technique was very important and the balance of 20.4 percent indicated it was important. The rate of uncertainty was 13 percent. Marketers need to stay abreast of the most important factors of production which are demand and supply of products. By using this technique marketers are able to monitor stock levels which will ensure that clients are not disappointed by stock shortages.

4.7.7 The importance of Cost Profit Volume Analyses

The figure below illustrates the importance of Cost Profit Volume Analyses as a financial technique to marketing and sales staff in the SMEs.

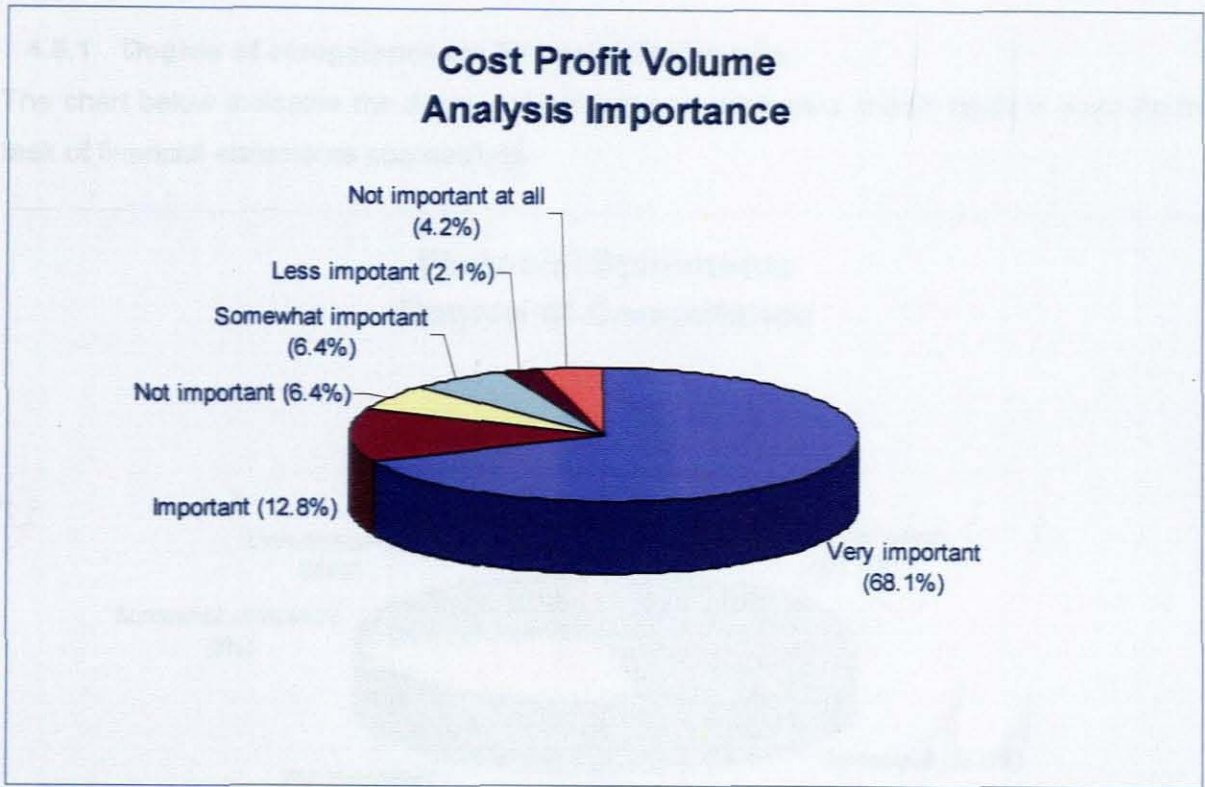


Figure 4.13: Cost profit volume analysis importance

This technique yields a high degree of importance. The results indicated that 80.9 percent of the respondents said that this technique was important. Of the 80.9 percent, 68.1 percent indicated that this technique was very important and the balance of 12.8 percent indicated it was important. The level of uncertainty was a low of 6.4 percent. It is the responsibility of a marketer to make sure that the product is sold at the right price after considering all the cost and expenses. They also have the potential to maximise profits by providing customers with special price offers, while monitoring production to make sure stocks are available.

4.8 The final set of questions that appeared in each section was:

Indicate the degree of competence marketers should have to execute these financial techniques successfully. It was a rated question where respondents had to indicate by using a scale of 1 to 6 see Annexure A. The results are illustrated in the charts that follow.

4.8.1 Degree of competence for Financial Statements

The chart below indicates the degree of competence marketers should have to execute the task of financial statements successfully.

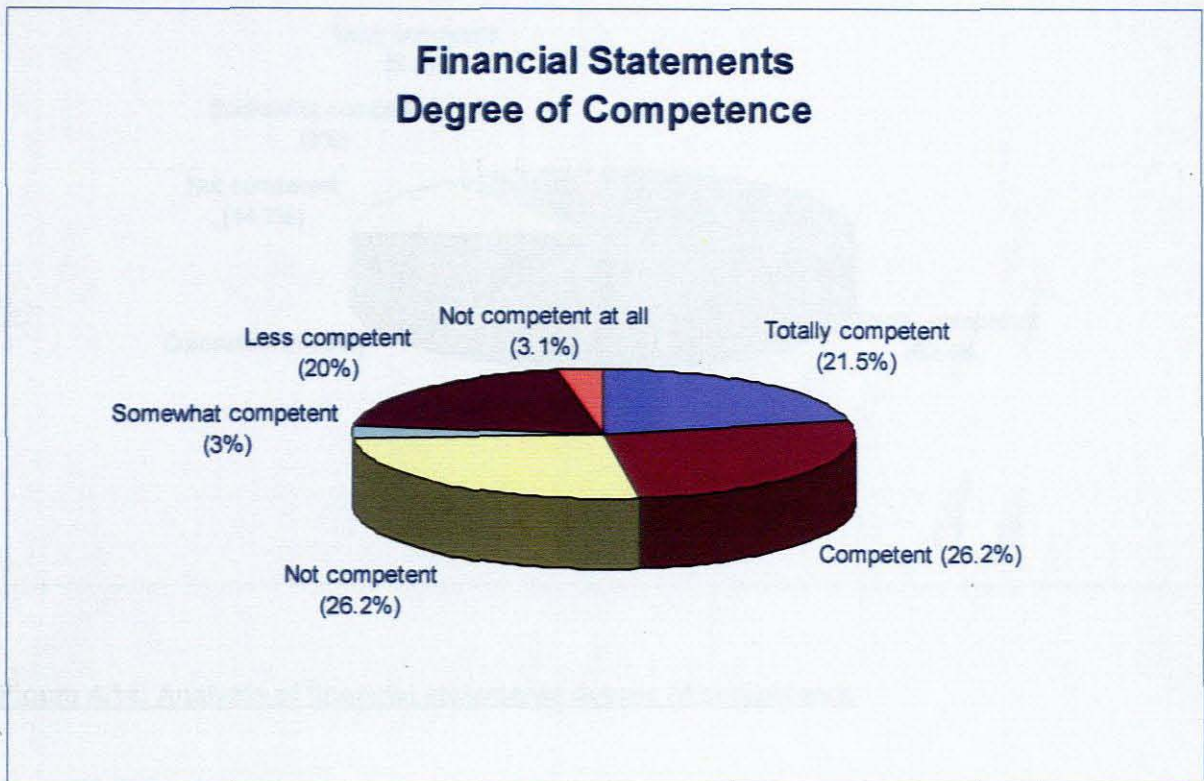


Figure 4.13: Financial statements degree of competence

In the above figure 47.7 percent of the respondents indicated that marketers need to be competent to execute this technique. Of the 47.7 percent, 21.5 percent said that students should be totally competent and 26.2 percent said that marketers should be competent to execute this technique. The rate of uncertainty was 3 percent and therefore 49.3 percent have indicated that the marketer does not need competence to use this technique.

As mentioned before and keeping in mind the importance of financial statements in Figure 4.12 it can be said that it is not expected for marketers to be competent for this technique as the SMEs outsource this function to an outside accountant

