

**ASPECTS OF THE MOTIVATION FOR VOLUNTARY  
DISCLOSURES: EVIDENCE FROM THE PUBLICATION OF  
VALUE ADDED STATEMENTS IN AN EMERGING ECONOMY**

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# **ASPECTS OF THE MOTIVATION FOR VOLUNTARY DISCLOSURES: EVIDENCE FROM THE PUBLICATION OF VALUE ADDED STATEMENTS IN AN EMERGING ECONOMY**

## **ABSTRACT**

This paper investigates the motivation for the voluntary disclosure of financial information by companies in their annual financial statements, by examining aspects of the usefulness of the value added statement. The value added statement is published voluntarily with the annual financial statements and is currently experiencing high levels of publication in South Africa, which is evidently brought about by the high political costs and significant legitimacy threats that companies operating in South Africa are facing.

It was found from the literature and from a survey among management that the value added statement was primarily aimed at the employees. Employees have also been regarded as users of financial information in the literature. However, a survey among trade unions in South Africa found that almost no use is made of the value added statement even though the unions make use of other financial information. This indicates that voluntary disclosures do not necessarily satisfy the information needs of their intended audience. The research also indicates that the trade unions might not use the value added statement because they suspect that the statement is being used to reduce political costs and legitimacy threats, and is therefore not reliable. This is a major shortcoming of voluntary disclosures.

# **ASPECTS OF THE MOTIVATION FOR VOLUNTARY DISCLOSURES: EVIDENCE FROM THE PUBLICATION OF VALUE ADDED STATEMENTS IN AN EMERGING ECONOMY**

## **INTRODUCTION AND METHODOLOGY**

Companies often make voluntary disclosures in their annual financial statements. In this context, voluntary disclosures are regarded as those disclosures not governed by accounting standards or applicable rules of law or by conceptual frameworks. Examples of this are the value added statement that has been published in the UK during the late seventies and early eighties, following the recommendations in the corporate report, and most of the social and environmental disclosures currently done by companies. While it is commendable that companies publish more information than required, the motivation behind voluntary disclosures has not been satisfactorily explained yet (Hackston and Milne, 1996).

In this paper one voluntary disclosure, the value added statement, is analysed to determine who it was aimed at and a questionnaire survey is then used to determine whether the intended audience find the value added statement useful or not. As South Africa is currently experiencing high levels of publication of the statement, the survey was done in South Africa. The international accounting standard on the presentation of financial statements (IAS1 revised 1997) states that companies are encouraged to present additional information if management believes that it will assist users in making economic decisions. This paper therefore wants to establish if the intended users of the value added statement found it useful. Although this is probably not the only valid motivation for voluntary disclosures, evidence of use and satisfied information needs among the intended audience, will be a strong motivation for continued publication.

## **THE CURRENT STATE OF AFFAIRS IN THE SOUTH AFRICAN ECONOMY**

The following circumstances differentiate South Africa from other countries and could have contributed to the high level of publication of the value added statement in South Africa at present:

- SA is a developing country.
- SA has strong labour unions and labour laws protecting employees.
- SA is going through an economic transition following its political transition to a democracy.
- SA companies are still trying to get rid of the stigma associated with apartheid and publishing a value added statement (VAS) can cause companies to appear more socially concerned than what they really are<sup>1</sup>.
- SA companies have one of the biggest gaps between highest and lowest earners in the world and are experiencing increasing pressure to reduce the gap.

- The current socio-political climate in South Africa comprises of low economic growth (less than 1%) and high unemployment (30% – 40%).
- There is a strong alliance between labour (via the Congress of South African Trade Unions (COSATU) which is the biggest labour union grouping in South Africa) and the government, which does not favour the interests of capital.

The above points indicate that companies operating in South Africa face high political costs and significant legitimacy threats. Management apparently find the value added statement useful in these circumstances in that it removes the attention from profits to the employee's share of value added and the unregulated nature of the statement allows for using it to change perceptions regarding the return to the capital providers. In addition, by lumping all employees together in one category, management does not have to account for the differences between the highest and lowest earners.

#### **THE VALUE ADDED STATEMENT AND ITS INTENDED AUDIENCE**

Value added can be defined as the value created by the activities of a firm and its employees, i.e. sales less the cost of bought in goods and services. The value added statement (VAS) reports on the calculation of value added and its application among the stakeholders in the company (See Table 1). As such it introduces very little new information to that already contained in the income statement (salaries and wages used to be the only additional information), but it presents the information in a different and supposedly more understandable format. The value added statement is published voluntarily with the annual financial statements. The incidence of publication is increasing in South Africa, with more than 200 of the approximately 600 companies listed on the Johannesburg Stock Exchange publishing a value added statement in 1998. This is the highest incidence of publication of such statements reported in the world to date (Van Staden, 1999), which makes South Africa the best place to investigate the publication of the value added statement.

