Improving the Financial Reporting of a Burial Stokvel

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Abstract

This research aims to contrast widely accepted financial reporting frameworks against the records maintained by a burial stokvel. This will be the basis of the recommendations made to improve their financial reporting. Ratios are also recommended to better inform members' financial decisions about the stokvel. A qualitative single-case study method was employed. This method of research examines events in a real-life context and is useful when investigating complex social phenomena that are under-researched, as are stokvels. Given the limited prior literature, an informative case study approach is followed which does not aim make generalizations. The Burial Stokvel does not prepare accounts but instead maintains record of transactions and decisions. As a result, they were unable to identify fraud and error, use evidence to set benchmarks or determine their financial position. The proposed accounting principles and ratios aim to resolve these problems. There are no studies specifically investigating how burial stokvels record transactions and decisions. This research forms the initial steps towards reducing the gap in prior literature as stokvels are significant to the South African context. The recommendations provided will equip members with the tools to improve their financial education and reduce the likelihood of fraud.

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CHAPTER 1 - INTRODUCTION

1.1 Background and contribution of this research

The current inequalities in South Africa originated from Apartheid laws which segregated and discriminated based on race (Matuku & Kaseke, 2014). As a result of discrimination, many Black communities were deprived of opportunities to participate in the South African economy and to further their education, this contributing to the high levels of unemployment (27.1%) (Statistics South Africa, 2019). This has led to many South Africans being unable to afford basic needs such as food, shelter, sanitation and education. Government has tried to alleviate poverty by offering disadvantaged South Africans social grants. However, not all those who are poverty stricken are eligible for these social grants (Matuku & Kaseke, 2014). As a result, people in disadvantaged communities rely on self-help strategies in order to survive (Matuku & Kaseke, 2014). One such strategy is the stokvel.

Stokvels are often described as an informal group of people who agree to contribute a fixed amount at regular intervals (weekly, fortnightly or monthly) for a particular purpose (Matuku & Kaseke, 2014). Naong (2009) defines a stokvel as,

> "a formal or informal rotating credit scheme with entertainment, social and economic functions which (i) fundamentally consist of members who have pledged mutual support to each other towards the attainment of specific objectives (ii) establishes a continuous pool of capital by raising funds by means of subscription of members (iii) grants credit to and on behalf of members (iv) provides for members to share in profits and to nominate management; and (v) relies on self-imposed regulations to protect the interests of its members" (Naong, 2009, p.252).

As a result of the racial segregation and discrimination pre-1994, many of the stokvel members are not financially educated or experienced in accounting. They are not likely to have the skills necessary to (adequately) present useful information to the stokvel members to make informed decision relating to the running of the stokvel (Matuku & Kaseke, 2014).

Typically, members blindly entrust the treasurer with the responsibility of keeping track of the cash flow (Posel & Thomson, 2002). In Margolis' (1974) study, when one of the members of the case study stokvel demanded access to the stokvel's financial records, the other members refused as they believed that the treasurer was the only member with a right of access to the stokvel's records. This reflected how useful information was not presented and easily accessible to all members (Margolis, 1974). Further, Molefe (1989) found that inadequate financial records were kept by burial stokvels.

Robson and Posel (2002) observed that with the passage of time, members were becoming increasingly aware of the importance of maintaining useful records for risk management purposes. This awareness may have been prompted by bad experiences which members of different stokvels had communicated to one another and to the increase in the number of members who have obtained some form of schooling (Posel & Thomson, 2002).

The need for an improved method of accounting which is useful to all members has also been highlighted by the frequency of incidents of fraud. The Citizen reported in February 2019 that an individual had stolen R250 000 from a stokvel (Seemela, 2019). TimesLive reported in December 2018 that a treasurer had stolen R90 000 from a stokvel (Shange, 2018). The Mail & Guardian reported in January 2013 that an individual misappropriated approximately R5 million from a stokvel with 1732 members (Evans, 2013). Had accurate and useful accounting information been presented to these stokvel members at regular intervals, some of these frauds may have been avoided.

Although there is some body of research of stokvels in the social sciences (Dube & Edwell, 2018; Matobo, 1998; Matuku & Kaseke, 2014; Olivier, Kaseke, & Mpedi, 2008) and some research in actuarial science (Posel & Thomson, 2002), there is currently no research on stokvels' current method of accounting, presentation and disclosure. This is despite the stokvel industry being valued at approximately R49 billion with approximately 11.5 million members (NASASA, 2015). This thesis aims to reduce this gap and provide recommendations about how the accounting, presentation and disclosure for a specific type of stokvel – a burial stokvel – can be improved to provide useful information to its members.

1.2 Purpose and importance of this research

According to the National Stokvel Association of South Africa (NASASA), there are approximately 810 000 stokvel groups with approximately 11.5 million members. An estimated 24% of all stokvels are located in Gauteng – which has the highest stokvel presence in South Africa. These stokvels are valued at approximately R49 billion, reflecting their significance in the South African context (NASASA, 2015).

The accounting records of the stokvel are often only accessible to its members. As there are approximately 11.5 million people who are members of different stokvels, all these members should be able to understand the contents of the accounting books and not just the treasurer. If the information is not understandable to all the stokvel's members, the treasurer may engage in fraudulent activities. Moreover, stokvels should be using accounting information to set appropriate terms, such as the contributions and payouts. By having an easily understood method of accounting and disclosure, members will be able to hold the treasurers accountable, as well as to make informed economic decisions about the stokvel operation[1]. Finally, by providing an easy to use framework, more stokvel members should be able to assume the role of treasurer and be able to use the records to make economic decisions.

The first purpose of this study is to gain an understanding of how a single-case study burial stokvel prepares and presents its accounts. Secondly, this study uses three accepted accounting frameworks (IFRS, IFRS for SMEs and the Modified Cash Standard) to consider transactions the case stokvel engages in to generate recommendations to a burial stokvel on how to improve its accounting and reporting.

To make appropriate recommendations, the context of stokvels will be at the heart of the recommendations. Financial education, cost versus benefit, the users of this information and the types decisions that will be made by these users will drive the recommendations made.

1.3 Research objectives and questions

This research aims to:

1. Understand the current accounting of a burial stokvel (including obtaining an understanding of the types of transactions and events a burial stokvel is involved with) using a case study approach and
2. Use IFRS, IFRS for SMEs and the Modified Cash Standard to provide accounting recommendations which are context-specific to South African stokvels.

To achieve these research objectives, the following research questions will be addressed:

- How is the case study stokvel currently preparing and presenting its accounts?
- What types of transactions and events is the stokvel exposed to?
- Using IFRS, IFRS for SMEs, the Modified Cash Standard and the transactions and events identified in research objective 1, what recommendations can be made to increase the usefulness of the stokvel's accounting records?

1.4 LIMITATIONS

This research paper is based on an analysis of the accounting records of a single burial stokvel to evaluate the method of accounting being used. The method which they have adopted may not necessarily be the same method used by other burial stokvels or any other stokvel in the approximately 810 000 stokvel group population. The aim of this thesis is not to generalize the findings (Yin, 2011). However, many of the findings in this thesis are consistent with those in

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[1] Members may even be able to compare the performance and position of other stokvels to increase the efficiency and accountability of stokvels in general.

Robson & Posel's (2002) and Molefe's (1989) case studies. Moreover, the general recommendations will be useful for other types stokvels, given the nature of the industry.

There is currently no literature recommending how the stokvel industry should account for the transactions they enter into and the decisions which they make. Similarly, cryptographic assets such as the Bitcoin, have garnered a significant amount of interest recently with their increasing value and their volatility. These cryptographic assets currently do not have any recognition, measurement and disclosure criteria in the currently existing accounting standards. However, the Australian Accounting Standards Board (AASB) resolved that the most appropriate accounting standards for the treatment of cryptographic assets would be IFRS 9, IAS 38 and IAS 2 (Ernst and Young, 2018; PricewaterhouseCoopers, 2018). In the same manner, the researcher will be recommending accounting treatments for a burial stokvel's transactions using different accounting standards and different accounting frameworks.

There are 5 chapters, in addition to the introduction, in this dissertation. The second chapter, the literature review, provides a detailed overview of the stokvel industry, its members as well as the issues which they are faced with. The third chapter briefly outlines new accounting standards which have been applied in making recommendations to a burial stokvel. This chapter is followed by the research methodology employed (chapter 4). Chapter 5 details the researcher's findings which include the Burial Stokvel's method of record-keeping and the way in which these records can be improved through the application of various accounting principles to enhance accountability and transparency. Lastly, chapter 6 provides the researcher's conclusion and recommendations.

CHAPTER 2 - LITERATURE REVIEW

Section 2.1, 2.2 and 2.3 give a basic overview of the history of stokvels, outline the various types of stokvels in existence in South Africa today and the reasons why South Africans choose to participate in them. Section 2.4 delves deeper into understanding burial stokvels in particular, and why they are the most prevalent type of stokvel in the country. The risks associated with participating in burial stokvels are discussed in section 2.5 and the ways in which those risks can be mitigated follow in section 2.6. Section 2.7 addresses how financial institutions have tried to profit from the lucrative stokvel industry by offering a wide range of products. Section 2.8 discusses how stokvels choose to invest their funds.

Section 2.9 evaluates what researchers have discovered about stokvels' current accounting methods while section 2.10 addresses how their educational level may have an impact on the manner in which they account. Recognised accounting frameworks and how they enhance usefulness are evaluated in sections 2.11 and 2.12 so that they can be contrasted against the stokvel's current method of accounting. This will be done to identify strengths, weaknesses, consistencies and inconsistencies which will assist in making recommendations to increase the usefulness of the burial stokvel's accounting records.

2.1 History of stokvels

The term "stokvel" is believed to have originated in the nineteenth century when English farmers settled in the Eastern Cape. These English farmers started having "stock fairs" at which cattle were auctioned. Black farmers also attended these "stock fairs" where they would socialize and exchange resources they had to purchase the cattle. When these black farmers migrated to Johannesburg to mine gold, they took with them the idea of gathering to socialize and exchange resources through what they referred to as "stokvels" (Matuku & Kaseke, 2014).

There are some who believe the term "stokvel" originated in the twentieth century when women in the Witwatersrand townships brewed and sold beer illegally to support their families. With this shared goal, women formed small groups known as stokvels to support and help take care of each other's homes and families – especially when their husbands were away for extended periods of time (Naong, 2009).

People used the money raised by stokvels for a variety of reasons but – most commonly – to save for future burials. This was important to ensure that they had dignified burials back home. The wives of the gold miners later joined their husbands in Johannesburg and also formed their own stokvels because of their low incomes. The stokvel industry, to this day, is female dominated (Matuku & Kaseke, 2014).