4.8.2 The degree of competence required for the Analyses of Financial Statements

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

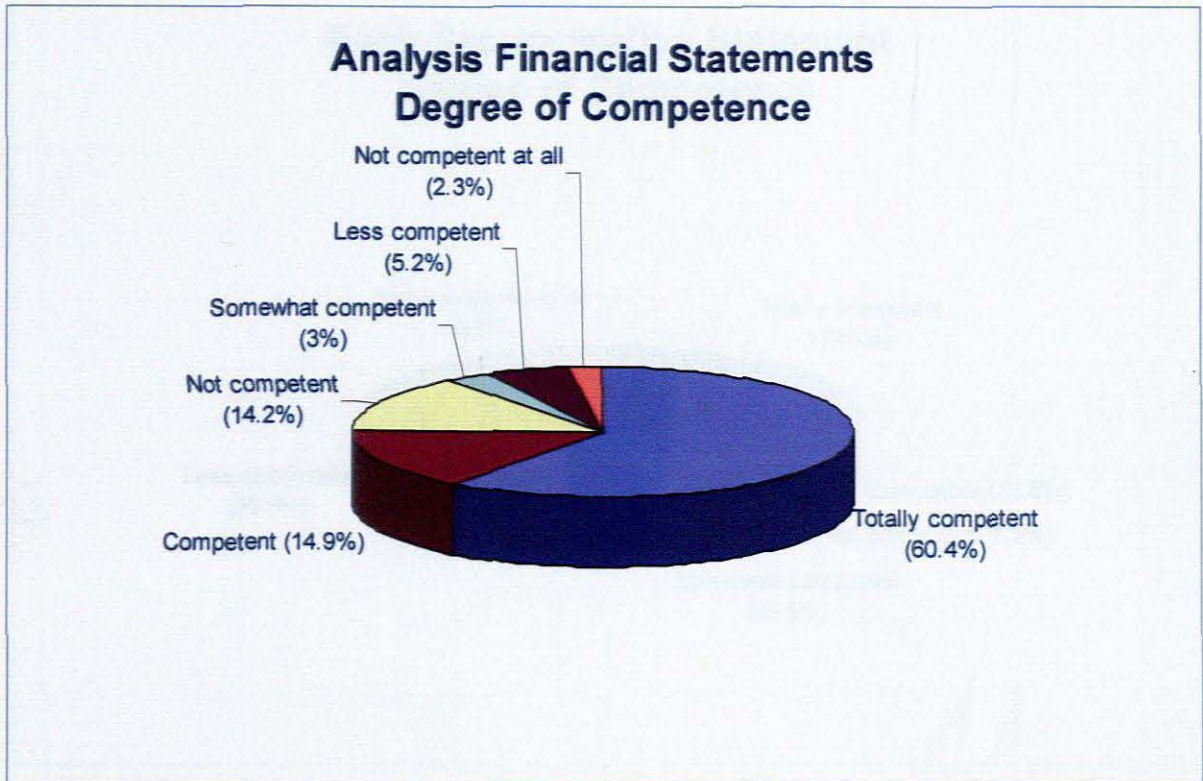


Figure 4.14: Analysis of financial statements degree of competence

The response from the sample population indicated 75.3 percent expected marketers to be competent to execute this technique successfully. Of the 75.3 percent, 60.4 percent indicated total competency and 14.9 percent competent. The rate of uncertainty was 3 percent.

This technique was also rated as important in figure 4.5 and therefore marketers are expected to be competent to utilise this technique successfully. As previously mentioned, marketers should be able to analyse financial statements rather than compile them.

4.8.3 The degree of competence required for the Bank Reconciliation

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

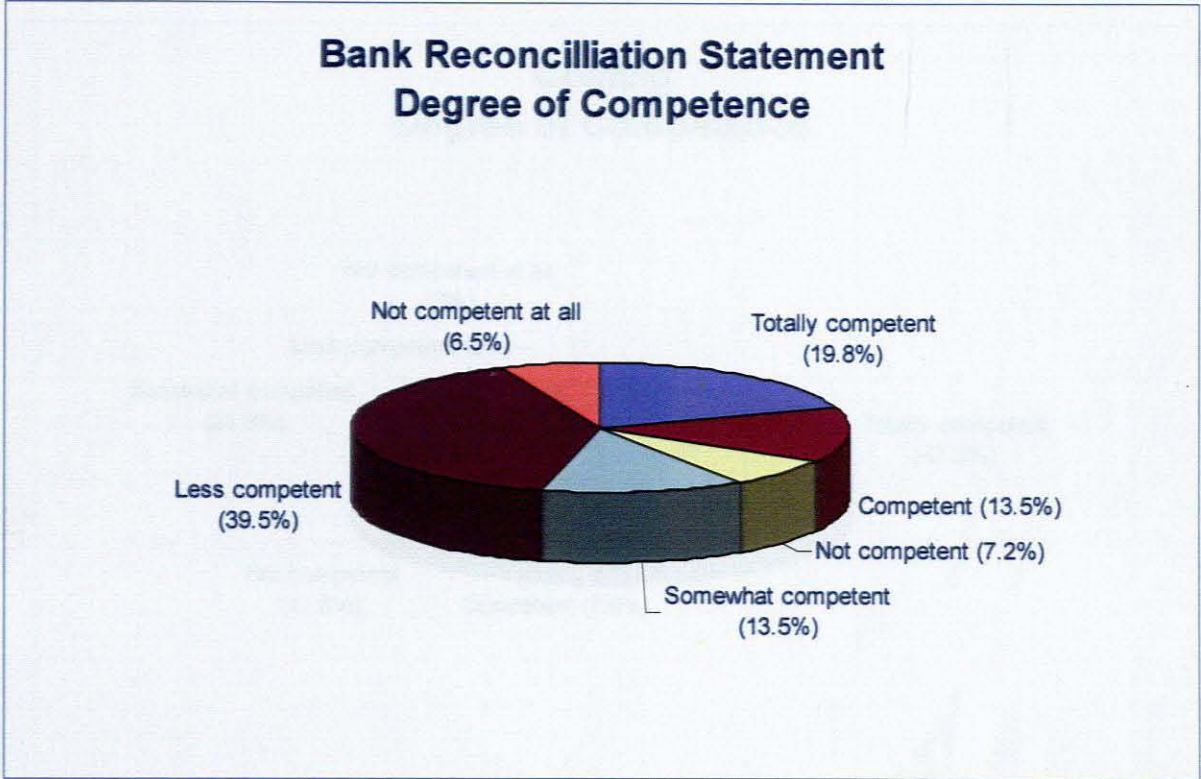


Figure 4.15: Bank reconciliation statement degree of competence

The results indicate that 33.3 percent of the respondents rated that students need to be competent. Of the 33.3 percent 19.8 percent said they should be totally competent and 13.5 percent said they should be competent. The rate of uncertainty was 13.5 percent. As indicated in 4.6, 56 percent rated this technique as not important and stated that this technique was executed by the SME accounts department. Therefore the marketer does not need the competence to complete this financial technique.

4.8.4 The degree of competence required for Costing

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

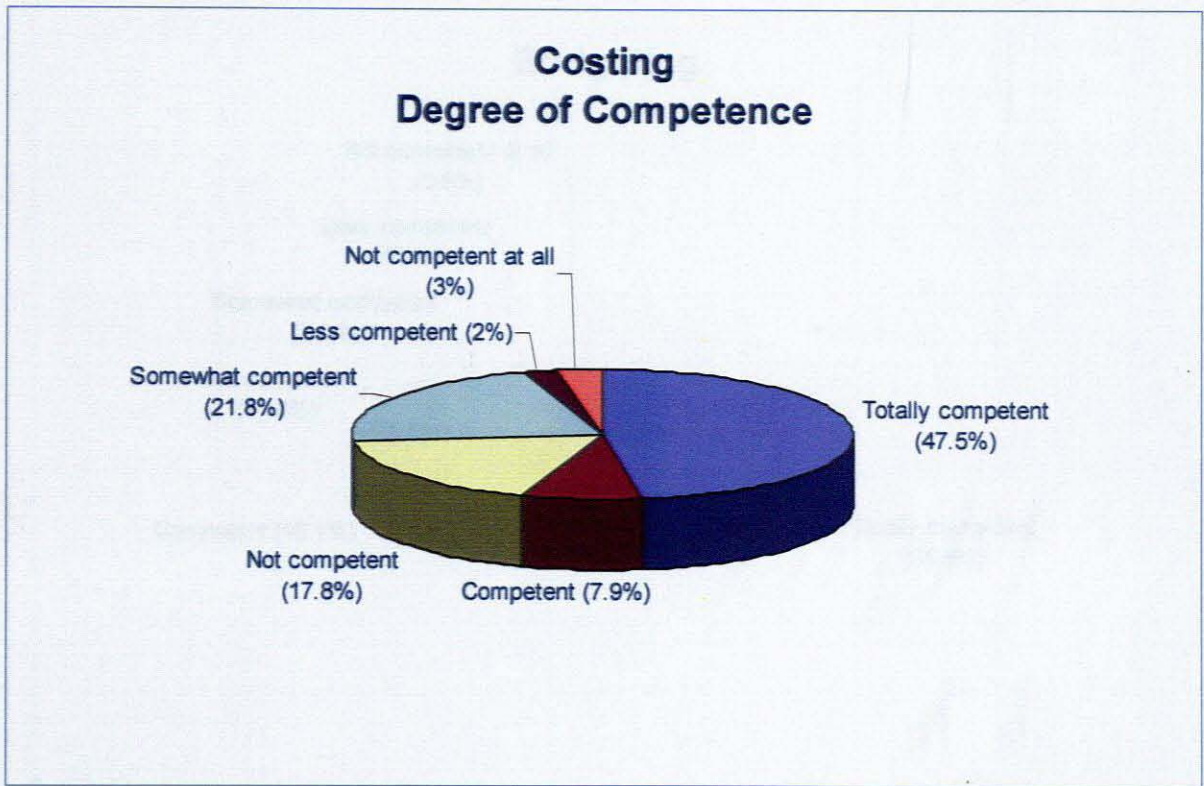


Figure 4.16: Costing degree of competence

The results indicate that 55.4 percent of the respondents rated that marketers need to be competent to successfully utilise this technique. Of the 55.4 percent 47.5 percent indicated that total competence was required and 7.9 percent indicated that marketers needed to be competent. The rate of uncertainty was 21.8 percent where respondents felt that marketers needed to be somewhat competent. This technique was rated as important in figure 4.7, where 75.8 percent of the respondents indicated the importance of this technique. Marketers need an extensive amount of knowledge on the cost of the products that are being sold. Costing also affects profitability to a great extent.