The value added statement is regarded as a social disclosure and therefore the socially related arguments can be used to establish a theoretical case for publication. According to Mathews and Perera (1996) and Gray et al. (1995), these theories include organisational legitimacy, social contract and political cost theory. The concept of organisational legitimacy suggests that management can influence the perception that the stakeholders have of the organisation and in this way obtain the support of those stakeholders without which it might be difficult for the company to continue to operate. The social contract of business with society is based on the premise that society provides corporations with their legal standing and attributes and the authority to own and use natural resources and to hire employees and that a social contract is

therefore implied. Political cost theory is based on the premise that companies do have political visibility and that companies have an incentive to use accounting methods and disclosures to influence their political visibility.

**Table 1**  
**Presentation of a value added statement**

| <b>ABC Limited</b>   |              |             |              |             |
|--|--------------|-------------|--------------|-------------|
| <b>Value Added Statement for the year ended 28 February 19X6</b> |              |             |              |             |
|  | <b>19 X6</b> |             | <b>19 X5</b> |             |
|  | <b>R000</b>  | <b>%</b>    | <b>R000</b>  | <b>%</b>    |
| Sales  | 7000         |             | 5000         |             |
| Less: Cost of Bought-in Goods and Services and Depreciation      | 5120         |             | 3800         |             |
| Value Added  | <u>1880</u>  |             | <u>1200</u>  |             |
| <b>Applied as follows</b>  |              |             |              |             |
| To employees:  |              |             |              |             |
| Salaries and Wages   | 1150         | 61%         | 850          | 71%         |
| To Capital providers:  |              |             |              |             |
| Interest on loans  | 100          | 6%          | 75           | 6%          |
| Dividends paid   | 150          | 8%          | 150          | 13%         |
| To Government:   |              |             |              |             |
| Taxation   | 175          | 9%          | 100          | 8%          |
| Retained for future expansion                                    | 305          | 16%         | 25           | 2%          |
|  | <u>1880</u>  | <u>100%</u> | <u>1200</u>  | <u>100%</u> |

Employees are often cited in the literature as the group of users of financial information that should get the most use from the value added statement (for example Morley, 1978 and Purdy, 1981 and Van Staden & Vorster, 1998). IAS1 (1997) indicates that when employees are considered to be an important user group, enterprises are encouraged to present value added statements. Gray et al. (1996) describes the VAS as a purportedly employee-related development. In addition, some surveys have been conducted among companies publishing the statement (for example, Purdy, 1981; Joubert, 1991; and Stainbank, 1992) These surveys found that the companies used the statement mainly for employee communication and wage negotiations.

A survey was conducted during 1998 among South African companies to establish why they are publishing the VAS (see also Van Staden, 1998). The companies were selected on a random basis and 94 responses were received. The following are the six reasons given by most companies, in order of importance:

- To be used in corporate communication with employees 89%
- To earn points in annual financial statement awards 84%
- To indicate social responsibility on the part of the company 83%
- To condition employee expectations 81%
- To communicate with uninitiated and unsophisticated users 81%
- To facilitate wage negotiations and collective bargaining 80%

The percentages indicate the percentage of respondents that indicated that they have used or would possibly use the value added statement for this purpose.

The social theories therefore indicate that management has an obligation and an interest to report to the other stakeholders. From the literature and the surveys carried out, the employee user group emerge as the group for which the publication of the value added statement was intended.

#### **EMPLOYEES AS USERS OF FINANCIAL INFORMATION**

Employees have been regarded as users of financial information by such authoritative documents as The Corporate Report (ASSC, 1975); Corporate Reporting: Its future evolution (Stamp, 1980); Making Corporate Reports Valuable (ICAS, 1988); and the USA, UK (Draft statement of principles for financial reporting) and International Accounting Frameworks. These documents have defined employees to include past, present and potential employees as well as their representatives, the trade (labour) unions. Employees and their representative groups are interested in information about the stability and profitability of their employer. They are also interested in information which enables them to assess the ability of the enterprise to provide remuneration, retirement benefits and employment opportunities. During wage negotiations they are interested in information that demonstrates the employer's ability to afford higher wages.

Many companies also publish an employee report internally. The aim of the employee report is to meet the needs of the employees and as such it should be accessible to them in terms of the language used and the financial information given. Value added statements are often included in the employee report. It was established that the employee reports of individual companies are also available to the unions representing the company's employees.

Because the trade unions negotiate on behalf of their members on issues such as wages, benefits and retrenchments, employees are represented by trade unions for the purpose of this

research. It is during such negotiations that financial information is often used. The unions have the resources to obtain the expertise in order to analyse the financial information and use it to make decisions. Individual workers normally have neither the skills nor the inclination to do this, neither do they have access to resources to buy this expertise. In addition, trade unions represent a large portion of workers employed in the formal sector in South Africa. Virtually every sector of the South African economy has one or more unions representing workers in that sector.

The choice of trade unions as the target group for this research was also necessitated by the difficulties experienced in conducting a survey among a representative sample of workers employed in the South African economy. These difficulties include establishing the population (as the group is very big and no database with their names and addresses exists), making contact with the respondents and ensuring a viable response. As it turned out, getting a viable response from the trade unions required a visit to the individual unions.

