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**Centre for Competition, Regulation and Economic Development**

**Financial Analysis & Accounting for Economic Regulation Short Learning Programme**

**10 February – 14 February 2014**

# Introduction

This short learning programme is offered as part of a suite of short learning programmes for the Regulatory Entities Capacity Building Project (RECBP) aimed at strengthening financial analysis and accounting, strategic planning and knowledge management, economic and legal analysis in economic regulation in South Africa. The Project is funded under a Memorandum of Agreement between the University of Johannesburg (UJ) and the South African Government’s Economic Development Department (EDD).

Accounting and finance are key areas of work at economic regulators and play a critical role in the determination of tariffs and the assessment of firm conduct. Different accounting methodologies, including different costing methodologies, can result in very different tariffs for regulated entities or different evaluations of a firm’s conduct. Similarly, in capital intensive industries, capital investments can account for the bulk of a regulated entity’s costs, and therefore the costs of capital need to be carefully weighed when arriving at a final tariff or evaluating a firm’s conduct.

# Programme Aims and Outcomes

The purpose of the programme is to enable course participants to gain a good understanding of regulatory accounting and finance, including the calculation of costs and engagement with financial debates from real world case studies. The participants in this short learning programme will be able to apply the knowledge gained to improve their financial and accounting understanding, methodologies and practices in order to support better decision-making for regulators, government and regulated companies.

Course participants will be able to:

* Engage with the main concepts and models in regulatory accounting and finance;
* Identify key areas of financial analysis and cost accounting for the analysis of regulated entities;
* Analyse main components of financial statements of regulated entities and relate audited financial statements to costing models;
* Have a working understanding of building bottom-up and top-down costing models;
* Assess the accounting and finance information required and how it might be sourced;
* Explain how cost accounting and financial analysis has been undertaken in the key regulatory decisions in South Africa;
* Apply the core concepts in regulatory accounting and finance to the analysis of case studies;
* Critically assess the financial and accounting arguments typically made by regulated firms and their legal advisors; and
* Build links with regulators across sectors in South Africa to facilitate the sharing of knowledge, experiences and best practices.

# Key topics and themes covered

The following topics and themes will be covered in the programme:

* Financial theory (including the cost of capital);
* Optimal approaches to the evaluation of regulatory asset bases (modern equivalent asset, historical cost, indexation, absolute valuation);
* Measures of costs (including long run average incremental cost (including relevant mark-up methodologies), fully allocated cost, stand-alone cost, and variable/marginal cost) appropriate to the regulated entity and policy framework;
* Cost accounting principles, including choosing between historical cost accounting, current cost accounting (including operating capital maintenance and financial capital maintenance) and long run incremental cost, that are appropriate to the regulated entity and policy framework; and
* Financial analysis of regulated entities.

***Approach***

The course will be taught by means of lectures on theory and practical case studies on actual regulator decisions, where possible, in order for course participants to develop a working knowledge of regulatory accounting and finance.

The course is registered with the Department of Higher Education and is certificated. Participants will be required to successfully complete class case study exercises.

# Targeted Participants

The programme is targeted at regulatory professionals including those working for economic regulators, government departments and regulated enterprises. Participants are expected to have completed a Bachelor’s Degree in Arts, Business, Commerce, Management or Science or an equivalent qualification at National Qualification Framework (NQF) level 7.

The course is not aimed to be an introductory course on accounting and finance but will provide a solid understanding of specific regulatory accounting and finance topics.

# Cost and venue

The programme cost is R15 000 per participant.

The course will be held at Melrose Place Conferencing, 12A North Street, Melrose, Johannesburg. Transport will be organised to pick up participants from the nearby Rosebank Gautrain station.

# Programme Lecturers and Facilitators

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|  | **Thabiso Madiba** qualified as a Chartered Accountant in 2006 after completing his articles at Ernst & Young in the industrial products division. In 2008, Thabiso moved to the University of Johannesburg where he currently lectures Finance 2 and Finance 3 to the Chartered Accounting stream undergraduate students. Thabiso has been involved in the marking and adjudication of the SAICA QE 2 financial management exam and is a marker and assistant umpire for the SAICA ITC exam. |
|  | **Mariska Mckenzie** is a senior lecturer at the University of Johannesburg. She is currently lecturing financial management to Chartered Accountancy students and is also a research supervisor for MCom (International Accountancy) students. She is a registered auditor and chartered accountant. During 2013 she has been involved in audit quality reviews (ISQC1) for Eskom, Transnet and assist the Audit General with audit reviews of provincial departments as well as municipalities. Mariska is also a SAICA training office reviewer. She also serves on the following SAICA committees: Assurance Guidance Committee, Accreditation & Monitoring Committee, Training Requirements Committee. She is an energetic individual that believes in the development of people. |
|  | **Dr Grové Steyn** is an infrastructure and regulatory economist with more than 20 years’ experience. He started his career as an industrial engineer at Eskom and has worked as an energy and power sector policy researcher at the University of Cape Town, at the former National Electricity Regulator (NER), at the Human Sciences Research Council, as a senior policy and economic advisor to Government and the National Energy Regulator of South Africa (NERSA), as a regulatory advisor to Transnet, and as an infrastructure expert in electricity and pipeline sector commercial and regulatory litigation. Grové served on the Windfall Tax Task Team appointed by Minister Trevor Manuel and on the team responsible for drafting the 1998 White Paper on Energy Policy. |
|  | **Ryan Hawthorne** is an economist working on regulatory issues and business strategy in the telecommunications sector. His focus areas include competition/antitrust economics, telecommunications regulation, and telecommunications strategy. For the past three years he has worked at Neotel in a number of capacities including leading projects on expanding broadband networks. Prior to his position at Neotel, he was a senior economist at the Competition Commission of South Africa. This followed work as an economic expert on competition cases with the specialist economic consultancy Johannesburg Economics, of which he was a founder. |