4.8.5 The degree of competence required for Budgeting

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

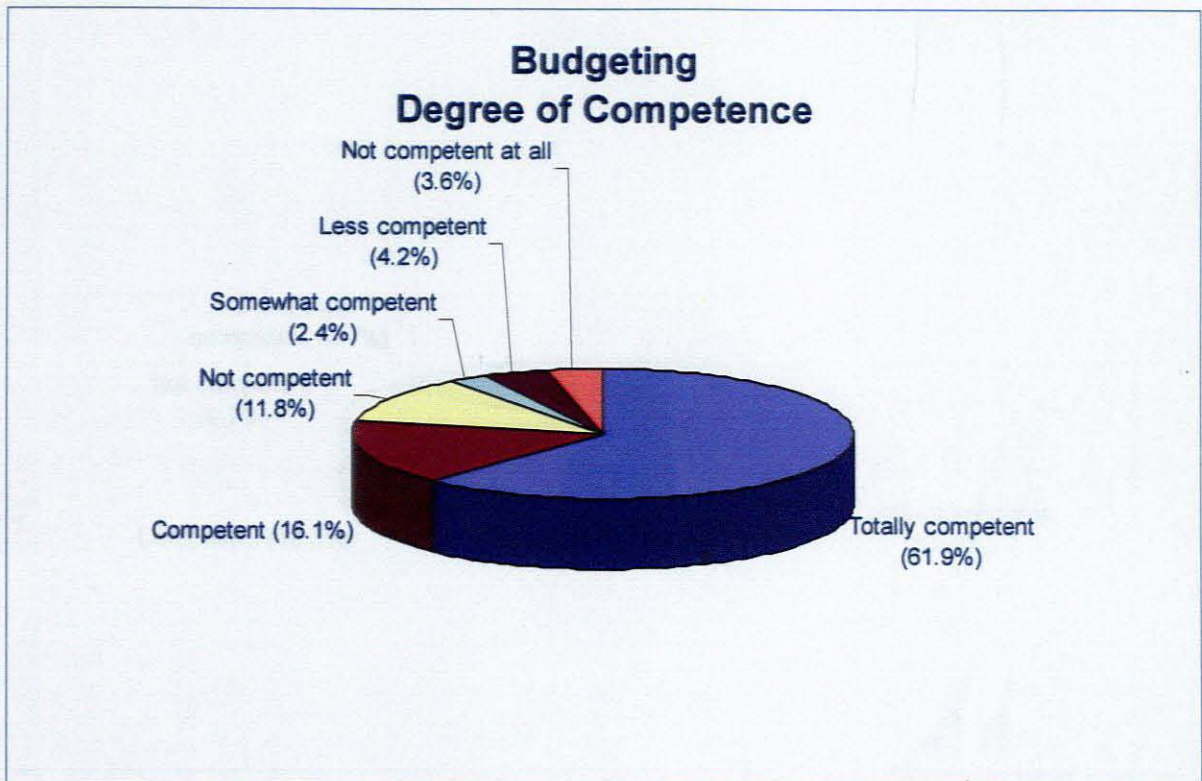


Figure 4.17: Budgeting degree of competence

From the results one can clearly see that budgeting is of utmost importance as a financial technique. The results indicate that 78 percent of the respondents indicated that marketers need to be competent to carry out this financial technique successfully. Of the 78 percent 61.9 percent indicated total competence and the balance of 16.1 percent rated competence. The rate of uncertainty was a low 2.4 percent. Budgets are used in various departments in a business. Marketers will utilise sales and production budgets regularly to ensure that they achieve the target levels set in these budgets. This technique is an essential tool in any business.

4.8.6 The degree of competence required for Pricing

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

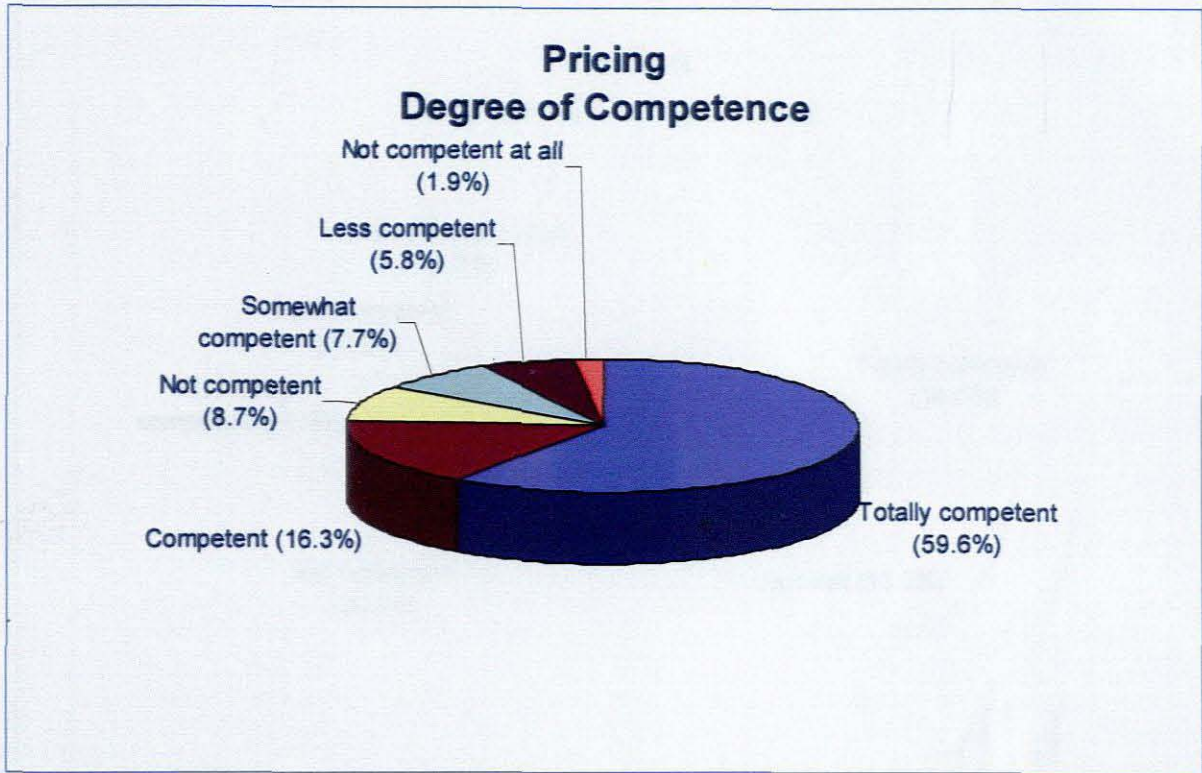


Figure 4.18: Pricing degree of competence

Of the sample population 76 percent indicated that marketers need to be competent to execute this technique successfully. Of the 76 percent 59.6 percent indicated total competence and 16.3 indicated competence. Marketers should know the pricing systems that are used and discounts that can be offered so that the product is offered to the clients at the right price. Marketers should be aware of the competitors and the prices offered in the market.

4.8.7 The degree of competence required for Taxation

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

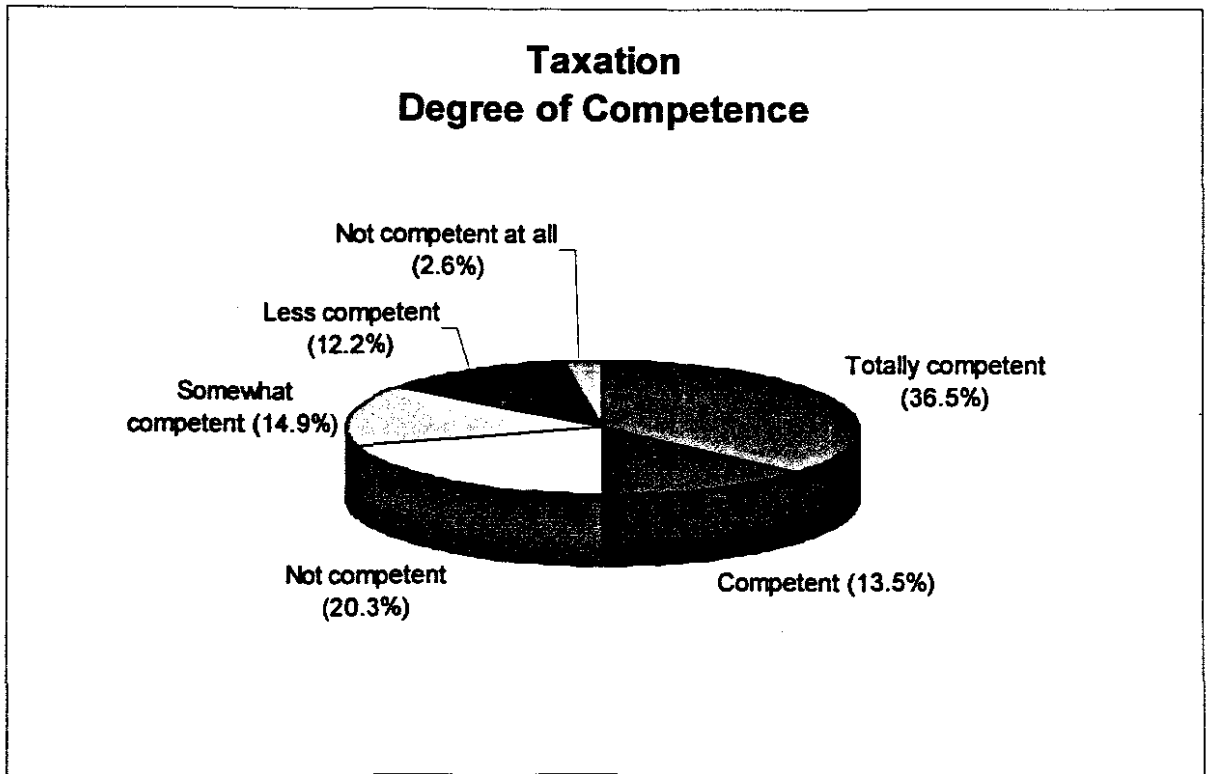


Figure 4.19: Taxation degree of competence

Fifty percent of the respondents indicated that marketers need to be competent to execute this technique successfully. Of the 50 percent 36.5 indicated total competence and 13.5 competence. The rate of uncertainty was 14.9 percent. Two types of taxes that most people in industry are aware of are personal income tax and value added tax (VAT). Marketers should be competent to a certain degree as VAT calculations are important before quoting final prices to clients. A basic knowledge of taxation is required by marketers.