#### **THE DEVELOPMENT OF THE QUESTIONNAIRE**

The questionnaire was developed to conduct a survey among the employees with the following in mind:

- to find out what the value added statement has been used for
- to find out what shortcomings have been experienced with the value added statement
- to find out what future uses the value added statement could have
- to find out what information needs have been met by the value added statement and what decisions have been influenced by this information

The questionnaire was developed from the literature on the subject for the last 40 years. It included most of the uses as well as most of the shortcomings as identified by the literature over the years. Appendix A contains a copy of the questionnaire. In order to motivate the inclusion of the functions and shortcomings in the questionnaire, the ten most important authors on the topic of value added statements were identified using certain criteria, and the extent to which these authors identified these issues in the literature was also used as motivation for inclusion.

The questionnaire consists of various sections. The section dealing with the functions and uses of the value added statement described the uses, as found in the literature, as functions for the purpose of the questionnaire. The motivation for the inclusion of all these functions in the questionnaire was to find out what the value added statement was used for. Most of the functions traced in the literature and motivated by the important authors were included in the questionnaire in an effort to get a reaction from the respondents with regard to these functions. Respondents were also provided with an opportunity to identify additional uses or functions of the value added statement.

The respondents were asked to rate the functions using a scale from "A" to "D", in which:

"A" indicates that the respondent or his organisation is currently using the value added statement for that particular function,

"B" indicates that the respondent or his organisation has used the value added statement in the past for that particular function,

"C" indicates that the value added statement could be useful to the respondent or his organisation for that particular function, and

"D" indicates that the value added statement is of no possible use to the respondent or his organisation for that particular function.

The section dealing with the problems experienced when using value added statements described the problems, as found in the literature, as shortcomings. The motivation for the inclusion of all these shortcomings in the questionnaire was to find out what problems were experienced when using the value added statement. Most of the problems as found in the literature and motivated by the important authors, were included in the questionnaire in an effort to get a reaction from the respondents with regard to these problems. Respondents were also provided with an opportunity to identify additional problems.

Respondents were asked to rate the shortcomings using a "P" or a "D", with:

"P" indicating that the shortcoming prevented the respondent from using the value added statement, and

"D" indicating that the shortcoming created difficulties for the respondent when using the value added statement.

There was also a section dealing with the future uses of value added statements. It set out to establish whether respondents would use value added statements more extensively in future if some of the shortcomings could be overcome. Another section attempted to find out what information needs could only be met by the value added statement, as well as what decisions were influenced by this information. Respondents were asked to indicate the information required from the value added statement and the decisions influenced by the information.

## **THE SURVEY PROCESS**

The population consisted of all the South African trade unions. The Official South African Trade Unions Directory listed 255 trade unions. As the trade unions are representative of millions of employees it was decided to send a questionnaire to all the trade unions as listed. The questionnaire was addressed to the General Secretary of the union. However, despite a second request a month after the questionnaire was sent out, only 2% of the trade unions responded. In



order to increase the statistical significance of the response, it was decided to visit the unions to conduct an interview, using the questionnaire as basis.

### **Selection of sample for interviews**

As it was not possible to interview all the unions, a sample had to be selected for this purpose. The sample was selected in the following way:

1. From the National Economic Development and Labour Council (NEDLAC) homepage on the Internet, it was established that labour is represented at NEDLAC by the COSATU, NACTU and FEDUSA (previously FEDSAL) federations (See Appendix B for an explanation of the acronyms). This is because they are the only federations representing more than 200 000 workers each. This information was used as a starting point and it was decided to only interview unions belonging to these three federations.
2. The unions' membership figures were obtained from Andrew Levy & Associates (Pty) Ltd, a company doing research and consultation into labour matters. For COSATU this was also checked against their Internet homepage. The other federations did not have a homepage at that stage.
3. All the COSATU unions with membership figures of more than 40 000 were selected. Of these, three were excluded because their members were only employed in the public sector and would therefore have no interest in value added statements<sup>2</sup>. They were SADTU, POPCRU and SAMWU.
4. All the FEDUSA unions with more than 10 000 members were selected. Of these, the Federation of Organisations Representing Civil Employees (FORCE) with a membership of 250 000 were excluded for the reasons given above.
5. All the NACTU unions with more than 10 000 members were selected.

Table 2 indicates to what extent the three federations were covered by the selection and subsequent interviews. It is clear from this table that the percentage selected, excluding the public sector, averages 90%. Most of the unions selected were also interviewed, but some were unavailable at the time and were unable or unwilling to participate in the survey. However, the table indicates that a significant percentage (79%) of the trade unions was covered by these visits. Appendix B contains a complete list of unions interviewed.

As these unions selected represent the most important unions in South Africa, it was decided not to interview any of the other unions. This was based on the premise that if any union can afford the skills to research and use financial information of companies, they will be among these important unions. Organisations doing financial analysis for unions were also interviewed as they represent the unions that do not have the skills to do financial analysis. In addition, the unions were asked during the visits if they knew of any other union that might use value added

information. This question did not bring forth information on more unions to be interviewed. The six unions that returned the questionnaire were also included in the analysis of the results.