The social purpose of stokvels is as important as their financial and economic purpose to Black communities. Although the urbanization resulting from gold mining increased opportunities, people felt displaced in the unfamiliar environment. Membership in stokvels assisted in establishing relations with people of the same ethnic group or religious affiliation (G. Verhoef, 2001). These stokvels provided mutual support and solidarity amongst members which echoed the tribal support structures in the rural areas from where most stokvel members came (G. Verhoef, 2001). Since its initial inception, stokvels have evolved to cover a wide range of activities such as saving, lending and investing (Matuku & Kaseke, 2014).

2.2 Types of stokvels

Four types of stokvels have been identified to date. These are savings, burial, investment and high-budget stokvels (Matuku & Kaseke, 2014).

In a savings stokvel, members contribute a fixed amount of money regularly and agree on the order or cycle in which members will be entitled to those pooled funds (Matuku & Kaseke, 2014). Aliber (2001) found that people engage in what he referred to as "rotating savings and credit associations" (ROSCAs) because they lack the discipline to save money themselves. By participating in a ROSCA, the pressure from the other members encourages the desired behaviour to save (Aliber, 2001).

Burial stokvels were developed when gold miners realized the high costs associated with transporting miners' bodies back to their home town to be buried according to their traditional customs. The members of burial stokvels make regular fixed contributions to cover future funeral expenses in the event of death. Members will also provide help and support to the deceased's family (Matuku & Kaseke, 2014). This is consistent with the South African notion of Ubuntu – often translated as "I am because we are" (Dube & Edwell, 2018). This is also consistent with the principal of stewardship where "the self is defined as part of the group" (Davis, Schoorman, & Donaldson, 1997).

Moliea (2007) provided evidence that not only poor communities participate in stokvels but those in higher income brackets too (Moliea, 2007). This is most evident in investment and high-budget stokvels.

Investment stokvel members regularly contribute fixed amounts of money which they allow to accumulate before making investments into new or existing business ventures (Matuku & Kaseke, 2014). Examples including saving until enough is generated to purchase and run a fast-food outlet, franchise or a fleet of taxis (Schulze, 1997).

Lastly, a high-budget stokvel is a form of financial institution with the purpose of promoting savings and investment. Large fixed sums of money are contributed regularly. These contributions later allow members to receive large lump sum payments which they can use as desired. As a result, these types of stokvels are not intended for people with limited means (Matuku & Kaseke, 2014).

Many stokvels have common attributes. For example, stokvels are organisations where members act in their own best interests, where membership is voluntary but attendance compulsory once membership is obtained, contributions are fixed and regular and the funds of the stokvel are distributed in a manner which allows all members to benefit equally (G. Verhoef, 2001).

All the types of stokvels mentioned also share the characteristic to make use of a constitution which is the only governance guideline stokvels have available to them. The stokvel constitution contains the rules under which the stokvel operates. All the stokvel's members are responsible for drafting the contents of the constitution. This implies that all the members of the stokvel are mutually responsible for monitoring the activities of the stokvel. Some stokvels' constitutions are written, while others in rural communities do not have the constitution written but instead memorise the rules and know them by heart. Because of the lack of education in rural communities, constitutions are often written in vernacular and the rules are kept simple (Mashigo & Schoeman, 2012). The rules in the constitutions of each stokvel differ depending on the goal and purpose of the stokvel.

According to a constitution template available on the NASASA website, the constitution should contain the responsibilities of the chairperson, the secretary and the treasurer. It states that resolutions should be adopted only after a majority vote where each member is entitled to one vote. It outlines when meetings are to be held, the joining fee as well as the fixed contribution. The constitution must state the benefits that are to be derived by the members of the stokvel. The constitution contains a code of conduct which members must abide by. The code of conduct requires that members not use the stokvel for business or personal gain. In the case where a stokvel dissolves, it must be stated in the constitution what will be done with the stokvel's funds. Lastly, the members of the stokvel must sign a declaration as agreement to the terms of the stokvel (NASASA, 2015). Appendix 1 contains a copy of the template constitution.

The constitution is there to encourage members to attend meetings, make contributions timeously and to ensure that all the members who join are loyal, trustworthy and reliable. This is important to ensure that the reputation of the stokvel is upheld (Mashigo & Schoeman, 2012).

2.3 Motivation behind participation in stokvels

A study performed by Old Mutual (2011) reflected that 38% of South Africans – with the majority being black – are part of stokvels. Members of these stokvels contribute, on average, R520 per month. In the same study, it was approximated that 800 000 South Africans were members of stokvels. Of the 800 000, 320 000 were from urban areas whereas the remaining 480 000 were from rural areas (Arko-Achemfuor, 2012).

In interviews conducted by Matuku and Kaseke (2014), it was discovered unemployment that was a primary reason why women aged above 30 in Orange Farm participated in stokvels. By contributing to stokvels, they could achieve income security through the pay-outs received during financially difficult times. They used the income generated from the stokvels to supplement their husbands' income in order to buy food and clothing for their families (Matuku & Kaseke, 2014).

Participating in these stokvels also allowed them the ability to meet their basic needs. These included groceries, clothing and paying for children's education (Matuku & Kaseke, 2014).

Friends, relatives and church members often encouraged women to join stokvels. The social pressure to join was increased if these friends and relatives lived in close proximity to one another as members would speak very highly of the benefits. Women also joined stokvels to have the emotional support of the members – especially during a trying time such as the death of a relative (Matuku & Kaseke, 2014).

Many people (members and non-members) enjoy the benefit of being able to obtain micro-financing from these stokvels where interest of up to thirty percent can be charged. However, money is only lent to members or non-members who are considered trustworthy. By earning interest, the stokvels obtain additional money which allows them to lend even more (Matuku & Kaseke, 2014).

Many women view participation in stokvels as a means of empowering themselves. They may have received the initial contribution for the stokvel from their husbands. However, with time, they became less dependent on men and have learnt how to save money on their own motivating their participation in stokvels (Matuku & Kaseke, 2014).

Another incentive to participating in stokvels is the benefit of insurance being provided. Members have certainty that when funerals occur, they will have access to funds. Although multiple burial policies are provided by insurance companies today, many in the Black community still prefer burial stokvels because they are not profit oriented. Not only do they provide financial support, they also provide emotional support to the bereaved family which insurance companies do not necessarily offer (G. J. E. Verhoef & Society, 2001).

As a result of all of the above, a successful stokvel is dependent on trust, honesty and teamwork. Having a constitution for the stokvel also assists in circumventing the theft of money or people not repaying the microfinance given (Matuku & Kaseke, 2014). The Chief Executive Officer (CEO) of NASASA, Andile Mazwai stated that the stokvel's constitution assists in regulating the stokvel group (NASASA, 2015). The rules in this constitution are taken very seriously by members so that they do not disappoint one another (Moliea, 2007).

2.4 A focus on burial stokvels

There is very little published research on burial stokvels, despite them being the most common informal financial instrument in the developing world (Ngcobo & Chisasa, 2018). In 2015, burial stokvels made up R25 billion of the R44 billion of the stokvel industry's estimated value (Ngcobo & Chisasa, 2018).

2.4.1 The cost of funerals in South Africa

The deceased's family prefer to have the funeral as soon as possible because of the high costs associated with the funeral. A night vigil is held at the deceased's home every day until the date of the funeral. Refreshments are served to attendees of the night vigil which often range between 20 to 70 people a night. Often, a tent must also be hired to accommodate all the attendees of the night vigils. On the day of the funeral, more than 600 people may attend the funeral. After returning from the cemetery, all 600 attendees must be fed. Some families may slaughter cows or sheep to feed these attendees. At some funerals, an 'after-tears party' follows the feast where attendees are treated to beer and brandy (Roth, 2001).

This often results in funerals being too expensive for the family to afford from their general savings and disposable income. Finance for funerals is often obtained through the sale of assets, obtaining credit from either stokvels, township moneylenders or banks, through savings and lastly through gifts provided by friends and relatives. Roth (2001) found that households in the Eastern Cape spent 15 times their average monthly household income on funerals (Roth, 2001). Typical funerals in South Africa can cost up to R86 000 taking the costs of the casket, the grave, the undertaker fees, transport, food and catering, tent hire and flowers into account (Hippo, 2017).

The burial stokvel assists members in mitigating the risk of having inadequate finance for funerals. Having the financial means allows members to meet their family's expectations regarding their responsibilities in contributing towards the funeral (Posel & Thomson, 2002). Most African communities believe that giving the deceased a more expensive funeral is a sign of respect. More lavish funerals also signify to attendees that the deceased's household is dignified (Roth, 2001).

The funds contributed by all the members mitigate the risk of excessive payments being made by members out of their own savings when relatives pass away – especially if there are multiple deaths which occur within a short period of time (Posel & Thomson, 2002).

2.4.2 The operation of a burial stokvel

Members of burial stokvels agree on a joining fee, a membership waiting-period[2] after payment of the joining fee and the monthly contributions. Members are not subjected to

[2] New members of the stokvel must wait a certain period of time before they become full members who are entitled to all the stokvel benefits.

stringent credit checks before joining the stokvel as a result of the mutual trust shared with the people they allow to join. Members also agree on the constitution. The executive committee is elected by members and consists of a chairperson, treasurer and secretary. It is the executive committee's duty to subsequently open a bank account in the name of the stokvel to avoid the mismanagement of the stokvel's funds (Ngcobo & Chisasa, 2018). The money contributed by the members is deposited in the stokvel's bank account where the money is kept until a member or a members' listed dependent passes away (Matobo, 1998). The role of the executive committee is one of stewardship as they are accountable to the other burial stokvel members for the custody and safekeeping of their contributions. The executive committee must also ensure that they use the members' contributions efficiently to allow for the growth and success of the stokvel (Murphy & O'Connell, 2013).

There are two types of burial stokvels. Firstly, a burial stokvel may help the bereaved's family purchase the coffin, tent, groceries, sacrificial livestock and other items members may require. The other type only provides the member with a lump sum of money to purchase the items they may need. Before any claims can be processed, the bereaved member of the stokvel must provide the stokvel with the death certificate proving that a member or member's listed dependent is deceased (Matobo, 1998). On submission of a claim, the treasurer will ensure that the member whose dependent has passed away is up-to-date with their stokvel contributions, otherwise no pay-out or a reduced pay-out is made (Ngcobo & Chisasa, 2018).

Burial stokvels may engage in the following activities to ensure that sufficient funds will be available when claims are made: investing cash in interesting bearing accounts, making loans in the stokvel's own name to both members and non-members, tent rental, hawking and beer sales. Where members cannot afford their monthly contributions, income from these other activities may be used to satisfy these contributions (Matobo, 1998).

Many burial stokvels have a maximum limit on the number of members that may form part of the stokvel and the number of dependents who may be listed. As a result of this, some members find themselves joining several burial stokvels so that all their dependents may be listed (Matobo, 1998). There is a great risk that members may not be able to cover the full cost of a funeral when participating in only one burial stokvel. Membership in multiple burial stokvels allows members to spread their risk which improves the reliability of participating in a burial stokvel (Posel & Thomson, 2002).