4.8.7 The degree of competence required for Taxation

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

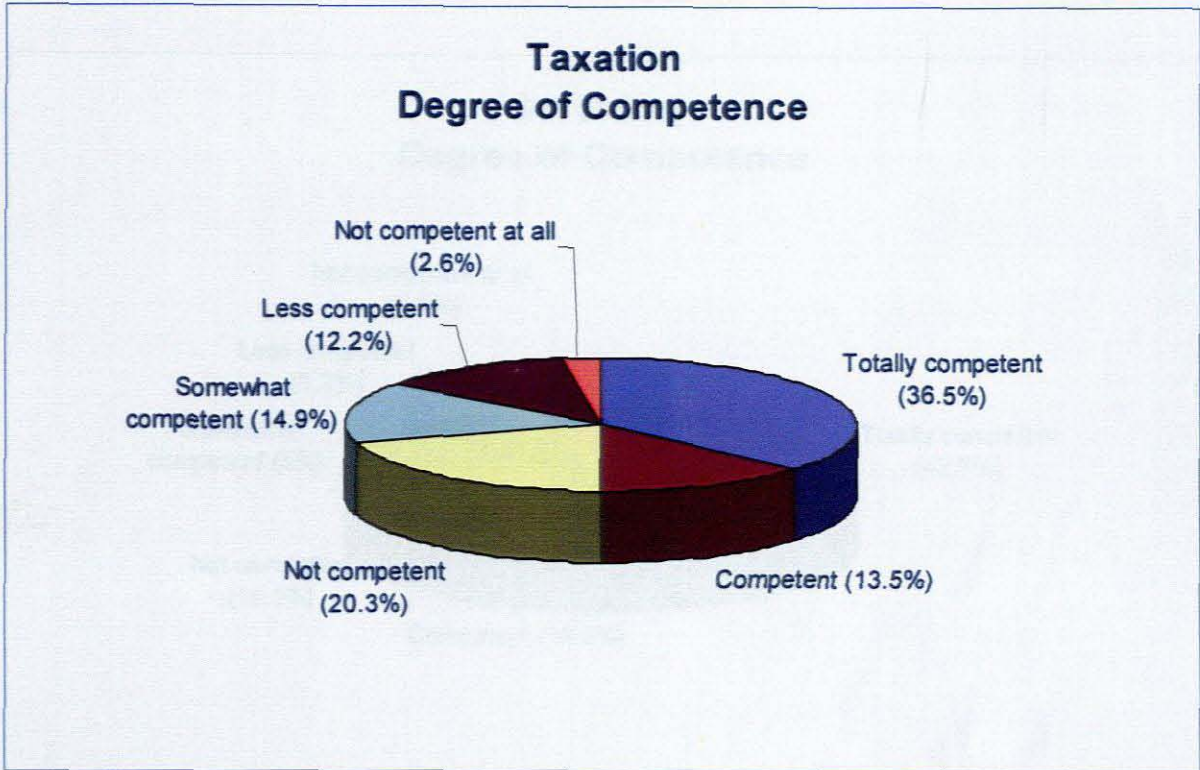


Figure 4.19: Taxation degree of competence

Fifty percent of the respondents indicated that marketers need to be competent to execute this technique successfully. Of the 50 percent 36.5 indicated total competence and 13.5 competence. The rate of uncertainty was 14.9 percent. Two types of taxes that most people in industry are aware of are personal income tax and value added tax (VAT). Marketers should be competent to a certain degree as VAT calculations are important before quoting final prices to clients. A basic knowledge of taxation is required by marketers.

4.8.8 The degree of competence required for Inventory

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

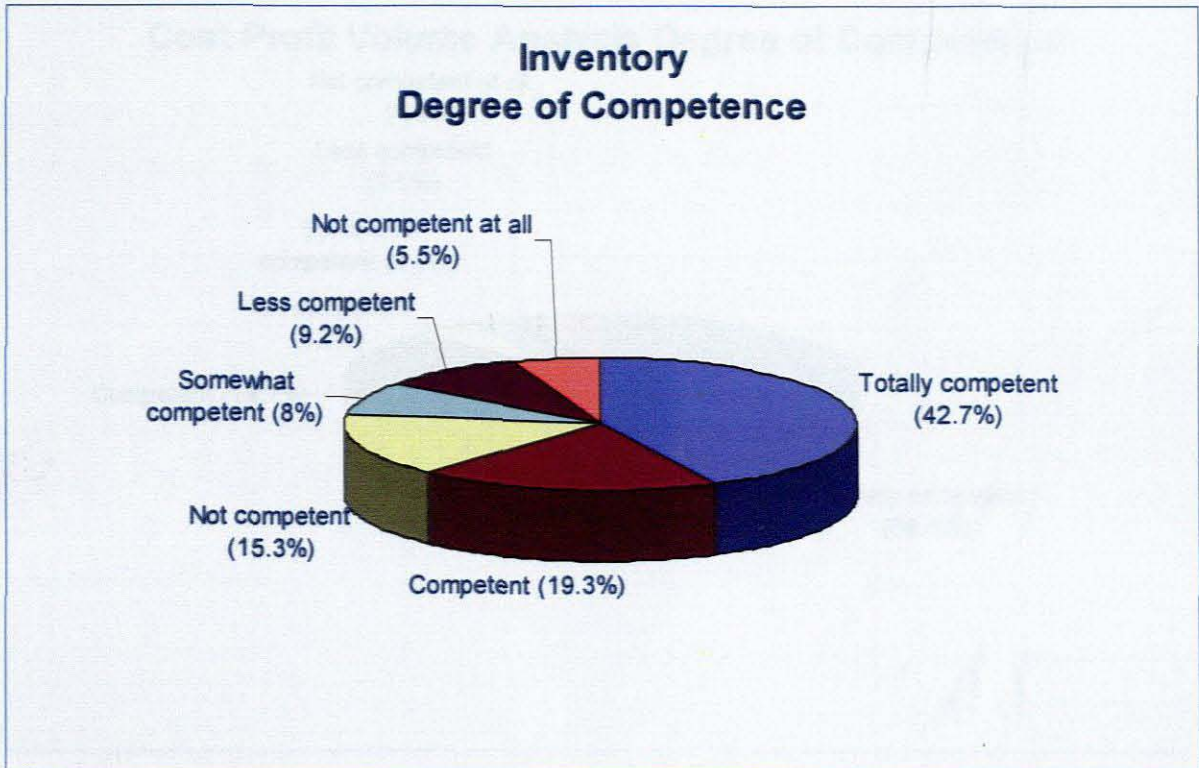


Figure 4.20: Inventory degree of competence

It can clearly be seen that competence required in this technique is extremely important. The results show that 62 percent of the respondents indicated that marketers need to be competent to execute this technique successfully. Of the 62 percent, 42.7 percent indicated total competence and 19.3 percent indicated competence, the rate of uncertainty was 10 percent. Inventory in more common terms means stock. Marketers should have records of stock levels at all times so that they can ensure that supply for the product will meet demand. It is the responsibility of the marketer to inform management of either stock shortages or excessive stock levels.

4.8.9 The degree of competence required for Cost Profit Volume Analyses

The chart that follows illustrates the degree of competence required by marketers to execute this technique successfully.