**Table 2**  
**Selection of Unions from the three Federations for Interviews**

|  | Membership | Membership<br>of unions<br>Selected | Percentage<br>selected<br>excl pub sec | Membership<br>of unions<br>visited | Percentage<br>covered |
|--|------------|-------------------------------------|--|------------------------------------|-----------------------|
| Cosatu   | 1743172    | 1336179                             | 90.00%                                 | 1000097                            | 74.85%                |
| Fedusa   | 485000     | 196445                              | 83.59%                                 | 196445                             | 100.00%               |
| Nactu  | 220000     | 220000                              | 100.00%                                | 193000                             | 87.73%                |
|  | 2448172    | 1752624                             | 90.36%                                 | 1389542                            | 79.28%                |
| Percentage of total membership covered                                   |            |                                     |  |                                    | 56.76%                |
| Percentage of total membership covered excluding<br>Public sector unions |            |                                     |  |                                    | 72.38%                |

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#### **Organisations doing financial analysis for the unions**

During the interviews unions were asked whether they used outside consultants for research and financial analysis. They identified the following organisations:

- Labour Research Service
- Dave Douglas & Associates
- Independent Mediation Services of South Africa
- Haumann Rodger
- Beaumont Wise (Pty) Ltd

As these organisations were considered to represent trade unions which did not employ full-time analysts, they were also interviewed.

### Interviews

To find out what financial information is used by trade unions as well as what information they need, a structured approach was used in interviews with the unions. The unions were mostly based in Johannesburg. Unions were contacted telephonically to establish who deals with financial analysis in the union, and interviews were arranged. This was normally one of the negotiators or organisers or the (general) secretary. During the interviews the questionnaire was used as basis. Discussions were focused on the uses of financial information, and more specifically value added information, by the unions in negotiations and other interactions with the companies that employ their members. Discussions were kept to the point, but union officials were allowed space to discuss their needs and frustrations concerning the availability of financial information.

### RESULTS

The profile of the respondents is analysed in Table 3.

**Table 3**  
**Profile of respondents**

| <b>Position</b>                                 |    | <b>Duties</b>                                   |    |
|---|----|---|----|
| <b>Unions:</b>                                  |    | <b>Unions:</b>                                  |    |
| President                                       |    | Executive                                       | 12 |
| General Secretary                               | 8  | Research  | 3  |
| Assistant General Secretary                     | 4  | Negotiation                                     | 13 |
| Regional Secretary                              | 5  | Analysis of Financial Information               | 7  |
| Accountant                                      | 1  |   |    |
| Research Officer                                | 2  | <b>Organisations doing analysis for unions:</b> |    |
| Collective                                      | 2  | Manager   | 2  |
| Bargaining Officer                              |    | Partner in firm                                 | 4  |
| Chief Negotiator                                | 1  | Director  | 1  |
| Organiser                                       | 4  | Qualification - (CA) SA                         | 5  |
| Sub - Total                                     | 27 |   |    |
| <b>Organisations doing analysis for unions:</b> | 7  |   |    |
| Total   | 34 |   |    |

The profile indicates the positions that the representatives have at the unions. It also indicates their main responsibilities. The respondents represent a wide spectrum of positions as well as a sufficient level of seniority in their respective unions. The table also contains the profile of the

organisations doing financial analysis for the unions. It was found that most of the unions (89%) and most of the organisations doing analysis for the unions (86%) had never used the value added statement.

For those unions that did use the value added statement the following uses were found (using the headings from the questionnaire):

- *Mediation between stakeholders* - All the respondents that used the value added statement used it during wage negotiations. Some indicated that they used it during retrenchments and restructuring exercises.
- *Financial indicator/diagnostic tool* - The respondents indicated that they prefer to use income statement information and external information to assess the company's risk.
- *Motivational tool* - The respondents indicated that they use physical measures for productivity measurement and not value added information.
- *Reporting and communication role* - The respondents indicated that they do not use the value added statement to get financial information from companies, which therefore limits its role as a communication tool.
- *Indicator of national significance* - The respondents did not use the information as indicator of national significance. They preferred reports by economists on economic and policy issues.

Only those unions that used the value added statement completed the section on the problems experienced with using the information. The problems experienced by these unions are analysed in Table 4.

**Table 4**  
**Problems experienced by Unions using the value added statement**

| Num  | Shortcoming  |
|------|--|
| 2.01 | The information is not verifiable – therefore under suspicion                      |
| 2.02 | It is confusing - technical differences are encountered in practice                |
| 2.03 | It is not standardised - no statement of GAAP                                      |
| 2.04 | It leads to information overload by publishing too much financial information      |
| 2.07 | Users are suspicious of management's motives                                       |
| 2.10 | It is not a faultless measure of productivity                                      |
| 2.15 | The employee's portion of value added is not properly analysed                     |
| 2.16 | There is no benchmark or other information to compare value added information with |

The unions that did use the value added statement had bank officials, hospital workers and mine workers as members. The use of the statements is probably more a factor of the familiarity of union staff with the statement than the industry or geographic location of the union. However, as so few unions used the value added statement, any further analysis and discussion of the unions

that used the statement and what they use it for, as well as the problems they have experienced in this process, would probably be based more on conjecture than fact.