There are often no restrictions on who can be a dependent. However, some burial stokvels specifically prevent members from listing friends, boyfriends or girlfriends (Matobo, 1998). In the formal insurance sector, these persons would not meet the definition of a dependent and so would not meet the criteria to be an insurable risk. A risk with listing many dependents is that the other members will have to contribute towards the funerals of marginal dependents. Other members may list the same people as dependents in various stokvels with the hopes of generating greater support in the event of the death of their dependent (Ngcobo & Chisasa, 2018).

Investing in a burial stokvel has risks like any other business venture. Many members fear that when other members get financial assistance first, it increases the likelihood that other members may not receive funds later when they are in need. There is also the risk that upon dissolution of the burial stokvel, some members will have benefited more than others (Naong, 2009).

Irrespective of which type of stokvel is utilized, a significant amount of trust is held in those responsible for cash-handling and recording transactions. As many members of stokvels are not financially educated, the need for clear and easy-to-understand financials is vital. In light of this, the financial statements required by stokvels take on a stewardship objective. In this instance, the financials are specifically designed to provide members with information that allows them to assess the liquidity and solvency of the stokvel. In addition, monthly statements will help reduce the risk of fraud and error.

2.4.3 The insurance industry and burial stokvels

Many stokvel members either cannot afford to take out formal funeral insurance policies or do not trust these institutions. Burial stokvels offer benefits which are similar to insurance contracts (Schulze, 1997). The premiums to be paid for formal funeral insurance policies are often high as opposed to burial stokvel contributions (Posel & Thomson, 2002).

Burial stokvels can be seen as a type of insurance where customary patterns of co-operation as well as communal responsibility and support regulate any events which unexpectedly emerge (Ngcobo & Chisasa, 2018). Burial stokvels can be classified as mutual insurance as the risk of an uncertain event materializing is borne by the members of the stokvel mutually. The mutual insurer – being the other members of the stokvel – does not intend to make profits from stokvel contributions made by the insured (Schulze, 1997). Contrastingly, in the case of insurance for profit, the risk of an uncertain event materializing is borne by a separate legal entity (the insurer). The aim of insurance for profit is to charge higher premiums than is required to cover unexpected losses so that a profit can be made (Schulze, 1997). The activities of these burial stokvels are, however, excluded from the definition of 'Insurance Business" in section 1 of the Insurance Act 27 of 1943. They do not need to register as insurers (Schulze, 1997).

2.4.4 Risks faced by burial stokvels

Burial stokvels are based on the premises of Ubuntu, reciprocity, trust and stewardship which is the reason why its members view them as long-term arrangements. The dissolution of a burial stokvel may be a failure to exercise these two premises which may cause disagreements among members. Another reason for dissolution may be insolvency, especially if there are multiple deaths in close succession (Murphy & O'Connell, 2013; Posel & Thomson, 2002).

Participation in a stokvel is dependent on members earning a steady income. If a member were to lose his job, he will be unable to put money away in savings vehicles such as stokvels. Loss of employment may often result in contributions being in arrears or the rationalisation for committing fraud (James, 2015).

Another risk is that the stokvel's funds may be mismanaged by the treasurer and this may result in the stokvel being unable to pay claims. An interviewee in a study performed by Robson and Posel (2002) stated that the mismanagement of funds does not necessarily result in the dissolution of the stokvel. Members often come together to decide on a way forward and to decide how fraud can be curtailed in future (Posel & Thomson, 2002).

Molefe (1989) found that of the 60 burial stokvels he was studying, 37 were exposed to mismanagement of funds by a member, shortage of funds and members who were in arrears with their contributions (Molefe, 1989). Although some burial stokvels are able to easily resolve these problems, others are unable to – resulting in members leaving such stokvels (Posel & Thomson, 2002).

There is also the risk of high mortality rates – especially with the HIV/AIDS pandemic. As a result, it is important that burial stokvels adjust their contributions so that they exceed the expected pay-outs to be made to avoid insolvency. Contributions should not be inadequate or too onerous for members to afford. Members of different stokvels often compare their contributions with one another to decide what amount is considered to be fair (Posel & Thomson, 2002).

Another risk is that some members may forge death certificates when filing a claim so that they receive pay-outs. An interviewee in a study by Robson and Posel (2002) stated that they were part of a stokvel with many foreign nationals from Zimbabwe, Lesotho and Botswana. When making claims, these members would tell the other members that the undertakers in their respective countries do not provide them with death certificates and so they have no means of verifying the death. The other members were not even able to attend the funerals to verify the death as these countries are too far away to travel to (Posel & Thomson, 2002).

2.4.5 Mitigating the risks

Members of the burial stokvel are selected based on some form of relation – be it relatives, people from the same neighbourhood or religion. Other stokvels also select their members based on ethnicity, age and gender. Many burial stokvels are very strict about the people who can join so that the mutual trust is maintained. For example, if membership is determined by religion, it is likely that members have similar values. Therefore, if new members want to join, they must belong to the category of persons who established the burial stokvel (Posel & Thomson, 2002).

Some burial stokvels restrict their membership number – once that limit has been reached, no new members are allowed to join. New members will only be accepted if current members resign or pass away (Posel & Thomson, 2002).

Robson and Posel (2002) asked interviewees whether they would accept new members who were terminally ill. It was found that there were no set rules governing the acceptance of such new members. Some burial stokvels apply a probationary period of 6 months to these members while others do not accept them at all (Posel & Thomson, 2002).

Members of traditional burial stokvels make use of constitutions which set out the rules in order to maintain discipline. These rules include how members must attend all meetings, otherwise a fine will be imposed. However, many burial stokvels do not have formal constitutions in place which a respondent in the study performed by Robson and Posel (2002) viewed as resulting in a high number of disputes (Posel & Thomson, 2002).

Where burial stokvels have constitutions, it may not be a true reflection of the current stokvel operation. It may reflect the members' intentions when the stokvel was initially founded. If these intentions subsequently change, the constitution is often not amended. Minutes of meetings may be a more realistic reflection of any changes to their intention as well as amendments to policy decisions (Posel & Thomson, 2002). In the 60 burial stokvels which Molefe (1989) observed, 58 of these stokvels kept records of minutes. Although these minutes may not have been taken at every meeting, important issues such as policy decisions or new regulations were always recorded (Molefe, 1989).

The imposition of fines develops the trust among members which is necessary for the management of risk (Posel & Thomson, 2002). In the study performed by Molefe (1989) on 60 burial stokvels, it was found that 44 imposed fines on its members for absenteeism, late coming, arrears of contributions, inappropriate conduct and embezzling funds to deter these actions from taking place in future (Molefe, 1989).

Alternatively, when a member is in arrears, a grace period is often granted for them to settle their debts. Many burial stokvels grant members a grace period of 3 months. If a member passes before settling their contribution, the pay-out is reduced by the amounts which they owe. Other burial stokvels choose to withdraw members' cover if they fall into arrears. Special concessions can be made if the member in arrears notifies all the members of their reason for defaulting. Some burial stokvels even have special committees that deal with members whose accounts are in arrears for reasons that are sound (for example, job losses) (Posel & Thomson, 2002).

As a control to mitigate fraud, some burial stokvels open savings accounts for each individual member. When contributions are made, money contributed by all the members is deposited into a member's account on a rotational basis. Claims are then paid out of the member's account only once proof has been provided that a dependent is deceased. Effectively, members are entitled to claims equal to the contributions which they have made. Although the savings accounts are in the members' names, the savings book is held by the executive committee of the burial stokvel. The risk of death is, however, borne by an individual member which is contrary to the premise of a traditional burial stokvel where members bear the risk of death mutually (Posel & Thomson, 2002).

Many have recognised the benefits of traditional burial stokvels but have chosen to participate in hybrids of the traditional burial stokvel. In these hybrid burial stokvels, members still gather regularly for the social aspect and for the emotional support when a dependent passes. However, control over the money contributed is relinquished to a third party who ensures that benefits are paid when they are due to the members. Funds being managed by commercial insurers is likely to reduce the probability of fraud by members who are entrusted with the money as is the case with traditional burial stokvels (Posel & Thomson, 2002).

2.5 The interaction between financial institutions and stokvels

In the past, the treasurer of the burial stokvels would count all the money contributed in cash by members to date at each meeting to ensure that all members were satisfied with the money on hand and then it would be kept in the treasurer's custody. If members criticised the treasurer, then he would relinquish his duties and request that a new treasurer be appointed. The problem which arose was that the cash contributions were easily stolen. After realising the dangers, many burial stokvels opted to save their money in savings accounts with banks (Posel & Thomson, 2002).

As mentioned by Matuku and Kaseke (2014), the Black community was unfamiliar with banks as they did not trust these formal financial institutions. However, with time, the formal financial institutions began to realize the importance of stokvels. This is why financial institutions such as Nedbank, First National Bank, ABSA and Old Mutual offer accounts which members can open in the name of the stokvel.

Nedbank offers R10 000 burial cover if each member contributes R15 per month. They also offer a 10% discount on groceries or school supplies with the business with which they have partnered (Nedbank). ABSA also has a Stokvel account that offers R2 000 accidental death cover if members contribute R50 per month (ABSA). Standard Bank offers 3.6% interest on funds deposited into Stokvel accounts opened with them (StandardBank). Members are required to provide documents such as the proof of residence, ID copies of the signatories and the minutes of meetings approving the decision to open the account.

Stokvels accept deposits from individuals within the group and also provide loans to members and non-members. As a result of this, stokvels should be registered in accordance with the Banks Act of 1990. Andile Mazwai stated that stokvels are granted an exemption from the Act if they are registered with a stokvel association. Registration with an association legalizes their activities (NASASA, 2015).

One of the stokvel's activities is microfinance. Members and non-members who are considered trustworthy are eligible for obtaining microfinance. Transactions between a stokvel and its members in respect of the micro-loans are excluded from the definition of a credit agreement in section 8 of the National Credit Act, as long as they are in compliance with the rules of the Stokvel (National Credit Act, 2006).

2.6 Investment procedures

Members can also save the stokvel money in business ventures. Stokvels raise considerable amounts of money, yet the majority of this money goes towards household consumption. In 2011, Old Mutual reported that approximately R44 billion had been contributed into South African stokvels. This money may be better utilized in the incorporation of small, medium and micro-enterprises (SMMEs) with the aim of reducing the levels of unemployment in South Africa. This will, in turn, contribute to the country's economic growth. The funds generated by stokvels, coupled with financial education of the general population may assist the poor to start and successfully operate their own businesses (Arko-Achemfuor, 2012).

However, as members participating in stokvels are generally inexperienced in making such investments and there is no security with such investments, members of burial stokvels tend to avoid them (Posel & Thomson, 2002).