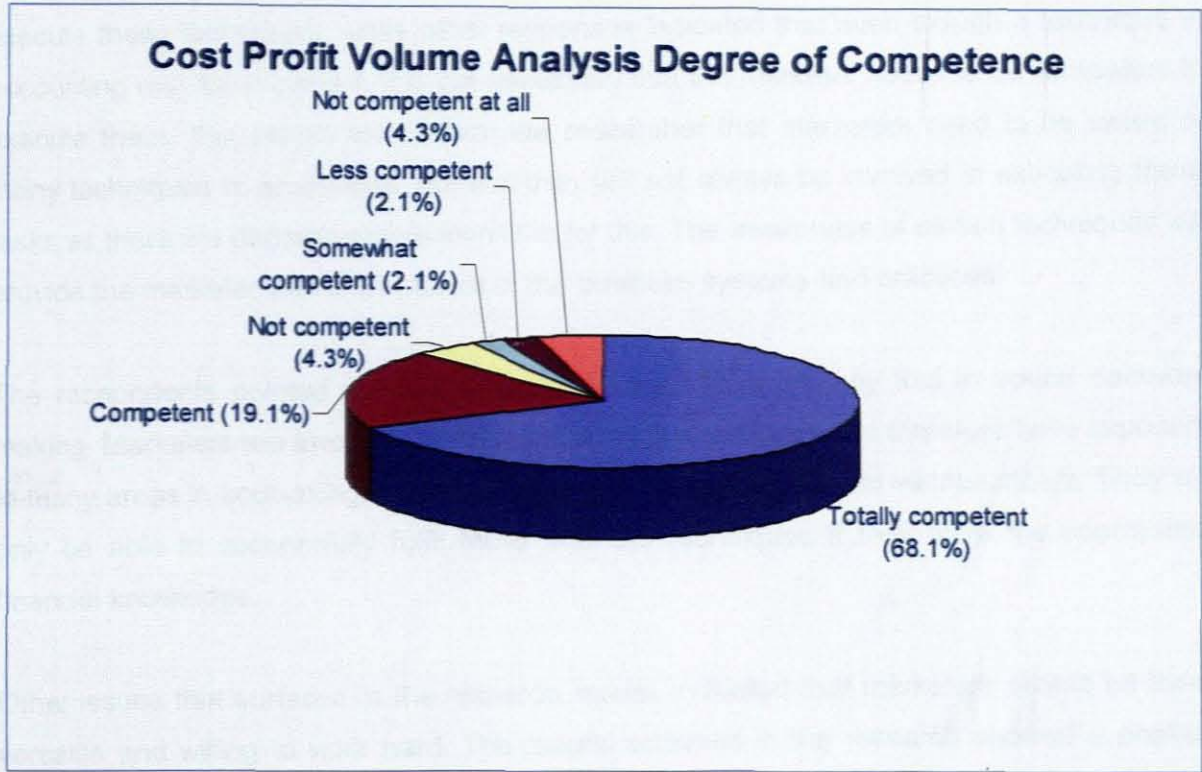


Figure 4.21: Cost profit volume analysis degree of competence

One can visually see the importance of this technique. The results indicated that 87.2 percent of the respondents felt that marketers needed to be competent to execute this technique successfully. Of the 87.2 percent, 68.1 percent rated total competence and 19 percent competence. The rate of uncertainty was only 2.1 percent. Marketers use this technique to explore means of maximising profits by manipulating areas like costs and production.

4.9 Conclusion

All the SMEs in the sample population agreed that every marketing student should have a degree of financial knowledge in order to be employable. The responses indicated that some techniques in accounting are very important and demand competence by marketers to execute these techniques, while other responses indicated that even though a technique in accounting may be important, it is not necessary that the marketer needs to be competent to execute them. The results also inform the researcher that marketers need to be aware of many techniques in accounting, but that they will not always be involved in executing these tasks as there are departments responsible for this. The awareness of certain techniques will provide the marketer with a full picture of the business systems and practices.

The respondents pointed out that financial knowledge is the key tool in sound decision-making. Marketers are involved in many activities in a business and therefore have exposure to many areas in accounting, namely, Budgets, Pricing, Costing and various others. They will only be able to successfully fulfil these financial techniques if they have the appropriate financial knowledge.

Other issues that surfaced in the research results indicated that marketers should be more versatile and willing to work hard. The results achieved in the research showed a positive impact on the current financial knowledge that marketing students at CPUT have.

CHAPTER 5

RECOMMENDATIONS AND CONCLUSIONS

5.1 INTRODUCTION

The literature review and the findings of the questionnaire completed and collected by the author support the notion that financial knowledge is vital for marketers in small and medium enterprises (SMEs).

The findings also emphasised that some techniques in accounting are more important than others and a degree of competence by marketers is essential to ensure that the technique is executed successfully. The subject Accounting for Marketers at CPUT is compulsory as it not only creates financial awareness but also installs a degree of competence for marketing students to successfully execute financial techniques that are currently used in businesses.

5.2 CONCLUSIONS

The research results are based on the response from the 15 SMEs to a comprehensive questionnaire conducted by the author.

5.3 Conclusions based on Introductory Questions

It can be established that feedback from the respondents is extremely important and valid for this research as most of the respondents are highly skilled in all areas of the business. Marketers are versatile individuals and can play a role in almost any type of business as it is the correct attitude and knowledge that make them successful.

The sample population is currently affiliated with CPUT via the Department of Co-operative Education and therefore it was not difficult to establish a link between these SMEs and the marketing department. Because these SMEs have participated in the experiential training programme it would be appropriate to engage these businesses as part of the advisory board meeting. The advisory board meeting takes place twice a year where individuals from industry and the marketing department at CPUT meet to discuss any challenges that students face when in the working environment. Many of these SMEs not only provide training but also offer students employment on a permanent basis. SMEs form an important part of the economy and therefore their feedback is important.

5.4 Conclusion and Recommendation pertaining to Financial Statements

The task of compiling Financial Statements has been outsourced in most cases. It is important that marketing students are aware of these financial statements and what they entail. By compiling them in practical examples, students become familiar with the various components that constitute these financial statements. However, an entire semester is currently spent on this section within the course, Accounting for Marketers. It is proposed that less time be spent on this section to accommodate another technique that was rated important but is not covered in the syllabus

5.5 Conclusion and Recommendations on the Analyses of Financial Statements

The results indicate that most of the respondents rated this technique as important and that marketers need a degree of competence to execute this technique successfully.

This technique is currently a part of the accounting for marketer's course. It is covered very extensively where students use formulae as stated in chapter 4 (4.6.2) and therefore will remain a part of the syllabus as it was also rated as important by the sample population and is therefore viewed as an essential component of an accounting syllabus for marketing students as determined by the SMEs.

5.6 Conclusion and Recommendation on the Bank Reconciliation Statement

This financial technique is currently being used in the SMEs but is executed by the debtors and creditors control departments. Statements received from the bank are reconciled with the business records of all debits and credits that occurred for that particular month to check for that all payments were made and received and for any errors or omissions.

This technique is not currently part of the accounting syllabus for marketers and since marketers will not be using this technique, pricing which was rated as an important technique will be incorporated within the accounting syllabus instead.

5.7 Conclusion and Recommendation on the Costing

Cost profit volume analysis is one of the other importantly rated techniques in this research. In this section, marketing students are faced with scenarios to ensure that all costs (variable and fixed costs) are covered. It therefore can be posited that costing as described in **Annexure B** is not suitable for marketing students. Costing is a specialised area with a

separate, specific qualification at CPUT. Costing therefore is not suitable for marketing students and therefore will not be further investigated for the purpose of the subject Accounting for Marketers. Students will however gain knowledge on how the costs of products are calculated in the Cost profit volume analysis section.

5.8 Conclusion and Recommendation on Budgeting

In the accounting course for marketers, comprehensive examples of different budgets are dealt with so that students understand the principles and concepts of this area. One cannot supply the student with a set template of a specific budget as different businesses use varied layouts. A production companies budgets will differ greatly from an advertising agency's budget and therefore a general layout cannot be given to marketing students. If basic principles and concepts have been outlined, students should be able to utilise their knowledge to successfully execute the task of completing the allocated budgets when in the working environment. Budgets are also covered very extensively in the B-tech Marketing degree where students visit businesses to view their budget layout and specifications. They then also compile a sales, production and cash budget. Budgets are covered in the accounting syllabus for marketers and therefore confirmed as an essential component of an accounting syllabus as determined by SME needs and specifications.

5.9 Conclusion and Recommendation on Pricing

From the above results it can be deduced that pricing is extremely important to marketers. This section is currently not part of the syllabus of Accounting for Marketers, yet marketing students touch on this section in Marketing, their major subject. The extent to which this section is covered, in the researchers opinion is not thorough enough and therefore this section will be incorporated as part of the accounting syllabus for marketing students. This will be a module that will form part of the first semester for 2008.

5.10 Conclusion and Recommendation on taxation

A basic knowledge of taxation is required by marketers. Marketers are specialist and therefore would need a basic background in taxation. Detailed knowledge of taxation is not required in their job description. An introductory basic section on taxation will be considered as part of the syllabus in future as it needs to be noted that the effects of taxation can be a significant factor in the real world.

5.11 Conclusion and Recommendation on Inventory

Inventory is rated as important and it is established that marketers need a fair degree of competence for this activity in the business. Currently there are five sections in the accounting syllabus that deal with stock in various respects. These are the Profit and Loss statement, Financial Statements, Analyses of Financial Statements, Budgets and Cost Profit Volume Analyses.

It can therefore be deduced that marketing student are exposed to a good amount of knowledge about the function of inventory and therefore this area is determined as an essential component of a accounting syllabus by the sample of SMEs.