### **INFORMATION USED BY THE UNIONS**

In order to verify the reasonableness of the replies of the respondents, they were asked if they use financial information concerning the companies employing their members. This was done to control for a negative response just to get the interview over. The results indicate that unions make use of a range of financial information of companies employing their members. The primary use occurred when employees were faced with retrenchments and other downsizing exercises, to establish whether the company needed to follow the procedure. A second important use occurred during the process of open disclosure, which is followed when an individual company cannot meet the wage increase as agreed for the industry/sector. This process entails that the company makes its financial information available in an effort to prove that it cannot pay the increase as demanded.

Table 5 summarises the specific financial (and other) information that the trade unions use. It is clear from the table that the unions use a wide range of information concerning the companies employing their members. This indicates that a considerable level of financial acumen, for analysing financial information, exists at the unions or is available to the unions.

In addition the interviews also highlighted some information that the unions would like to obtain. This consisted of a breakdown of the salaries and wages amount between different staff levels and objective productivity measures for use during wage negotiations. It is thought that these disclosures might best be done in the annual income statement disclosures, as a note to the income statement dealing with employment cost and productivity. Financial information plays almost no part during wage negotiations. Unions use information like the inflation rate, economic conditions for the sector, the minimum living wage and the mandate from their members as a starting point for negotiations. In addition wages are normally negotiated for the whole sector and not company by company. The supply of and demand for labour plays the most important role in determining wages. Financial information is only used to evaluate the affordability of the increase. Job retention is as important as getting a high wage settlement. Therefore, the affordability of the wage increase is very important.

**Table 5**

### **Financial information used by the unions**

- Detailed management accounts.
- Previous year's management accounts for comparative purposes, and seven-year reviews.
- Audited financial statements with a detailed income statement.
- Information concerning how the company is financed, to establish if loans are paid back too fast.
- Information on how the company does business, for example major customers, competition and main sectors.
- Chairman and chief executive reports as well as the mission statement.
- Budgets and future orders received (order book). This gives expected income and expenses.
- The views of economists and the financial press on the future of the sector and the economy as a whole, to assess risk.
- Interviews on future prospects, with owners and managers.
- For members of the bargaining unit - grades, wages, numbers, overtime and other benefits. This gives the impact of the wage bill on the company or the proportionality of the wage bill. It also allows the effect of the increase on the company to be calculated.
- The effect of various percentage wage increases on profitability, to calculate when the increase will be too high.
- Operating profit, turnover and profit margins.
- Going concern, liquidity, solvability, cash flow and profitability, to assess the sustainability of the company.
- Productivity measures, preferably physical measures.
- Return and dividends to shareholders to see if the increase for other stakeholders match the increase in wages.
- Benchmarking of salaries and wages as published by research institutions, such as Andrew Levy & Associates.

### **SUMMARY AND CONCLUSIONS**

It is clear from the results of the interviews that although unions make use of a whole range of financial information of the companies that employ their members, they make almost no use of the value added statement. In addition the information needed by the trade unions is not available from the value added statement in its current form. The significance of this is that the employee group has been identified by management and by the literature on the subject as the group that should get most use from the value added statement. Management would therefore find it difficult to justify the disclosure in terms of assisting users in making economic decisions (IAS1 and the Framework). Although this is only one aspect of the motivation for voluntary disclosures, the finding of non-use of the disclosures is very significant and indicates that management may be acting out of self-interest or the interest of the company with little regard for the needs of the users, which is in accordance with the positive accounting theories (political cost theory).

This study also indicates that although there could be an expectation gap between the reasons for publishing the statement and the benefits that the intended users get from the disclosures, it is more likely that management is using the value added statement to signal that the company is socially responsible in order to promote interest in the company as an investment or in its products, which is in accordance with the legitimacy theory. The trade unions seem to suspect that the value added statement is used to legitimise lower wages, by indicating that labour received enough of value added, and subsequently have little use for the information. The value added statement therefore seems to be a misdirected disclosure.

A limitation of this research is that the survey was done among trade unions as a substitute for the employees. Although it is possible that individual employees might be using the value added statement and finding it useful, it seems unlikely in the light of the findings that the majority of individual employees normally have neither the skills nor the inclination to make meaningful use of financial information.

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<sup>1</sup> A recent report by the SA Foundation based on research done by the Centre for Development and Enterprise indicates from a study of the 220 largest private organisations in SA that the corporates spend 1.3% of after tax profits on corporate social investment (CSI). While this is roughly equivalent to the USA and Canada, it is relatively minor compared to the total flow of resources from business to society. They indicate that for every R100 of after tax profits, the major corporates paid out R280 on salaries and wages, R69 in taxes, R13 on training and only R1.30 on CSI (Wray 2000). This might be an additional motivation for the publication of the VAS as the VAS indicates the flow of resources to society in that it has categories for salaries and wages (normally including training) and interactions with the government.