Another way in which stokvels grow their money is by providing loans. The formal financial sector does not grant the poor access to credit because of their low credit ratings. As a result, the poor are without finance which will assist in hedging against unforeseen circumstances such as illness or death. In these circumstances, microfinance granted by stokvels is imperative (Mashigo & Schoeman, 2012).

Stokvels do not make use of collateral to guarantee the microfinance that is offered to members and non-members. Instead social pressure and the continuous monitoring of loan recipients are substitutes for the collateral. This is effective because the loan recipients know that they rely on these stokvels during times of financial distress and as a result abide by the rules in the constitution (Mashigo & Schoeman, 2012).

Many stokvels avoid granting loans to members because the risk of non-payment and the potential conflicts which may result if members do not pay back the loan or they pay it back over extended periods of time (Posel & Thomson, 2002). Non-payment results in a member being expelled from the group or finance never again being granted to the non-member (Mashigo & Schoeman, 2012).

2.7 Accounting procedures adopted by stokvels

In the past, members of burial stokvels took the chairman and treasurer's word regarding financial matters because of the mutual trust among members. Members who lacked the appropriate financial education believed that the financial position of the burial stokvel need not be disclosed to them (Posel & Thomson, 2002).

Burial stokvels in townships did not maintain accurate accounting records. When records were kept, they were seldom submitted for an audit or review. Members were satisfied with the accounting records so long as the numbers appeared to be convincing. This resulted in opportunity for fraud (Molefe, 1989).

In more recent times, members of burial stokvels have become aware of the importance of maintaining useful accounting records. Members have been made aware of this by reports of bad experiences made by members of various other stokvels when discussing and comparing their methods of accounting. The importance of maintaining useful financial information was also highlighted by the increased number of people who have obtained an education. Sometimes the method of accounting entails only the scrutiny of monthly bank statements against contributions and pay-outs made in the previous meeting (Posel & Thomson, 2002). Lukhele (1990) found that in most burial stokvels, the accounts are read to all the members at every second meeting. This is followed by a discussion by the members regarding how much money has been spent, how much money must still be contributed, as well as how to make the stokvel a success (Lukhele, 1990). As financial reporting takes place monthly (or weekly, fortnightly), decisions considered to be quick can be made when or as necessary (Posel & Thomson, 2002). As a result, it would appear that the accounting records of burial stokvels are improving (Posel & Thomson, 2002).

Robson and Posel (2002) found that members record all contributions in a book. In this book, each meeting was recorded with the members' names, payments made at the meeting, the balances outstanding before and after the contributions and any fines which had been levied. From the contributions, the cost of transport to deposit the contributions made in each respective meeting was deducted, with the residual banked. The person responsible for depositing the money must be considered trustworthy by all the members. This person would be held accountable for any variance in the amount contributed and the amount deposited per the bank statement (Posel & Thomson, 2002).

Some burial stokvels have different accounts for each of the activities that the stokvel performs. Accounts include the transport cost account, an account for the purchase and provision of vegetables for funerals and accounts for other miscellaneous items (Posel & Thomson, 2002). Contributions made by the members are noted in a ledger (James, 2015). Some stokvels even issue receipts for any contributions which they have received (Posel & Thomson, 2002).

Members of burial stokvels appear to be aware that ensuring accountability over the accounting records will resolve any tensions and will result in more security. This was signified by the sentiments shared by an interviewee in Robson and Posel's (2002) study who stated that in their stokvel, the accounting records are passed around to every single member during the meeting for approval otherwise the members will fight (Posel & Thomson, 2002).

2.8 Education among stokvel members

Although many of the members of burial stokvels are not able to perform accounting, bookkeeping or other administration work themselves due to the lack of skills, they are generally unwilling to contract outside help because they do not trust other people with their money (Posel & Thomson, 2002).

Molefe (1989) stated that according to a study performed by Hall (1987), 68% of the respondents in Hall's study indicated that they needed some form of training in accounting and bookkeeping as some of the members of the burial stokvels were illiterate (Molefe, 1989). An interviewee in Robson and Posel's (2002) study indicated that the treasurer of their stokvel would travel to the undertaker when making a claim, taking a younger relative who could read all the necessary documents for him.

Margolis (1974) found that even the members of the executive committee also lack the appropriate financial education for the functioning of the stokvel. In addition, some members of the executive committee are unfamiliar with their duties which leads to inefficient administration (Margolis, 1974). Although Margolis' study was based on stokvels in the early 1970s, Robson and Posel (2002) found that there was still a shortage of skills among the members of burial stokvels as financial illiteracy is most prominent in the Black communities (Dube & Edwell, 2018; Posel & Thomson, 2002).

Dube and Kaseke (2018) found that training members in financial management has the potential to equip members with the necessary skills to grow their stokvels. Financial management skills might assist members understand how to do business with commercial insurers and also understand which investments may yield the greatest returns on their contributions (Dube & Edwell, 2018).

2.9 Appropriateness of existing accounting frameworks

There is currently no financial reporting framework available for stokvels to account for their incomes, expenses and equity. In order to propose improvements to the reporting framework used by stokvels, this research paper will contrast the strengths, weaknesses, consistencies and inconsistencies of existing accounting frameworks against the method of accounting used by burial stokvels. The following accounting frameworks will be discussed:

1. IFRS
2. IFRS for SMEs
3. Modified Cash Standard (MCS)

The objective of IFRS and IFRS for SMEs is to provide financial reporting standards which are universally understandable to a range of different entities of different types and sizes (IFRS Foundation, 2019). The application of IFRS or IFRS for SMEs is restricted to profit entities depending on their public interest score (Companies Act, 2008). Although enhancing universal understandability and consistency of accounting among entities, these accounting standards may not be appropriate for stokvels as they are not profit oriented entities.

IFRS is widely used by companies all over the world because of its benefits. In a study performed by Owolabi and Iyoha (2012) their findings state that the benefits include the ease of using a single reporting framework among a number of subsidiaries across the world. The management of companies which have adopted IFRS will have greater access to global markets. Another benefit is that investors can easily understand and use IFRS-based financial statements for decision-making (Iyoha & Owolabi, 2012). A disadvantage of IFRS is that many consider it as “costly, complex and burdensome,” (Jermakowicz & Gornik-Tomaszewski, 2006).

IFRS for SME’s, on the other hand, was introduced because the IASB recognised that the accounting needs of users of financial statements for smaller entities differed from those of larger entities. The IASB also believes that the cost versus benefit test should be assessed with the nature, number and information needs of users in mind. In South Africa, a study showed that the costs of complying with IFRS exceeded the benefits for SMEs due to its complexity and the length of time it takes to achieve compliance (Stainbank, 2008).

IFRS for SMEs should be adopted by entities which do not have public accountability. The International Accounting Standards Board (IASB) does not define entities. As a result, entities such as companies, partnerships, trusts or an organized group of persons, whether incorporated or not, may apply IFRS for SMEs. The standards aim to remove choices between accounting treatments, eliminate topics generally irrelevant for SMEs and simplify the methods of recognition, measurement and disclosure (Van Wyk & Rossouw, 2009).

The MCS is a South African standard which recognises transactions when cash has been received or paid but also takes accrual accounting into account so that users can hold the relevant governmental department accountable. This is because the users of departmental financial statements are concerned with how resources allocated are being utilized. The financial statements should reflect management’s stewardship and accountability to the resources entrusted to it by the public (National Treasury, 2017).

2.10 Usefulness of financial information

In proposing appropriate recommendations to achieve research objective 1 and 2, the recommendations made should be useful to a burial stokvel and its members. Analogising to IFRS, financial information is useful if it meets the needs of its users by being relevant and faithfully representing what it purports to represent. Financial information should provide its users with an overview of the financial position, performance and cash flows of the reporting entity. All financial information provided should be relevant as it has the ability to affect the decisions made by its users. Omissions of data may result in users making incorrect decisions because of a lack of information. Information faithfully represented is “complete, neutral and free from error” (International Accounting Standards Board, 2018, p.6). Usefulness is also increased by characteristics such as comparability, verifiability, timeliness and understandability. The IASB also states that the cost of providing information will be useful only if it does not exceed the benefits of providing and using that information (International Accounting Standards Board, 2018).

Ratio analysis is another useful tool which can also be used as a basis for recommendations to a burial stokvel as it provides meaningful insight into the solvency, liquidity, financial position and overall sustainability of any entity. This analysis tool provides useful information in a simple, brief yet understandable form. Ratios could be used to assess whether the stokvel is in a position to lend money, increase or decrease contributions, measure the stokvel's intrinsic value and assist the executive committee make better decisions regarding the operating, investing and financing activities of the stokvel. The analysis of ratios will also assist members identify relationships between several variables such as the relationship between claims and the contributions, the relationship between claims and the bank balance or the relationship between loans outstanding and the stokvel's cash position (Babalola & Abiola, 2013).

The objective of improving a burial stokvel's financial reporting is to establish the principles that the burial stokvel can apply to report useful information to its members about the nature, timing, associated risks and uncertainty of the stokvel's cash flows, incomes, expenses, assets, liabilities and equity. The established principles must be easily understood by all members so that any decisions made are appropriately informed. Amounts recorded in the accounting records must easily be verifiable against bank statements, minutes of meetings and other relevant documentation. All financial information should be faithfully represented to encourage transparency and accountability among the stokvel members and reduce the likelihood of fraud.

CHAPTER 3 – TECHNICAL ACCOUNTING

The purpose of this chapter is to provide insight into new accounting standards, such as IFRS 9 and IFRS 17, which will form part of the basis of the researcher's recommendations to the Burial Stokvel. Moreover, the principles of IFRS 9 are contrasted to the principles contained in the Modified Cash Standard as well as IFRS for SMEs to: 1) understand the different methods of accounting for financial assets and 2) to identify principles which are consistent with the Burial Stokvel's current records to ensure ease of application if the recommendations are adopted.

3.1 The accounting for financial assets under IFRS, IFRS for SMEs and the MCS

IFRS 9: *Financial Instruments* replaced IAS 39: *Financial Instruments* to resolve issues surrounding its inconsistency with how companies managed risks and the deferred credit losses until too late in the credit cycle which became most prevalent just before the global financial crisis (PricewaterhouseCoopers, 2017). This standard aims to make the accounting for financial instruments easier and has been effective from 1 January 2018 (Limani & Meta, 2017). The IFRS for SMEs was updated in 2015 for reporting period commencing on or after January 2017 (IASB, 2015). Section 11: *Basic Financial Instruments* of the IFRS for SMEs may have been applied together with IAS 39 which was the previous IFRS standard used to account for financial instruments. However, section 11 was not updated when IFRS 9 was issued by the IASB. This is because it is not the IASB's intention to update IFRS for SMEs standards every time a new IFRS is issued as it will result in changes being made to the IFRS for SMEs annually which would be onerous for private entities (Pacter, 2009).