5.12 Conclusion and Recommendation on Cost Profit Volume Analyses

This section showed a great degree of importance and competence by the sample population. This section is currently covered to a great extent as it forms two-thirds of the second semester of the accounting course for marketing students. It can therefore be confirmed that this section is viewed as an essential component of an accounting syllabus for Marketing students, as determined by the sample SME

5.13 Final Recommendations

1. The sample SMEs participate in the experiential training programme, where they allow students from CPUT to train for a period of three months and therefore their feedback is very important. It would be appropriate to build links with these businesses and make them a part of the advisory board of the Marketing department at CPUT.
2. It was established that marketing students need not be competent to execute the task of financial statements as this task has been outsourced to a private accountant in most businesses. Time spent on this section in the classroom is far too long and it is proposed that students will cover this section but in a shorter span of time. Pricing which was one of the vital rated techniques that is not currently included in the syllabus will be incorporated in the remainder of the time to add more value and relevance to the accounting course for Marketing students.
3. Pricing was indicated as a very important section. This section will be incorporated within the course as marketing students are not obtaining enough knowledge with

regard to this area in accounting. This section can be accommodated in the first semester due to the proposed reduction of time spent on financial statements.

4. The lecturer must present the student with various examples of budgets so that the student can apply the basic concepts in different formats so that the basic principals are understood.

5.13 Conclusion

It can be ascertained from this study that financial knowledge is crucial for marketers when in industry. The extent to which they need to be competent to apply the financial techniques used in a business has been established in this study. Most of the areas that were highlighted as important are currently a part of the accounting syllabus for marketing students. The component that was indicated as important but not covered as part of the syllabus will be incorporated in the accounting syllabus before the new academic year. Feedback received from industry is very important as it also provides a guide to tertiary institutions in grooming graduates.

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ANNEXURE A

10 September 2007

Dear Sir / Madam

I am conducting research on the relevance of the current Accounting Syllabus for Marketing students in meeting the requirements of small and medium enterprises (SMEs). Your contribution is essential to ensure that SME views are fully represented in this Cape Peninsula University of Technology Masters study. ***Your input is vital and it will be appreciated if I can get your response. You are welcome to give the questionnaire to any other colleague who can complete it for me.***

I will take approximately take 10 minutes of your time to complete the questionnaire. If you would like to respond to the questionnaire via e- mail you are welcome to do so. I have time constraints and therefore would be grateful if I can have the questionnaire completed by Friday 14 September 2007.

Your answers will be treated confidentially and will be used in summarized form (with answers of other respondents) to enable the formulation of recommendations to help bridge gaps between education and industry requirements.

For your attention: two rating scales were used in the questionnaire

1. where:

1	Extremely unimportant
2	Very unimportant
3	Unimportant
4	Important
5	Very important
6	Extremely important

2. where:

1	Extremely incompetent
2	Very incompetent
3	Incompetent
4	Competent
5	Very competent
6	Extremely competent

This will aid in answering the questionnaire and delete ambiguity. If you have any queries do not hesitate to mail or call me.

Thank you for your time and contribution to the field of Marketing and the subject Accounting for Marketers at CPUT.

Regards

Nayeema Bray Department of Marketing
e-mail: brayn@cput.ac.za Tel. 021 4603611
Cell: 072 380 8042

Questionnaire number:-

• Project Leader: N. Bray • CPUT • 021 460 3611 •

Name of business	
Physical address	
Contact number	
Email address:	
Name of person interviewed	
Job title	
Highest qualification for incumbent:	

Please provide me with your Job description:

Q.1 Post level

Executive management	-1
Senior management	-2
Middle management	-3
Supervisory	-4
Senior marketing / sales position	-5
Marketing / sales position	-6
Junior marketing / sales position.	-7
Technical position in marketing field e.g. IT	-8

Q.2 Nature of business

Q.3 Number of years the business is in existence

Less than 2 years	-1
2 to < 5 years	-2
5 to 10 years	-3
10 to 20 years	-4
20 years +	
Uncertain / cannot tell	

Q.4 Number of employees in business

One (sole proprietor)	-1
Two to three employees	-2
Four to five employees	-3
Six to ten employees	-4
11 to 20 employees	-5
20 to 50 employees	-6
51 to 100 employees	-7
101 to 500 employees	-8
500 to 1000 employees	-9
1000+ employees	-10
Uncertain / cannot tell	-11

Q.5 Number of employees in marketing / sales department / branch

One (sole proprietor)	-1
Two to three employees	-2
Four to five employees	-3
Six to ten employees	-4
11 to 20 employees	-5
20 to 50 employees	-6
50 to 100 employees	-7
100 + employees	-8

Q.6 How appropriate do you think is it for potential marketing students graduates to have *financial knowledge in the working environment*? Substantiate fully.

The following questions (Q. 7 to Q.60) relate to your awareness and usage of financial statements and techniques in your business environment.

SECTION A

Q.7	Are you aware of FINANCIAL STATEMENTS i.e. where the business prepares statements to determine financial results and its position as a financial technique?	Yes	-1	
		No	-2	➔GO TO PAGE 5 SECTION B

- Q.8** Which of the following financial techniques with regards to FINANCIAL STATEMENTS are you aware of?
- Q.9** Which of these financial techniques (that you are aware of) have you *ever* used in your marketing / sales career?
- Q.10** Which of these financial techniques are you currently using?
- Q.11** Use a 6 point rating scale where 1 = not important at all, 2=somewhat not important, 3= and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management?
- Q.12** Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

FINANCIAL STATEMENTS techniques	Description	Q. 8		Q. 9		Q. 10		Q. 11						Q. 12					
		1	2	1	2	1	2	1	2	3	4	5	6	1	2	3	4	5	6
Cash receipt journal		-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6			
Cash payment journal		-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6			
Post to the ledger		-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6			
Trial balance preparation		-4	-4	-4	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6			
Closing of transfers		-5	-5	-5	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6			
Income statement		-6	-6	-6	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6			
Balance sheet		-7	-7	-7	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6			
Other(*)		-8	-8	-8	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6			

7. Any other skills and competencies not mentioned here (FINANCIAL STATEMENTS) that you feel are important for a marketer to have?

SECTION B

Q.13 Are you aware of ANALYSIS OF FINANCIAL STATEMENTS i.e. ratio analysis – tools used for identifying trends toward better or poorer performance in a business as a financial technique?	Yes	-1	
	No	-2	➔GO TO PAGE 6 SECTION C

Q.14 Which of the following financial techniques with regards to ANALYSIS OF FINANCIAL STATEMENTS are you aware of?

Q.15 Which of these financial techniques (that you are aware of) have you ever used in your marketing / sales career?

Q.16 Which of these financial techniques are you currently using?

Q.17 Use a 6 point rating scale where 1 = not important at all, and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management?

Q.18 Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

1. ANALYSIS OF FINANCIAL STATEMENTS techniques	Description	Q. 14		Q. 15		Q. 16		Q. 17						Q. 18							
Current Ratio	Measure short term solvency	-1	-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6				
Quick Acid Ratio	To test if the business can meet its current obligations with quick funds on hand	-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
Current Liability To Owners Equity	Evaluating financial conditions by comparing what is owed and what is owned.	-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
Fixed Assets To Tangible Net-Worth.	Shows the relationship between investment in total assets and the owner's capital.	-4	-4	-4	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
Total Debt To Owner's Equity	Measures what is owed to what is owned.	-5	-5	-5	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
Stock Turnover Ratio	Determine whether the rate is acceptable	-6	-6	-6	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
Debtor's Collection Period	How promptly outstanding accounts are being collected	-7	-7	-7	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
Creditors Payment Period	How promptly outstanding accounts are settled	-8	-8	-8	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
Gross Profit Margin	Profitability should be the business's main objective	-9	-9	-9	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
Net Profit Ratio	Measures the difference between Gross Income and what is spent in the process of	-	-	-	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6					
		10	10	10																	

	conducting business															
Other(*)		-	-	-	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
		11	11	11												

13. Any other skills and competencies not mentioned here (ANALYSIS OF FINANCIAL STATEMENTS) that you feel are important for a marketer to have?

SECTION C

Q.19 Are you aware of BANK RECONCILIATION STATEMENT i.e. to assess that bank’s records and business books has the same information with regards to transactions that took place as a financial technique?	Yes	-1	
	No	-2	➔GO TO PAGE 7 SECTION D

- Q.20** Which of the following financial techniques with regards to BANK RECONSILIATION STATEMENT are you aware of?
- Q.21** Which of these financial techniques (that you are aware of) have you *ever* used in your marketing / sales career?
- Q.22** Which of these financial techniques are you currently using?
- Q.23** Use a 6 point rating scale where 1 = not important at all, and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management?
- Q.24** Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

BANK RECONSILIATION STATEMENT techniques	Description	Q. 20	Q. 21	Q. 22	Q. 23						Q. 24					
	Prepare a bank reconciliation between internal and external records (bank and creditors)	-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Prepare bank reconciliation between control accounts and debtors and creditors lists	-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Other(*)	-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6

19. Any other skills and competencies not mentioned here (BANK RECONCILIATION STATEMENT) that you feel are important for a marketer to have?

SECTION D

Q.25 Are you aware of COSTING i.e. financial tools used in determining a carrying value for a product or service as a financial technique?	Yes	-1	
	No	-2	➔GO TO PAGE 8 SECTION E

Q.26 Which of the following financial techniques with regards to **COSTING** are you aware of?

Q.27 Which of these financial techniques (that you are aware of) have you *ever* used in your marketing / sales career?

Q.28 Which of these financial techniques are you currently using?

Q.29 Use a 6 point rating scale where 1 = not important at all, and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management.