<sup>2</sup> The value added statement is mainly published by companies listed in the industrial sector of the Johannesburg Stock Exchange. Government departments very rarely publish their financial information and no value added statement for a government department has yet been found. Therefore it was decided to exclude unions whose members worked for government departments only from the sample as they would definitely not use the value added statement. This was confirmed by the inclusion of unions like NEHAWU and IMATU in the sample. Their members mainly work for universities, government hospitals and local government. They made no use of the value added statement at all.

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## Appendix A - Questionnaire

All answers will be treated as strictly confidential and will be used for statistical purposes only

### Survey on the usefulness of the Value Added Statement

#### Preliminary Section

The aim of this section is to establish some background information on the respondents.

Indicate in which respondent group you fall:

Employee Representative (e.g. Unions)

Indicate your position in your organisation:

President

General Secretary

Manager

Employee

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Job Description:

Executive

Research

Negotiation

Analysing Financial Information

Other

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#### Section 1

The aim of this section is to establish what the value added (VA) statement is used for or could be used for.

**The following are suggested uses/functions of the value added statement.**

**Please rate each under the following headings by placing a tick in the appropriate blocks:**

- A - Currently being used by myself or my organisation
- B - Has been used in the past by myself or my organisation
- C - Could be useful to myself or my organisation, but has not been used
- D - Of no possible use at all

The column headed Q3.2 will only be used during the completion of section 3.

#### As mediation between stakeholders

- To conduct wage negotiations - by employer
- by employees
- To conduct collective bargaining
- As corporate communication with employees
- To set goals for employees and/or company to reach

**Q3.2**

|   |   |   |   |  |
|---|---|---|---|--|
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |

#### As financial indicator/diagnostic tool

- As indicator of future risk/return
- As indicator of failure/success (fail if no value is added)
- As indicator of future share price
- As indicator of future earnings (through impact on cost of labour)
- As investment indicator - social surplus is excess of VA over wages
- As measure of size and importance of company (economic significance)
- Predictive - by comparing ratios over time and with other companies
- by analysing trends in Value Added over time
- To explain market risk (beta)
- As indicator of capital productivity vs manpower productivity

**Q3.2**

|   |   |   |   |  |
|---|---|---|---|--|
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |

#### As motivational tool

- To measure productivity
- As motivational tool
- For Value Added incentive payment schemes (VAIPS)
- To assist in strategic planning
- To maximise Value Added (instead of profit) as financial goal
- To measure contribution in cost accounting

|   |   |   |   |  |
|---|---|---|---|--|
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |

**Reporting and communication role****Q3.2**

- As conditioner of employee expectations
- As indicator of social responsibility on the part of the company
- As communication to uninitiated and unsophisticated users  
(Apparently understandable by stakeholders with limited technical accounting knowledge)
- To report on management's mediation role
- To contribute towards building the company's image

|   |   |   |   |  |
|---|---|---|---|--|
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |

|   |   |   |   |  |
|---|---|---|---|--|
| A | B | C | D |  |
| A | B | C | D |  |

**General****Q3.2**

- To play down/divert attention from profit
- To measure pursuit of wealth, productivity and efficiency
- To make economic decisions based on value

|   |   |   |   |  |
|---|---|---|---|--|
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |

**As indicator of national significance****Q3.2**

- As indicator of the company's contribution to national wealth (GNP)
- For making macro economic decisions
- Claims on Gross National Product (GNP)
  - Tax levels on employment
- For statistical purposes
- GNP (sum of gross Value Added)
  - Net Output
  - Relative % of VA paid as wages compared to other countries
- For estimating economic growth rate
- As basis to allocate RDP projects to contractors
- As basis to allocate government projects to private contractors
- As basis to allocate government bank accounts to banks

|   |   |   |   |  |
|---|---|---|---|--|
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |
| A | B | C | D |  |

**Other** Indicate any other uses you put Value Added to or functions you think it could be used for :**Q3.2**

|  |   |   |   |   |  |
|--|---|---|---|---|--|
|  | A | B | C | D |  |
|  | A | B | C | D |  |
|  | A | B | C | D |  |
|  | A | B | C | D |  |
|  | A | B | C | D |  |
|  | A | B | C | D |  |
|  | A | B | C | D |  |
|  | A | B | C | D |  |
|  | A | B | C | D |  |
|  | A | B | C | D |  |

(Use separate page if more space is needed)

If your union does not analyse financial information internally, who does it for you?

| Name | Address | Tel nr | Fax nr | Capacity |
|------|---------|--------|--------|----------|
|      |         |        |        |          |
|      |         |        |        |          |
|      |         |        |        |          |
|      |         |        |        |          |

The aim of this section is to identify the problems experienced with using V A information.

The aim of this section is to identify the problems experienced with using V A information.

Indicate all the reasons from section 2 that either prevented (P) you from using value added statements/information or created difficulties (D) in using the information by placing a tick in the appropriate blocks.