This section sets out the relevant aspects for accounting for financial instruments – financial assets in particular – under IFRS, IFRS for SMEs and the MCS. These are highlighted in Table 1:

Table 1 - Differences and similarities in the accounting for financial assets			
	IFRS 9	Section 11 of IFRS for SMEs	Chapter 10 of the MCS

Initial recognition	Financial assets are initially measured at fair value plus associated transaction costs. An exception is trade receivables with no significant financing component as these are measured at the transaction price.	Financial assets are measured at the transaction price which includes transaction costs.	Financial assets will be measured at their face value or may be designated to be measured at the amount of cash received on the date of issue. All transaction costs directly attributable to the acquisition or issue of financial instruments will be expensed.
Classification	The financial asset is classified according to the entity's business model for managing the asset. One of the business models is amortised cost. The objective of this business model is solely to collect contractual cash flows of interest and principal.	Financial assets are classified in accordance with the following models: ➢ Amortised cost using the effective interest rate method ➢ Settlement value ➢ Cost less any impairment	Financial assets are classified in accordance with the following models: ➢ Cost Method ➢ Amortised cost ➢ Settlement value
Subsequent recognition and measurement	Subsequently, financial assets are measured in accordance with their relevant business model. Where the chosen business model is amortised cost, the financial asset will subsequently be amortised using the effective interest rate method less impairment.	Financial assets willll subsequently be measured as follows: ➢ Amortised cost: Non-current debt instruments will subsequently be measured using the transaction price less any principal repayments plus amortization	Financial assets will subsequently be measured in accordance with the following models: ➢ Cost Method: the transaction amount of any financial instruments is subsequently changed from the amount recognised at initial recognition to

	An expected credit loss allowance for financial assets, lease receivables and contract assets must be recognised using either a 12-month rate or a lifetime rate. ➢ 12-month expected credit loss allowance: The portion of lifetime expected credit losses which represent expected credit losses which result from default events possible within the 12 months after the reporting date. Credit losses on financial instruments are measured using the 12-month rate if there has not been a significant increase in credit risk since initial recognition. ➢ A lifetime expected credit loss allowance represents the expected credit loss which results from all possible default events over the expected life of a financial instrument. The entity measures the loss allowance using the lifetime rate if the credit risk on that financial instrument has increased significantly since initial recognition. Trade receivables and contract assets which do not contain a significant financing component as well as contract assets and lease receivables where an entity has	using the effective interest method and less impairments. ➢ Debt instruments initially classified as current assets will not be amortised. Instead, they will be measured at the undiscounted amount of cash or other consideration expected to be received which will represent their settlement value. ➢ Cost: Investments in non-convertible preference shares and non-puttable ordinary or preference shares which are not publicly traded will be measured at their cost less any impairment. Entities will assess whether any impairment indicators exist at the end of each reporting period. ➢ The impairment loss on assets measured at amortised cost shall	reflect any changes in the foreign exchange rate, interest capitalized or any amounts which have been derecognised. ➢ Amortised cost: The value of the financial asset is measured using the amount recognised at initial recognition less any principal repayments plus any interest accumulated. Interest on financial instruments measured at amortised cost will be measured using the coupon rate. ➢ Settlement value: Financial assets are measured at the price that would have been received if that financial asset had been sold. All financial assets indicating impairment should be impaired and the estimated reduction in the carrying value recorded in the

	made the election will always be impaired using the lifetime expected credit loss allowance.	be the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. ➢ The impairment loss on assets measured at cost is calculated as the difference between the asset's carrying amount and management's best estimate of the amount the entity would receive if the financial asset were sold at the reporting date.	statement of financial performance. Impairment estimates will be determined by estimating the present value of future cash inflows expected from the settlement of the financial asset. The present value may be discounted using an appropriate discount rate. As a practical expedient, the prevailing prime rate of interest can be used for discounting.
Disclosure	➢ The carrying amounts of the financial assets should be separately disclosed in the statement of financial position so that users can evaluate the significance of financial instruments. ➢ The extent and nature of the risks arising from the financial instruments must be disclosed at the end of each reporting period. ➢ IAS 1 further requires the disclosure of interest revenue, gains and losses arising from the disposal of financial instruments, impairment losses and	➢ The entity must disclose all categories of financial assets measured at fair value through profit or loss, amortised cost and cost less impairment in the statement of financial position. ➢ All information enabling users to evaluate the significance of financial instruments for its	➢ The chosen model which was applied to its financial instruments. ➢ Total interest revenue on financial assets must be disclosed. ➢ Total foreign exchange gains and/or losses on the revaluation of financial instruments must be disclosed.

	reversals and fair value adjustments to be recognised in profit or loss.	financial position and performance. ➢ Where assets are measured at fair value, the valuation technique must be disclosed. ➢ Income, expenses, gains and losses recognised on financial assets measured at amortised cost and fair value through profit or loss must be recognised in the statement of profit or loss.	➢ Disclose the entity's exposure to risk and how the risks arise. ➢ The objectives, policies and processes for managing those risks must be disclosed. ➢ Financial assets should be classified as either current or non-current and all individually material financial assets separately disclosed. ➢ Impairment losses for each class of financial asset as well as the methodology in calculating the impairment loss shall be separately disclosed.

(IASB, 2015, 2017a; National Treasury, 2017; PricewaterhouseCoopers, 2017)

3.2 Initial and subsequent recognition and measurement of IFRS 17 insurance contracts

Although IFRS 17 is only effective on 1 January 2021, it will be considered in this research as it is the latest insurance standard and it addresses many of the inadequacies of IFRS 4[3]. IFRS 17 prescribes the accounting treatment of insurance contracts and aims to provide improved

[3] IFRS 4 did not prescribe the accounting treatment of insurance contracts. Instead, it allowed companies to use local accounting requirements such as national GAAP or its variations to measure insurance contracts issued.

information about the current and future profitability of the insurer (IASB, 2017b). IFRS for SMEs and the MCS do not provide any guidance on the accounting treatment of insurance contracts. As a result, IFRS will be the sole standard consulted in this regard.

An insurance contract is “a contract under which one party – the issuer – accepts significant insurance risk from another party – the policyholder. If a specified uncertain future event – the insured event – adversely affects the policyholder, then the policyholder has the right to obtain compensation from the issuer under the contract” (IASB, 2017b, p. A884). Insurance risk can take the form of death, injury, illness or loss of property. The insurer should not only be exposed to financial risk but should also be exposed to a significant amount of insurance risk (KPMG, 2017).

IFRS 17 should be applied to a group of contracts and not merely on a contract-by-contract basis. Grouping is done as follows:

- A group of contracts which is onerous at initial recognition, if any;
- A group of contracts which at initial recognition has no significant possibility of becoming onerous subsequently and
- A group of remaining contracts, if any [IFRS 17:16].

Contracts which are grouped together may not have been issued more than one year apart. A group of insurance contracts is recognised at the earlier of:

- The beginning of the coverage period;
- The date on which the first payment from a policyholder is due and
- For a group of onerous contracts, when the group becomes onerous [IFRS 17:25].

Insurance contracts often create a bundle of rights and obligations which together generate cash flows for the entity. Some insurance contracts only provide insurance coverage, while others contain components which can be recognised and measured in accordance with other standards. Such components may include investment components (accounted for in accordance with IFRS 17), goods and services components (accounted in accordance with IFRS 15) and embedded derivatives (accounted for in accordance with IFRS 9) (KPMG, 2017).

Investment and goods and services components must only be separated from insurance contracts if they are distinct. Investment components are distinct if they are not highly inter-related with the insurance component and the investment contract could be sold in a separate contract. Goods and services components are distinct if the policyholder can either enjoy them on their own or together with other readily available goods and services (KPMG, 2017).

Table 2 – Accounting for insurance contracts under IFRS 17	
Initial recognition and measurement	When measuring insurance contracts, a Building Block Approach (BBA) or a Premium Allocation Approach (PAA) may be adopted by insurers. The BBA is the general measurement model under IFRS 17, whereas the PAA aims to make this general measurement model simpler for eligible insurance contracts. Insurance contracts are eligible for the PAA if the coverage period for each insurance contract is a year or less or the entity reasonably expects that this approach will measure the liability for remaining coverage of a group of insurance contracts at an amount that would not materially differ from the BBA. Under the BBA, at initial recognition, the insurer must first assess the rights and obligations which arise from the group of contracts. All insurance contracts are initially measured at the sum of: ➢ Fulfilment cash flows: current estimates of amounts collected from premiums and pay-outs for claims adjusted for time and risk. ➢ The contractual service margin: represents the profit the insurer expects to earn as they provide the insurance coverage. At initial recognition, the contractual service margin is the difference between the present value of the risk-adjusted future cash inflows and outflows. ➢ Onerous contracts: losses are immediately recognised in profit or loss on initial recognition. No contractual service margin is recognised.

	Under the PAA, at initial recognition, an insurance contract liability must be recognised at an amount equal to the premiums received net of the acquisition cash flows.
Subsequent recognition and measurement	The total liability of a group of insurance contracts is subsequently measured as the sum of the liability for remaining coverage and the liability for incurred claims. ➢ Under the BBA, the liability for remaining coverage is measured as the entity's obligation for insured events within the unexpired portion of the coverage period. This is represented by the fulfilment cash flows relating to future services and the remaining contractual service margin (or unearned profit). ➢ The PAA measures the liability for remaining coverage for certain contracts in a simplified manner based on unearned premiums. This is done using the amount of premiums received, less acquisition cash flows paid by the insurer and less the amount of premiums and acquisition cash flows which have been recognised in profit or loss over the portion of the coverage period which has expired. ➢ Under both the BBA and the PAA, the liability for incurred claims is measured in the same way by measuring the fulfilment cash flows for claims and expenses incurred but not yet paid. This liability represents the entity's obligation to investigate and pay for insured events which have already taken place. However, where the coverage period for an insurance contract is one year or less and the PAA has been applied, the insurer may choose not to adjust the future cash flows for the time value of money. Fulfilment cash flow assumptions and estimates under the BBA must be updated at each reporting period using current estimates of the amount, timing, risk and discount rates. This is done by: ➢ Recognising changes in current or past coverage in profit or loss.

	➢ Recognising changes in future coverage by adjusting the contractual service margin. The contractual service margin is recognised in profit or loss over the coverage period based on the quantity of coverage provided by the contracts in the group. Where the contractual service margin is zero, changes in future coverage are also recognised in profit or loss. ➢ Interest accumulated because of the time value of money is accredited on the contractual service margin using the discount rates at initial recognition. An insurance contract will be derecognised when the contract expires, is discharged or is cancelled. At derecognition, the entity is no longer exposed to risk nor is it required to transfer any economic resources in order to satisfy the contract. An insurance contract shall be derecognised from a group of insurance contracts by: ➢ Eliminating the fulfilment cash flows which relate to the rights and obligations associated with the cancelled contract; ➢ Adjusting the contractual service margin for the change in the fulfilment cash flows and ➢ Adjusting the number of coverage units for the remaining coverage period.
Presentation and disclosure	IFRS 17 requires the following disclosures: ➢ Groups of insurance contracts that are either assets or liabilities must be presented separately in the statement of financial position at their respective carrying amounts. ➢ Insurance service revenue, insurance service expenses and insurance finance income or expenses must be separately disclosed in the statement of profit or loss. Insurance revenue and insurance service expenses must exclude any investment components. ➢ A reconciliation of the opening and closing balances of insurance contracts broken down into liabilities for remaining coverage, liabilities for incurred claims and the current estimates must be disclosed. ➢ Any significant judgements made must be disclosed. ➢ Disclosures about insurance and financial risks arising from the insurance contracts must be made.