Q.30 Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

COSTING techniques	Description	Q.	Q.	Q.	Q.						Q.					
		26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
	Classification of direct and indirect costs	-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Shared costs between cost centres	-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of absorption rates suitable	-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of total product cost	-4	-4	-4	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of period costs	-5	-5	-5	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of material costs	-6	-6	-6	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of labour costs	-7	-7	-7	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of activity based costing	-8	-8	-8	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Other (*)	-9	-9	-9	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6

25. Any other skills and competencies not mentioned here (COSTING) that you feel are important for a marketer to have?

SECTION E

Q.31 Are you aware of BUDGETING i.e. in normal and financial terms and in more general terms, which extends forward for a period into the future as a financial technique?	Yes	-1	→GO TO PAGE 9 SECTION F
	No	-2	

Q.32 Which of the following financial techniques with regards to BUDGETING are you aware of?

Q.33 Which of these financial techniques (that you are aware of) have you ever used in your marketing / sales career?

Q.34 Which of these financial techniques are you currently using?

Q.35 Use a 6 point rating scale where 1 = not important at all, and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management?

Q.36 Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

BUDGETING techniques	Description	Q.	Q.	Q.	Q.						Q.					
		32	33	34	35	35	35	35	35	35	36	36	36	36	36	36
	Setting objectives	-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Assess alternatives and make decisions	-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Monitor outcomes	-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Redefine objectives and plans	-4	-4	-4	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Preparation of budget statements (small businesses)	-5	-5	-5	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Evaluate critical outcomes against budget plans	-6	-6	-6	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Preparation of sales budget	-7	-7	-7	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Preparation of production budget	-8	-8	-8	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Preparation of direct materials budget	-9	-9	-9	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Preparation of labour budget	-	-	-	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Preparation of expenditure budget	10	10	10	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Preparation of a profit and loss account	11	11	11	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Preparation of balance sheet	12	12	12	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Other (*)	13	13	13	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6

			14	14	14														
--	--	--	----	----	----	--	--	--	--	--	--	--	--	--	--	--	--	--	--

31. Any other skills and competencies not mentioned here (BUDGETING) that you feel are important for a marketer to have?

SECTION F

Q.37 Are you aware of PRICING i.e. setting of prices to products with a broad range as a financial technique?	Yes	-1	→ GO TO PAGE 10 SECTION G
	No	-2	

- Q.38** Which of the following financial techniques with regards to PRICING are you aware of?
Q.39 Which of these financial techniques (that you are aware of) have you ever used in your marketing / sales career?
Q.40 Which of these financial techniques are you currently using?
Q.41 Use a 6 point rating scale where 1 = not important at all, and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management.
Q.42 Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

PRICING techniques	Description	Q.			Q.						Q.					
		38	39	40	41						42					
	Market based pricing	-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Cost based pricing	-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Target based pricing	-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Discounting	-4	-4	-4	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Tendering	-5	-5	-5	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Auctions	-6	-6	-6	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Mark-ups	-7	-7	-7	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Markdowns	-8	-8	-8	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Other (*)	-9	-9	-9	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6

37. Any other skills and competencies not mentioned here (PRICING) that you feel are important for a marketer to have?

SECTION G

Q.43	Are you aware of TAXATION i.e. the Government is interested in the financial activities of business activities and individuals that generate income. Thus income is subject to taxation as a financial technique?	Yes	-1	
		No	-2	→ GO TO PAGE 11 SECTION H

- Q.44** Which of the following financial techniques with regards to TAXATION are you aware of?
- Q.45** Which of these financial techniques (that you are aware of) have you *ever* used in your marketing / sales career?
- Q.46** Which of these financial techniques are you currently using?
- Q.47** Use a 6 point rating scale where 1 = not important at all, and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management
- Q.48** Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

TAXATION techniques	Description	Q.															
		44	45	46	47						48						
	Income tax	-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6	
	Normal Company tax	-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6	
	Deferred tax	-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6	
Value Added Tax	Consumption tax	-4	-4	-4	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6	
	Recording of VAT in books	-5	-5	-5	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6	
	Effect of VAT on the financial statements of the business	-6	-6	-6	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6	
Other (*)		-7	-7	-7	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6	

43. Any other skills and competencies not mentioned here (TAXATION) that you feel are important for a marketer to have?

SECTION H

Q.49 Are you aware of INVENTORY i.e. an asset business buys to resell during the normal everyday activities of a business as a financial technique?	Yes	-1	
	No	-2	➔GO TO PAGE 12 SECTION I

- Q.50** Which of the following financial techniques with regards to INVENTORY are you aware of?
Q.51 Which of these financial techniques (that you are aware of) have you ever used in your marketing / sales career?
Q.52 Which of these financial techniques are you currently using?
Q.53 Use a 6 point rating scale where 1 = not important at all, and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management
Q.54 Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

INVENTORY techniques	Description	Q.	Q.	Q.	Q.						Q.					
		50	51	52	53						54					
	Record inventory in general ledger	-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
Perpetual method recording	Records inventory during the period	-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Periodic method recording	-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of total cost of inventory	-4	-4	-4	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of the cost of purchases and sales using FIFO / LIFO & weighted averages	-5	-5	-5	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Gross Profit calculation	-6	-6	-6	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Net Profit calculation	-7	-7	-7	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of mark-up on selling and cost price	-8	-8	-8	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Value inventory at reported date	-9	-9	-9	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of trade discounts	-	-	-	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Settlements discount recorded	10	10	10												
		-	-	-	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Other (*)	11	11	11												
		-	-	-	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
		12	12	12												

49. Any other skills and competencies not mentioned here (INVENTORY) that you feel are important for a marketer to have?

SECTION I

Q.55 Are you aware of COST PROFIT VOLUME ANALYSIS i.e. ratio analysis – tools used for identifying trends toward better or poorer performance in a business as a financial technique?	Yes	-1	
	No	-2	➔CLOSE INTERVIEW

Q.56 Which of the following financial techniques with regards to COST PROFIT VOLUME ANALYSIS are you aware of?

Q.57 Which of these financial techniques (that you are aware of) have you ever used in your marketing / sales career?

Q.58 Which of these financial techniques are you currently using?

Q.59 Use a 6 point rating scale where 1 = not important at all, and 6 = extremely important to rate the importance of these functions in terms of marketing / sales management?

Q.60 Indicate the degree of competence marketers should have to fulfill these financial techniques successfully. Indicate competence levels where 1 = totally incompetent, and 6 = totally competent in the specific financial technique.

COST PROFIT VOLUME ANALYSIS techniques	Description	Q.			Q.						Q.					
		56	57	58	59						60					
	Calculation of Break-even point	-1	-1	-1	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of margin of safety	-2	-2	-2	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Changing of fixed costs	-3	-3	-3	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of variable costs	-4	-4	-4	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of sales price	-5	-5	-5	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Calculation of sales volume	-6	-6	-6	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6
	Other (*)	-7	-7	-7	-1	-2	-3	-4	-5	-6	-1	-2	-3	-4	-5	-6

55. Any other skills and competencies not mentioned here (COST PROFIT VOLUME ANALYSIS) that you feel are important for a marketer to have?

ANNEXURE C

CPUT

CAPE PENINSULA UNIVERSITY OF TECHNOLOGY

BUSINESS FACULTY

CAPE TOWN AND BELLVILLE CAMPUS

FACULTY OF BUSINESS
DEPARTMENT OF MARKETING

“THE VALUE OF WHAT YOU KNOW CAN ONLY BE SEEN IN WHAT YOU DO”
(KLAS MELLANDER, CHIEF DESIGNER, CELEMI)

LEARNERGUIDE
ACCOUNTING FOR MARKETERS/
FINANCIAL ACCOUNTING 1/
PRACTICAL ACCOUNTING

2007

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1. ACCOUNTING FOR MARKETERS/FINANCIAL ACCOUNTING/PRACTICAL ACCOUNTING

The course *Accounting for Marketers/Financial Accounting/Practical Accounting* consists of two Modules namely A and B. Module A focuses on the basic Accounting equation and completion of financial statements while Module B focuses on analyses of financial statements by using ratio analysis and cost volume profit analyses.

2. PURPOSE

To sensitize the Marketing students to the various financial variables that impacts on the business environment. The ultimate goal is to provide Marketing, Retail and Management students with the theoretical and practical background with regard to *Accounting*.

3. EXIT LEVEL OUTCOMES

- 3.1 To put students in a position to utilize their knowledge (gained in this subject) in their own private financial matters.
- 3.2 To create an interest amongst the students in the business world so that they in turn will generate entrepreneurship in themselves and in others.
- 3.3 *To ensure a sound foundation for potential Accounting students.*
- 3.5 Contribute to the full personal development of your students and the social and economic development of society.

3.6 Exit level outcomes of the syllabi:

3.6.1 Semester 1:

- ✓ To ensure that students are able to identify components of financial statements
- ✓ Students must be able to analyse and display an understanding of the financial statements of a business
- ✓ Students should be competent to compile a profit and loss account and understand the purpose of this account

3.6.2 Semester 2:

- ✓ A sound knowledge of Budgets will be displayed in examples completed in class
- ✓ Students will display a thorough understanding of how profitability can be measured using specific formulae
- ✓ Students will gain the knowledge of the different ways profits can be maximised by using the Cost Profit Volume Analyses formulae

4. CRITICAL CROSS-FIELD OUTCOMES

The learner is able to:

- work effectively as a team
- communicate effectively
- organise and manage oneself and one's responsibly and effectively
- collect, analyse, organise and critically evaluate information

5. ASSESSMENT CRITERIA

- 5.1 The students must illustrate an understanding of Accounting and related matter.
- 5.2 The students must be able to apply the various financial concepts e.g. Ratios, CVPA and completing financial statements.
- 5.3 The students must be able to calculate (financial Ratios, analyse CVPA) to keep the business liquid and profitable.
- 5.4 The students must be able to explain and provide solutions for the various financial problems e.g. companies making loses/decrease in productivity.
- 5.5. The student should be able to read and interpret from newspapers, financial and business journal. Students will be evaluated each semester on a continuous basis.