The column headed Q3.1 will only be used during the completion of section 3.

|  | P | D | Q3.1 |
|--|---|---|------|
| The information is not verifiable - therefore under suspicion  | P | D |      |
| It is confusing - technical differences are encountered in practice<br>(e.g. dealing with depreciation)                | P | D |      |
| It is not standardised - no statement of GAAP  | P | D |      |
| It leads to information overload by publishing too much financial information  | P | D |      |
| It gives no useful/additional information  | P | D |      |
| It gives the wrong message - the workers and/or the state get most of the VA   | P | D |      |
| Users are suspicious of management's motives   | P | D |      |
| The technical rationality of Value Added is under suspicion  | P | D |      |
| It is misleading - it does not measure wealth created<br>(eg excludes capital gains/losses of shareholders)            | P | D |      |
| It is not a faultless measure of productivity  | P | D |      |
| It is not compulsory   | P | D |      |
| (Voluntary disclosures will be designed to achieve managerial goals)   |   |   |      |
| It creates the wrong impression of the company as a team of cooperating groups   | P | D |      |
| It creates the impression that companies are not proprietorial organizations   | P | D |      |
| It does not address all the stakeholders properly  | P | D |      |
| The employee's portion of Value Added is not properly analysed<br>(e.g. it is not split between staff levels or races) | P | D |      |
| There is no benchmark or other information to compare VA information with  | P | D |      |
| The calculation of Value Added is not production based   | P | D |      |
| The Value Added Statement is not audited   | P | D |      |
| Maximising Value Added could be inefficient/disastrous   | P | D |      |
| The VA statement does not improve upon the income statement  | P | D |      |
| It suffers from all the problems of accrual based accounting   | P | D |      |
| It does not solve the measurement problem because the stakeholders<br>being addressed in the report are too diverse    | P | D |      |
| It is not reconciled to the income statement   | P | D |      |
| It is not an adequate substitute for the trading account   | P | D |      |
| It is not inflation adjusted   | P | D |      |
| It is not cashflow based   | P | D |      |
| The company does not want to give the information to all the stakeholders  | P | D |      |
| It is simply a passing fashion   | P | D |      |
| Other (please indicate)  |   |   |      |
|  | P | D |      |
|  | P | D |      |
|  | P | D |      |
|  | P | D |      |
|  | P | D |      |
|  | P | D |      |
|  | P | D |      |

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### Section 3

The aim of this section is to establish if there are future uses for value added information if the problems described in section 2 could be solved.

**Would you use value added information in future if some of the shortcomings (See Section 2) could be overcome?**

|     |    |
|-----|----|
| Yes | No |
|-----|----|

- 3.1) If yes, indicate which shortcomings need to be overcome from the list in Section 2 by checking the blocks in the column headed Q3.1 on page 3
- 3.2) If yes, also indicate the anticipated future uses from the list in Section 1 by checking the blocks in the column headed Q3.2 on page 1 and 2
- 3.3) If no, indicate reasons

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### Section 4

The aim of this section is to establish if you have any information needs that can only be met by Value Added information, as well as the decisions influenced by this information.

**Indicate the information you need that can only be provided by the value added statement or a similar statement.**

| Information | Decisions Influenced |
|-------------|----------------------|
|             |                      |
|             |                      |
|             |                      |
|             |                      |
|             |                      |
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(Use separate page if more space is needed)

**THANK YOU**

### Copy of the results

If you wish to receive a copy of the results of the survey, please complete the following request form:

**To:** Prof Chris van Staden  
Department of Accounting  
University of the Western Cape  
Private Bag X17  
Bellville 7535  
Fax nr: (021) 959 2578  
E-Mail: CVSTADEN@EMS.UWC.AC.ZA

**From:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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## Appendix B Trade Unions Interviewed