(IASB, 2017b; KPMG, 2017)

CHAPTER 4 - RESEARCH METHODOLOGY

This research employs an informative, qualitative single-case study method. This method of research is appropriate as it examines events in a real-life context and is useful when investigating complex social phenomena which are currently under-researched, for example, stokvels (Yin, 2011). The case study method of research in the accounting context studies the application of complex accounting principles and processes by organisational and social operations so that a more robust understanding can be offered to the case study participants and to the general public (Berry & Otley, 2004).

The focus of this research will be on a single burial stokvel in Gauteng. The stokvel under study (hereinafter Burial Stokvel) was formed in 2002. As the case under study has been in existence for more than 18 years, this signifies its rich history and its likelihood to exist into the foreseeable future (Stake, 2013). The case has sufficient history to make it an informative case study. Data will be collected through review and analysis of a contribution ledger, minutes of meetings and bank statements.

4.1 Selection of participating stokvels

It is unclear how many burial stokvels there are in the approximately 810 000 stokvel group population currently. However, gaining access to multiple stokvel groups' accounting records is problematic as members are generally hesitant to share confidential information involving money with people outside the stokvel. Berry and Otley (2004) also noted that case-based research is difficult to accumulate (Berry & Otley, 2004).

Although Yin (2011) and Stake (2013) emphasize multiple case designs, much of accounting case-based research is based only on a single case to study complex phenomena. The reason for this may be because access to research is often opportunistic and does not entail advanced research design (Berry & Otley, 2004).

Pragmatic sampling was used as the records of the burial stokvel being studied were readily available to the researcher (Leedy & Ormrod, 2019). The inherent weakness with this method of sampling is that it may not faithfully represent the accounting methods used by all stokvels, reducing the generalizability of the findings (Yin, 2011). However, as there are no studies specifically investigating how burial stokvels prepare accounts, this forms the initial steps towards reducing this gap in the prior literature. Finally, the purpose of this study is not to make generalizations about burial stokvels (Scapens, 2004; Yin, 2011). Case studies are studied for particularisation rather than generalisation to other cases (Stake, 2013). Furthermore, the selection of a single case will be used as the initial steps towards developing a theory about the current accounting of burial stokvels rather than making generalisations (Scapens, 2004).

The use of a single case allows the researcher to focus on the “particularity and complexity” of the case (Humphrey & Lee, 2004, p. 235). Although the case is singular, it has an array of dimensions and domains. These include, the informal social security aspect, lending aspect, entertainment aspect and the sense of Ubuntu and reciprocity. These different dimensions assist in making the case more understandable in relation to the aforementioned literature (Stake, 2013).

4.2 Research design

As there is very little prior literature on burial stokvels, an informative case study approach was followed (Ngcobo & Chisasa, 2018). The case study method of research enables the researcher to focus on a particular case while maintaining a real-world perspective (Yin, 2011).

An example of research using a case study approach to identify the problems faced by those acting within a social phenomenon is the study performed by McNally (2017). An exploratory qualitative case study approach was used to explore the challenges faced by the individuals involved in the preparation of an organisation’s integrated report. The data necessary for the study were obtained through semi-structured interviews and the analysis of the relevant documents (McNally, Cerbone, & Maroun, 2017).

The Burial Stokvel’s functioning and activities as documented in the minutes, ledger, bank statements and constitution were evaluated so that an understanding of the case could be obtained (Stake, 2013). By reviewing minutes of meetings and ledger, the researcher is able to identify: (a) the types of transactions entered into, (b) the frequency of the transactions entered into, (c) the treatment of such transactions, (d) the types of decisions made by the stokvel and (e) the Burial Stokvel’s solvency, liquidity and financial performance through the use of ratios. These assisted in identifying the current accounting’s strengths, weaknesses, consistencies and inconsistencies, if any, in comparison to existing accounting frameworks so that improvements could be recommended so as to increase the usefulness of the stokvel’s accounting records.

It was, however, pivotal for the researcher not to define the research design precisely so that the researcher was open to the possibility of unexpected discoveries (Berry & Otley, 2004).

4.3 Data collection and analysis

4.3.1 Data collection

The case study protocol to be followed is aimed at increasing the reliability of the research and to guide the researcher in collecting data from the single case under study (Yin, 2011).

Members of the burial stokvel group were all notified of how their records would be used in light of the purpose of the research and were guaranteed confidentiality. To ensure that members' identities are kept confidential, their surnames have been omitted with only their first names kept where extracts of the documents have been used in the thesis. This is consistent with the deontological model where research is based on the principles of honesty, respect and beneficence (Miller, Birch, Mauthner, & Jessop, 2012; Orb, Eisenhauer, & Wynaden, 2001).

In considering the respect and justice of the members of the Burial Stokvel, written consent was obtained from the chairperson of the Burial Stokvel to provide access to required data by the researcher and supervisors (Mertens, 2018; Orb et al., 2001). The ledger, bank statements from 2016 till 2019[4] and minutes of meetings for the period 2002 to 2018 (referred to as documents) were obtained and photocopied, with the originals returned. All photocopies were kept in a locked and secure office to restrict access to those who have been given permission to use the data. The data collected is also stored electronically on a password protected computer in a systematic manner (Dooley, 2002). During the data analysis stage, any ambiguities in the records were noted and clarified with the Burial Stokvel chairperson telephonically to avoid assumptions being made and to make the analysis of the documents more robust.

4.3.2 Data analysis

The data must be analysed in order to find the relationships which exist with reference to the research question. The data analysis techniques used for case study methods of research allow the researcher to triangulate data to strengthen the findings (Dooley, 2002).

Firstly, the researcher had to obtain an understanding of what procedures are followed by this Burial Stokvel, what types of transactions exist and how information is presented to members of the Burial Stokvel. This was done through the inspection of the constitution, as well as the minutes of meetings as these detailed decisions made and all transactions entered into with each member of the Burial Stokvel. The researcher has identified what the case's current accounting is based on inspection of the available documents and what the effects of the current accounting appear to be (Stake, 2013).

Secondly, the researcher contrasted the accounting techniques adopted by the Burial Stokvel, evident from their minutes of meetings and contributions ledger, to International Financial Reporting Standards (IFRS), IFRS for Small and Medium Sized Entities (IFRS for SMEs) and the Modified Cash Standard (MCS) and calculated relevant ratios to assess the Burial

[4] Only 3 years' bank statements could be obtained from the Burial Stokvel's bank.

Stokvel's solvency, liquidity and financial position. This allowed the researcher to highlight strengths, weaknesses, consistencies and inconsistencies with widely accepted accounting frameworks. In identifying these, the data collected from Burial Stokvel's documents were analyzed using structural analysis methods. Structural analysis involves examining the data under study for patterns and themes contained in the documentation. Analysing data in this way allowed the researcher to identify contrasting differences and similarities which were not apparent in the beginning (Dooley, 2002).

All data was analysed in an iterative manner until all patterns and themes were identified. The researcher analysed the minutes and ledger twice to ensure that all the patterns and themes present in the data were correctly identified (Scapens, 2004). Patterns and themes included: 1) how often meetings were held, 2) what was discussed during meetings, 3) how often contributions and claims were changed and whether these changes were retrospective or prospective, 5) whether certain actions taken contradicted their rules and the founding document, 6) how they recorded contributions, arrears, claims, loans and interest, 7) how they welcomed new members to the Burial Stokvel and 8) how they managed access to information among themselves. Once the documents were completely and thoroughly examined using a structural analysis approach, the results were organized under broad theme headings which address income, expenses, assets, liabilities and equity of the Burial Stokvel. In order to understand the financial impact of the income, expenses, liabilities and assets of the Burial Stokvel, ratios were calculated. Governance issues faced by the stokvel, identified from the minutes of meetings, were also addressed to highlight the importance of a strong ethical culture.

In the data analysis, all data were treated fairly to produce persuasive analytical conclusions (Berry & Otley, 2004).

The following references were made:

Document	**Reference**
Minutes	**M** followed by sequential page numbering
Contributions ledger	**L** followed by sequential page numbering
Bank statement	**BS** followed by the end date of the relevant bank statement
Constitution	**C** followed by sequential page numbering
List of dependents/Dependents registry	**LOD** followed by sequential page numbering

Where reference was made to the financial statements in the journal entries provided, the following references were made:

Financial statement	**Reference**
Statement of financial position	SoFP
Statement of comprehensive income	SoCI
Statement of cash flows	SoCF

4.4 Reliability and validity

For quantitative research, reliability represents the researcher's independence from the evidence collected whereas validity represents the data's reflection of the "real world" (Humphrey & Lee, 2004, p. 268). Although reliability is an important component of quantitative data, many view it as less rigorous and inappropriate for qualitative data (Golafshani, 2003; Scapens, 2004). Credibility, neutrality, consistency, confirmability and the examination of trustworthiness are the essential characteristics of qualitative studies (Golafshani, 2003). Golafshani (2003) states that for the purposes of qualitative research, reliability is a consequence of validity.

Reviewing the Burial Stokvel's accounts against existing frameworks to identify strengths, weaknesses, consistencies and inconsistencies will prove the findings credible. As the researcher will be making use of existing frameworks in formulating recommendations and not her personal bias, another researcher following a similar systematic process will be able to reach the same conclusion achieving neutrality. The researcher is well-versed in IFRS, IFRS for SMEs and the MCS. The Burial Stokvel is a real-life study that has been in existence for 18 years adding to the reliability of the study as it has longevity and their current accounting is likely to be 'set' and unchanging. Moreover, if another researcher conducted a similar study on a similar burial stokvel basing their findings on existing accounting frameworks, their findings would be similar increasing the dependability and consistency.

External validity is usually concerned with how well the findings can be generalised. Generalisations are not possible for case study research. Instead, case study research evaluates whether the evidence is consistent with existing theories. If consistent, other researchers tend to replicate such a study both in similar and different contexts. The replicability of the study enhances the external validity (Scapens, 2004).

The researcher ensured that the conditions being observed could be triangulated from various pieces of evidence achieving internal validity (Dooley, 2002; Scapens, 2004). Review and analysis of the evidence gathered from the accounting records against the bank statements, minutes of meetings and ledger which span over multiple years increased the internal validity as the researcher was able to use triangulation to improve the robustness of the findings and conclusions drawn.