6. COURSE CONTENT AND SCHEDULING

Information will be supplied.

7. EVALUATION

Students will be writing two holistics tests during the year (June to November).

7.1 Criteria

Students will be evaluated on a continuous basis. The final mark for Accounting Module A and Module B are therefore constituted as follows:

	Weight
***Unmoderated Assessments	20%
2 Assignments	30%
Class Tests	10%
Holistic Assessment	40%
	100%

Students must have a minimum of 50% for the final mark in both modules in order to pass Accounting for Marketers/Financial Accounting/Practical Accounting.

Summary of Assessments:

** The final mark of:

- (a) 100% in Module A
- (b) 100 % in Module B

*** Unmoderated Assessment:

- (a) Homework
- (b) Tutorials
- (c) Projects
- (d) Class Tests
- (e) Case study presentation

7.2 Term Test

The scheduled test dates for 2005 are:

The pass mark for tests is 50%.

It is the student's responsibility to safe keep his test book after it has been returned to him.

8. ABSENTEEISM

In the case of absenteeism (whether sickness or for any other reason), the student must make sure that he/she knows the listed objectives of the work that he/she missed.

Students are reminded that they will get 0% (naught percent) in the case of missing a scheduled test and only a doctor's certificate will enable him/her to qualify for a re-evaluation. The student must arrange the re-evaluation (written or oral) with the lecturer concerned on the day he/she returns to lectures **NOT LATER THAN THREE WORKING DAYS AFTER THE SCHEDULED TEST DATE**. The evaluation will take place at a time and date that suits the lecturer.

9. PRESCRIBED TEXT

9.1 Recommended reading

1. Fundamental Accounting: Flynn, Koornhoff.
2. Practical Accountancy: Van Lill, Hechter, & van Niekerk.
3. Accounting – an introduction: Faul, Pistoris and V Vuuren
4. Elementary Financial Accounting: AC van Wyk
5. Accounting for non accounting students: J R Dyson.

9.2 Internet sites

www.absa.co.za
www.nedcor.co.za
www.statssa.co.za
www.resbank.gov.za
www.wesgro.co.za
www.howstuffowrks.com
www.aardvark.co.za
www.google.com

10. CONSULTATION

Where the student has difficulty with the subject matter, he/she must consult his/her lecturer during the lecturer's consulting hours by prior arrangement. If the lecturer is not available, any of the other lecturers may be consulted. Consulting hours of lectures are as follows:

Lecturer	Room	Time & Day
N Bray	3.48	Will be notified

If a student has any queries on mark allocation for any tutorial, assignment or test, he/she must lodge such complaint in writing within one week (of the date the work is handed back to the student) to the lecturer.

11. COMMUNICATION CHANNELS IN TERMS OF A PROBLEM

Step 1: Subject lecturer

This person is in the best position to solve your problems.

Step 2: Level Co-ordinators

You may only approach this level once Step 1 has been followed.

Step 3: Head of Department

You may only approach this level once Step 2 has been followed. Your problem must be in written form.

Step 4: Dean

If step 2 is unsuccessful the following actions must be taken: The Head of the Department must be requested to provide a written answer to your problem. Your initial problem, stated in writing, together with the solution is submitted to the Dean for consideration.

EXIT LEVEL OUTCOMES FOR ACCOUNTING FOR MARKETERS

TOPICS	EXIT LEVEL OUTCOMES
1. Introduction to accounting	Enable the learner to identify and define accounting and concepts
2. The accounting equation	Students should be able to illustrate the effect of business transactions on the business assets, owners equity and liabilities.
3. Books of prime entry	Students should be able to identify and analyse how business transactions will affect the different books of prime entry.
4. Profit and loss account	Students should be able to complete and balance the profit and loss account.
5. Financial statements	Students should identify the various components that constitute the income statement and balance sheet and must be able to complete them.
6. Introduction to financial ratios	Students should be able to calculate ratios and interpret financial statements.
7. Budgets	The student should be able to prepare the master and cash budgets.
8. Cost volume profit analyses	Students should be able to perform financial calculations.
9. Financial Statements of the various types of business entities	Students should be able to differentiate between the financial statements used by the different types of businesses.

COURSE COMPONENTS SCHEDULING

Semester 1

Unit Number	Unit Title	Approximate Time frame
1	Definition of Accounting, Income, Expenses, Assets and Liabilities	06/02/07 – 13/02/07
2	Accounting equation The effects of Business transactions on the Accounting Equation	20/02/07 – 27/02/07
3	Introduction and reading of books of prime entry	06/03/07 – 19/03/07
Assessment week 26/03/07		
4	Trading Profit and Loss account Account adjustments (prepaid and accrued account adjustments)	16/04/07 – 30/04/07
5	Prepare financial statements after adjustments	07/05/07 – 21/05/07
Assessment week 28/05/07 – 25/06/07		

Semester 2

Unit Number	Unit Title	Approximate Time frame
1	Introduction to financial ratios Formulas for calculation of ratios	23/07/07 – 30/07/07 06/08/07 – 27/08/07
2	Budgets	03/09/07 – 10/09/07
3	Introduction to cost-volume – profit – analysis	08/10/07 – 15/10/07
Assessment week to be announced		
	Application of CVPA concepts	22/10/07
	Break even analyses	29/10/07
	Contribution income statement: a comparison between two scenarios with either changes in the volume of goods sold, selling price per item, fixed costs and variable costs.	06/11/07
Assessment week 13/11/07		

ASSESSMENTS

Semester	Type of Assessment	Weighting	Proposed dates
One	Test one	15%	Term test week March
	Test two	10%	
	Test three	10%	
	Project	20%	23/04/07
	Case Study	5%	
	Term test	40%	Term test week June
Two	Test one	15%	
	Test two	10%	Term test week September
	Test three	10%	
	Project	20%	25/09/07
	Case Study	5%	
	Term test	40%	Term test week November

Semester 1 – Module A

LEARNING OUTCOMES

Unit 1

Introduction to Accounting

Specific Outcomes to unit 1

- 1) Understand the definition of Accounting.
- 2) To become familiar with certain Accounting terms e.g. assets, liabilities and Income.

Students should be able to:

- a) *Define Accounting.*
- b) Explain what assets, liabilities and Incomes are.

Unit 2

Accounting Equation

Specific Outcomes to unit 2

- 1) Understand how the Accounting Equation works.
- 2) *Demonstrate knowledge on the effect Business transactions have on the Accounting Equation.*

Student should be able to:

- a. Discuss the Accounting Equation concept.
- b. Illustrate the effect of Business transactions on the Accounting Equation.

Unit 3

Books of Prime Entry

Specific Outcome to unit 3

- 1) Demonstrate knowledge of the difference between the books of prime entry e.g. Cash Receipts Journal, Cash Payments Journal, Debtors Journal etc.

Students should be able to:

- a. Identify and analyse how business transactions will affect the different books of prime entry.

Unit 4

Profit and Loss Account

Specific Outcomes to unit 4

- 1) Demonstrate knowledge on the Profit and Loss account in the General Ledger.
- 2) Demonstrate knowledge on adjustments made to certain account in the general ledger e.g. Depreciation, Accrued Expenses.

Students should be able to:

- a. Complete and balance the Profit and Loss account.
- b. Identify changes due to adjustments made during the financial year.
- c. Show the effect adjustments have on Ledger accounts.

Unit 5

Financial Statements

Specific Outcomes to unit 5

- 1) Demonstrate an understanding of the components of an Income Statement and Balance Sheet.

Students should be able to:

- a. Complete the Income Statement and Balance Sheet.

Semester 2 – Module B

EXIT LEVEL OUTCOMES

Unit 1

Introduction to Financial Ratios

Specific Outcomes to unit 1

- 1) Demonstrate knowledge on calculating Financial Ratios.
- 2) Demonstrate knowledge on the different formulas used in analysing Ratios.

Students should be able to:

- a. Calculate ratio's, analyse and interpret financial statements.

Unit 2

Budgets

Specific Outcomes to unit 2

- 1) Demonstrate knowledge on the basic concepts and principles used in preparing the master and cash budget.

Student should be able to:

- a. Prepare a master, cash, sales, and production budgets from given information.

Unit 3

Cost – Volume – Profit analyses

Specific Outcome to unit 3

- 1) Demonstrate understand and apply knowledge of the basic concepts and principles of CVP analyses and financial calculations.

Students should be able to:

- a. Calculate break-even point, contributions margin ratio, margin of safety and target profit for single product situations.
- b. Perform financial calculations.

Unit 4

Financial Statements of various types of Business Entities

Specific Outcomes to unit 4

- 1) To demonstrate knowledge on the different financial statements that different types of businesses use e.g. Partnerships, CC's and Sole Proprietors.

Students should be able to:

- a. Differentiate between the financial statements used by different types of businesses.