### Trade Unions for visits

| Name                              | Address                               | Town | Tel     | Acronym  | Members | Selection | Visited |
|-----------------------------------|---------------------------------------|------|---------|----------|---------|-----------|---------|
| 1 <b>Cosatu</b>                   | 1 Leyds str Braamfontein              | Jhb  | 3394911 | COSATU   | 1743172 |           |         |
| 2 Food & Allied Workers U         | Vuysini Mini Cntr Gugulethu           | Ctnw | 6379040 | FAWU     | 139810  | 139810    |         |
| 3 N Education Health & A          | Colyn Hse 156 President str           | Jhb  | 3378516 | NEHAWU   | 120348  | 120348    | 120348  |
| 4 N U of Metalworkers of SA       | York Hse Crn Kerk&Risik str           | Jhb  | 8322030 | NUMSA    | 230000  | 230000    | 230000  |
| 5 N U of Mineworkers              | 5th Floor 7 Risik str                 | Jhb  | 8337012 | NUM      | 310596  | 310596    | 310596  |
| 6 Paper Printing Wood & A         | Zambesie hse 44 von Wiellich str      | Jhb  | 3317721 | PPWAWU   | 53900   | 53900     | 53900   |
| 7 SA Commercial Cat & A           | 1 Edith Cavell str                    | Jhb  | 3371110 | SACCAWU  | 102234  | 102234    | 102234  |
| 8 SA Clothing & Textile WU        | James Bolton Bld 127 Gale str         | Drb  | 3011351 | SACTWU   | 155000  | 155000    |         |
| 9 SA Democratic Teachers U        | 9th Floor 112 Main str                | Jhb  | 3344830 | SADTU    | 106209  |           |         |
| 10 SA Municipal Workers U         | Trade U hse 8 Beverly str Athlone     | Ctnw | 6971153 | SAMWU    | 108738  |           |         |
| 11 SA Society of Bank Officials   | Braamfontein                          | Jhb  | 4033115 | SASBO    | 72786   | 72786     | 72786   |
| 12 Transport & General W U        | Zambesie hse Commisioner str          | Jhb  | 3319321 | TGWU     | 67233   | 67233     | 67233   |
| 13 Chemical Workers Ind U         | McCarthy Cntr 34 Eloff str            | Jhb  | 3316861 | CWIU     | 43000   | 43000     | 43000   |
| 14 Communication Workers U        | Excom                                 | Jhb  | 3334351 | CWU      | 41272   | 41272     |         |
| 15 Police & Prison Civil Rights U |                                       | Jhb  | 3373970 | POPCRU   | 43520   |           |         |
|                                   |                                       |      |         |          | 1594646 | 1336179   | 1000097 |
| 1 <b>Fedusa</b>                   | 203 MISA cntr 12 Fir drive Northcliff | Jhb  | 4765188 | FEDUSA   | 485000  |           |         |
| 2 Hospital Personel Trade U       | 14 Steenbok str Koedoespoort          | Pta  | 3336252 | HOSPERSA | 45034   | 55034     | 55034   |
| 3 Ind Municipal & Allied T U      | Menlo Park                            | Pta  | 466276  | IMATU    | 73000   | 73000     | 73000   |
| 4 Motor Industry Staff Ass        | 201 MISA cntr 12 Fir drive Northcliff | Jhb  | 4763920 | MISA     | 20590   | 20590     | 20590   |
| 5 SA Typographical U              |                                       | Pta  | 3236097 | SATU     | 23843   | 23843     | 23843   |
| 6 SALSTAFF                        | Wanderers View 228 Smit str Brftn     | Jhb  | 7255700 | SALSTAFF | 12899   | 12899     | 12899   |
| 7 Technical Workers U             | 202 Lowliebenhof 193 Smit str Brftn   | Jhb  | 4033356 | TWU      | 11079   | 11079     | 11079   |
| 8 Federation of Org Repr Civil E  |                                       |      |         | FORCE    | 270000  |           |         |
|                                   |                                       |      |         |          | 456445  | 196445    | 196445  |
| 1 <b>Nactu</b>                    |                                       | Jhb  | 8331040 | NACTU    | 220000  | 69000     | 69000   |
| 2 Black Trade U of Transnet       | 105 Simmonds str                      | Jhb  | 3396377 | BLATU    | 10000   |           |         |
| 3 Bldg Construction & Allied      | 5th flr Lekton hse 5 Wanderer str     | Jhb  | 8361422 | BCAWU    | 35000   | 35000     | 35000   |
| 4 Media workers assoc of SA       | Lekton hse 5 Wanderer str             | Jhb  | 3336306 | MWASA    | 27000   | 27000     |         |
| 5 National U of Farm workers      | Lekton hse 5 Wanderer str             | Jhb  | 3333054 | NUF      | 10000   |           |         |
| 6 Nat U of Furniture & Allied WU  | Meubel cntr Mooi/kerk str             | Jhb  | 3361564 | NUFAW    | 37000   | 37000     | 37000   |
| 7 SA Chemical Workers Union       | 187 Bree str                          | Jhb  | 8386581 | SACWU    | 30000   | 30000     | 30000   |
| 8 Steel Enginering & Allied W U   | Chung Hwa Mansion 191 Jeppe str       | Jhb  | 3364867 | SEAWUSA  | 12000   | 12000     | 12000   |
| 9 Hotel Liquor Catering & Allied  | Lekton hse 5 Wanderer str             | Jhb  | 3373455 | HOTELICA |         | 5000      | 5000    |
| 10 Municipal Education State      | York Hse Crn Kerk&Risik str           | Jhb  | 8383011 | MESHAWU  |         |           |         |
| 11 Nat U of Food Beverage Wine    | Lekton hse 5 Wanderer str             | Jhb  | 8331140 | NUFBESAW |         | 5000      | 5000    |
|                                   |                                       |      |         |          | 161000  | 220000    | 193000  |

### More Acronyms

|        |   |
|--------|---|
| COSATU | Congress of South African Trade Unions              |
| FEDSAL | Federation of South African Labour Unions           |
| FEDUSA | Federation of Unions of South Africa                |
| IMATU  | Independent Municipal and Allied Trade Union        |
| NACTU  | The National Council of Trade Unions                |
| NEDLAC | National Economic Development and Labour Council    |
| NEHAWU | National Education, Health and Allied Workers Union |
| POPCRU | Police and Prison Civil Rights Union                |
| SADTU  | South African Democratic Teachers Union             |
| SAMWU  | South African Municipal Workers Union               |



# Aspects of the motivation for voluntary disclosures: evidence from the publication of value added statements in an emerging economy

van Staden, C. J.

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