Validity is made up of specified criteria as well as techniques. Criteria are the ideals required to be upheld in qualitative data whereas techniques are the methods employed to assure the validity criteria are met (Whittemore, Chase, & Mandle, 2001). The technique to be followed may require the researcher develop self-conscious research design, to articulate data collection and analysis decisions and to provide an audit trail in order to ensure validity (Whittemore et al., 2001). Scapens (2004) referred to a well-articulated and documented audit trail as “procedural reliability.” Procedural reliability is imperative so that another, independent researcher can follow it and reach a similar conclusion (Humphrey & Lee, 2004, p. 268).

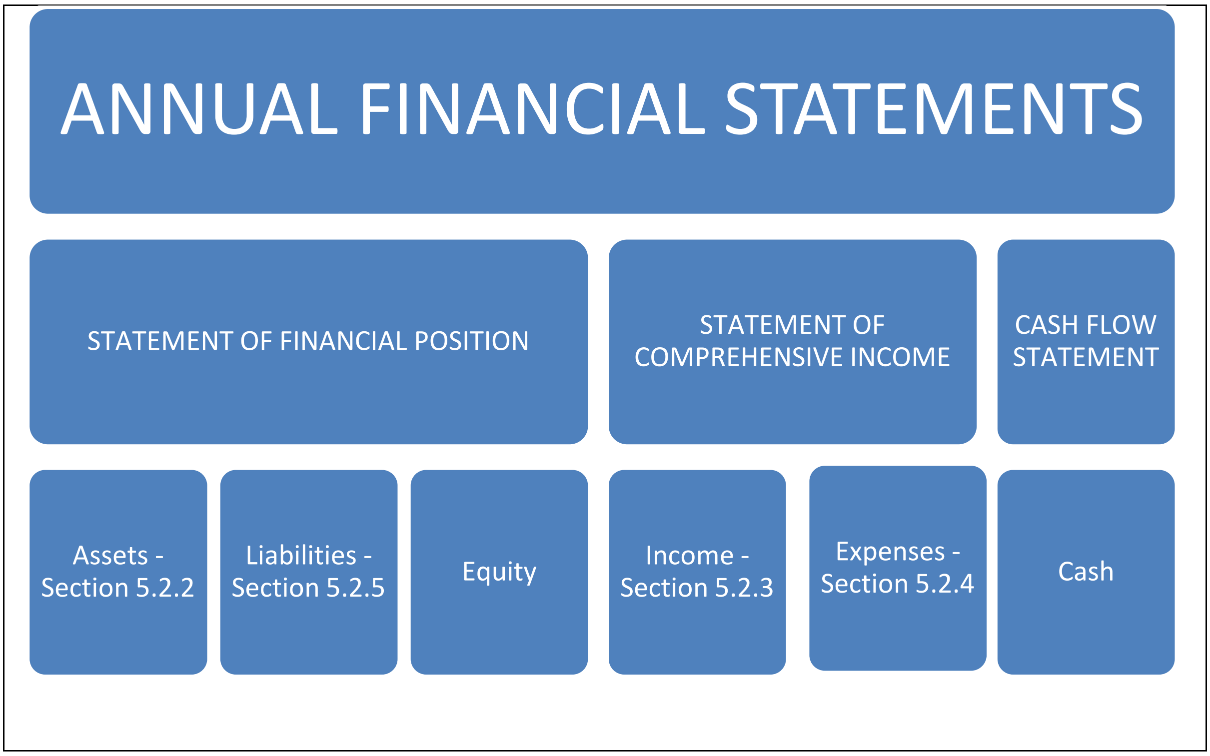
CHAPTER 5 – FINDINGS AND DISCUSSION

In regard to the first research objective, the Burial Stokvel does not utilise typical double-entry accounting techniques required to provide an overview of its financial performance and position. Instead, only minutes of meetings, a contributions ledger and a dependents registry are maintained as a record of transactions. The contributions ledger only presents opening and closing arrear contributions and contributions made at that meeting. This is consistent with the findings of Robson and Posel (2002). There is no evidence to suggest that the stokvel evaluates its financial performance, liquidity or solvency.

This results in a straightforward answer to the first research question – the Burial Stokvel does not prepare and present accounts. The record of transactions entered into and decisions made have, however, yielded valuable insights. These have provided the basis for identifying the types of transactions and events the stokvel was involved with. These are used to address the second research objective.

Section 5.1 provides a detailed background of the Burial Stokvel, the rules per its constitution, as well as accepted practices and protocols which the stokvel has adopted over time. Section 5.2 orders the transactions and events the Burial Stokvel is exposed to under the elements of the financial statements (see Figure 1). Section 5.2 then presents the stokvel’s non-routine transactions. A discussion of governance issues identified follow in section 5.3.

Figure 1



5.1 Background of the Burial Stokvel

The Burial Stokvel was incorporated in 2002 by 13 members[5]. All members are related to one another by close family ties which is consistent with Robson and Posel's (2002) findings which indicate that members usually have a close relation. This is an important aspect as the Burial Stokvel's affairs are conducted with a significant amount of trust. For example, the treasurer keeps the ledger and all other members trust that this person will do it honestly, accurately and without committing fraud.

The Burial Stokvel has a constitution which was developed upon its incorporation. It contains the basic rules of the Burial Stokvel and sets out the roles of the chairperson, deputy chairperson, secretary and treasurer. There is no evidence to suggest that the constitution is updated as is required to cater for new transactions or events that the Burial Stokvel encounters – this being consistent with the findings of Mashigo and Schoeman (2012). As a result, practices/protocols adopted by the stokvel are found in the Burial Stokvel's minutes of meetings.

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[5] A member of a stokvel is a person who attends stokvel meetings, occasionally hosts stokvel meetings, pays monthly contributions, is entitled to claims upon his death or the death of a dependent and is entitled to make decisions about the stokvel operation.

5.1.1 Constitution of the Burial Stokvel

Designated positions and responsibilities

The chairperson's role is to chair meetings and to co-ordinate and ensure co-operation among all members. The secretary keeps the minutes of meetings. The treasurer is responsible for: (1) recording all the stokvel's incomes and expenditures, (2) banking all cash receipts and (3) making withdrawals as instructed by the members of the Burial Stokvel (C1).

Meetings

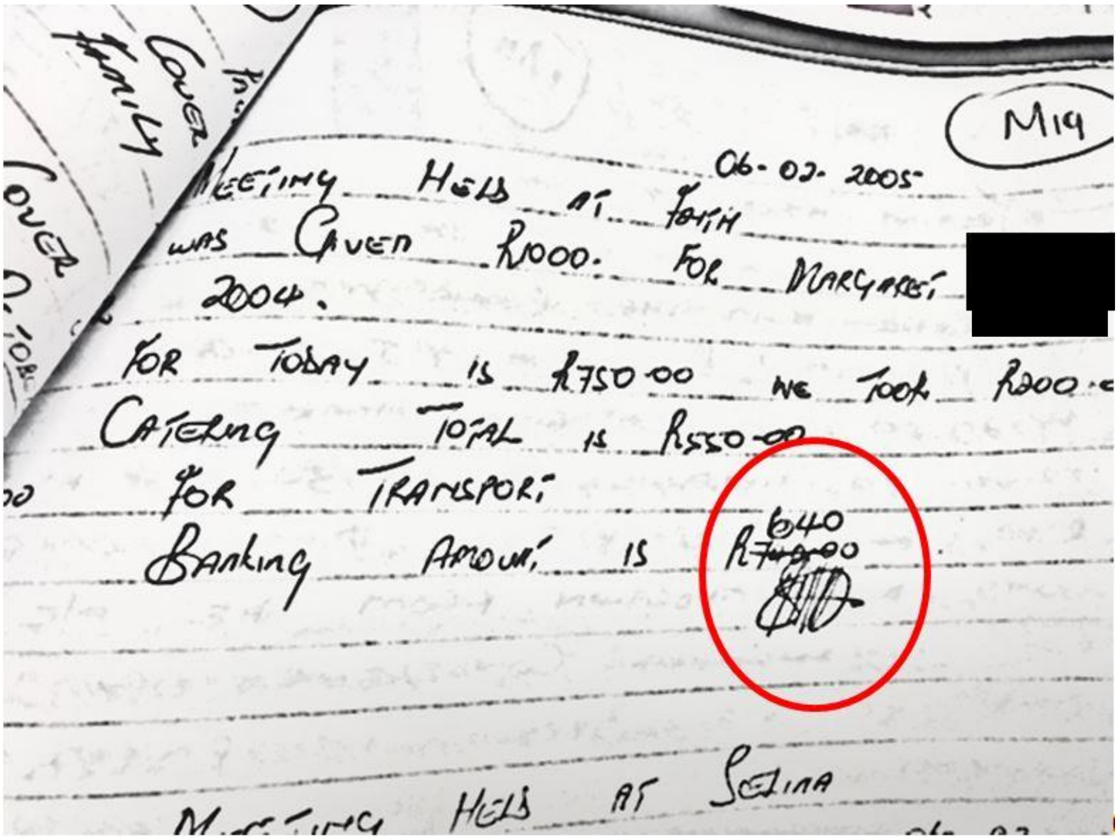
Each month, except December and January, a meeting is held at a member's residence on a rotational basis. Meetings are scheduled to commence at 2pm every first Sunday of the month (M1). The hosting member is responsible for catering (tea, coffee and a meal) for that meeting.

All meetings start with a prayer by the host. After the prayer, the previous month's minutes are sometimes read to all the members to ensure that all members understand what was discussed at the previous meeting (M5)[6]. This is important for members to do more frequently in order to be accountable to one another and to identify discrepancies (Murphy & O'Connell, 2013).

To strengthen accountability, when changes are processed to the minutes of meetings or the contributions ledger, the relevant member processing such changes signs next to the amendment (see Extract 1).

Extract 1 – Authorisation of a change to the minutes

[6] This is done infrequently by the members. In the 18 years that the Burial Stokvel has been in existence, previous minutes of meetings were read to members at only 7 meetings.



M19

Meeting held at Faith 06-02-2005

was given R1000. for Margaret [redacted]

2004.

For today is R750-00 we took R200-

Catering total is R550-00

for transport

Banking amount is R640-00

Meeting held at Selina

(M19)

Minutes of meetings kept detail members' attendance, contributions made at that meeting, loans taken out at the meeting, loan repayments received, whether there were any deaths and the associated claim withdrawals as well as a discussion of items on the agenda. The agenda is usually longer for the first meeting of the year as amendments to any practices/protocols are made at that meeting.

Following a meeting, the treasurer is responsible for banking the residual of that month's contributions after deducting the cost of catering and transport to the bank.

5.1.2 Practice and protocols

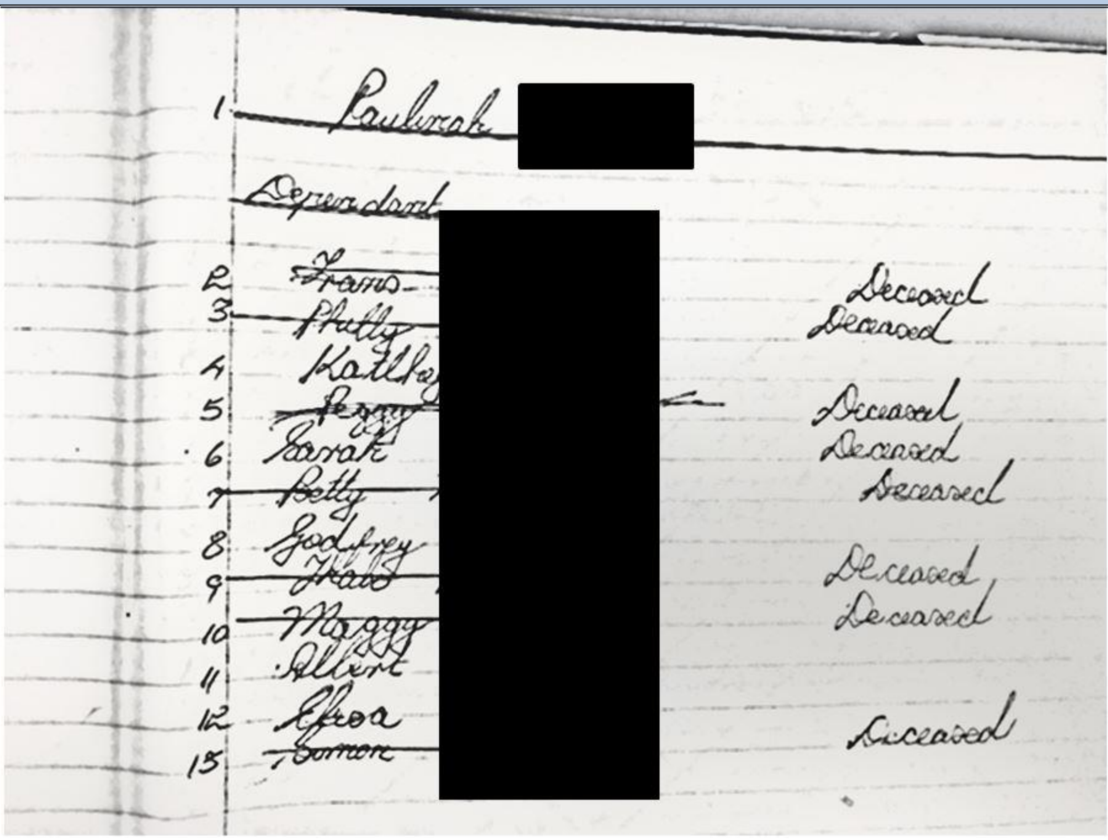
Membership and dependents

Initially, each member nominated 9 dependents to be covered by the Burial Stokvel. When a member's dependent passes, that member may not replace that dependent. The result is that each member is only covered for his/her initial 9 dependents. In 2007, members agreed to add 3 more dependents to each member's current list of dependents (M35). All members, therefore, each had 13 dependents (including themselves) either alive or deceased in the registry.

In terms of the constitution, all members must make equal monthly contributions irrespective of how many dependents are listed as not deceased (in other words, the premiums are not risk-dependent). This results in inequality among the members as some members may have fewer living dependents than do other members, but their contributions are equal.

When a dependent passes, his/her name is crossed off in the dependents registry and annotated with the word “deceased” (LOD2 and see Extract 3). When a member passes, that member along with all their dependents are crossed off of the dependents registry.

Extract 2 – Dependents of a member recorded as deceased

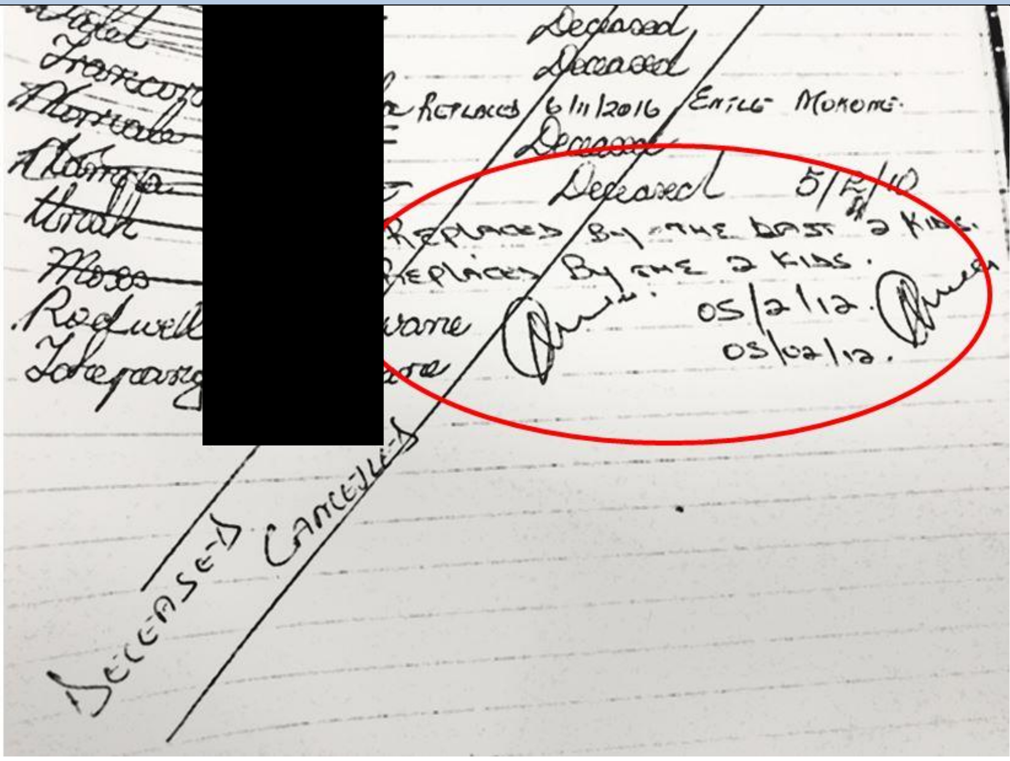


The first dependent is Paulinah and she is a member of the Burial Stokvel. She has nominated 12 other dependents, 8 of which are now recorded as deceased.

(LOD4)

The Burial Stokvel allows for the replacement of dependents where members either choose replace their dependents when they adopt a deceased member’s dependents or they replace a deceased dependent for which no claim was received (see Claims section below). Living members are allowed to adopt dependents of deceased members. These dependents may depend on more than one member as all the members of this Burial Stokvel are family. When such a replacement is made, the replaced dependent is crossed off and the word “replaced” annotated next to their name. The replacement dependent's name and surname are then added to the dependents' registry of the adopting member (LOD3&LOD6).

Extract 3 – Replacement of dependents



Where a member replaced 2 of her living dependents by adopting 2 dependents of a deceased member.

(LOD6)

CLAIMS

When a member/member's dependent passes, the member's immediate family/the member can make claims to the Burial Stokvel. On submission of a claim, R3 000 is paid out when a dependent passes and R5 000 when a member passes.

At every meeting, members are required to make their contributions in cash. Where contributions are not made by members at the meetings, arrears are recognised and accumulated based on the number of missed contributions. Some leniency is allowed when members are unable to pay their monthly contributions. Initially, it was noted that when a member missed 3 consecutive contributions, his/her claim was refused (M15). It was later resolved that when a member is in arrears, the claim paid out is first used to reduce the amount of the arrears. If the arrears exceed the claim, no pay-out is made but if arrears did not exceed the value of the claim, the residual would be paid out. Allowing members to settle their arrears with a claim may result in members taking advantage of the current practice by no longer paying their contributions and, therefore, accumulating arrears.

As highlighted in the membership and dependents section above, when a member is in arrears and a claim is not paid out in respect of the dependent's death due to the member's arrears exceeding the claim, it was recently decided that members could replace the deceased dependent for which no claim was received (M111).

As with contributions, claims are also paid out to members and their families in cash. As most deaths do not occur on a meeting date, the treasurer must be notified of the death and then make a withdrawal to pay the claim. When the treasurer withdraws the claim, he also withdraws the money needed for public transport to make this withdrawal. The transport cost is the amount spent travelling from the treasurer's residence to the bank and back to his residence. Explicit authority for the treasurer to make these withdrawals prior to a meeting are not in the constitution but appear implicit through years of this practice. If the death takes place immediately prior to the meeting or on the day of the meeting, the members authorize the withdrawal of the claim in the minutes of meetings and also provide the treasurer with the transport cost needed to make the withdrawal from that month's contributions.

In addition to claim pay outs, the stokvel members provide moral support to the bereaved and assist by cooking for the guests and relatives during the week of the funeral and by keeping the house clean. The constitution states that if a member does not assist the deceased's family on more than two occasions, that member will not be given assistance when in a similar situation and a penalty will be imposed[7] (C2). No penalty has been imposed in this regard indicating that members have been compliant with this rule.

5.2 Identified transactions and events and accounting recommendations

5.2.1 Financial statement presentation

As the Burial Stokvel primarily deals in cash for its in and outflows, it may be useful for them to present a cash flow statement. They also have elements of income, expenses, assets and liabilities evident in their records which may necessitate a statement of profit or loss and a statement of financial position. The Burial Stokvel's financial year-end is 31 August (M48). Their financial statements can be prepared annually for the financial year ended 31 August. Preparing such statements, although adding to transparency and accountability, will be costly (Bushman & Smith, 2003).

[7] The amount of the penalty is not defined in the Burial Stokvel's records.

Presenting financial statements with debits and credits may not only be costly, but they may not be understood by all the stokvel members given the lack of financial education (Dube & Edwell, 2018; Margolis, 1974; Molefe, 1989; Posel & Thomson, 2002). Instead, the Burial Stokvel can maintain books with the elements of the financial statements and the relevant accounts (see below). An increase to an account can be presented with a positive sign (+) and decreases to accounts can be presented with a negative sign (-) with the amounts casted quarterly, semi-annually or annually to reflect the closing balances. An analysis of the solvency, liquidity and financial position can be computed through the use of the relevant ratios.

5.2.2 Assets

The Burial Stokvel has 4 assets which it should recognise, namely, (1) cash and cash equivalents, (2) loans to members, (3) accounts receivable and (4) property, plant and equipment.

Cash and cash equivalents

Cash and cash equivalents, as defined in IAS 7, compromise of cash, demand deposits and other short-term and liquid investments which are readily convertible to known amounts of cash. The Burial Stokvel's bank account and fixed deposit account fit this definition.

The 6-month fixed deposit account was opened in July 2011 and R10 000 was initially invested. In 2012, an additional R5 000 was added to the fixed deposit account resulting in a total of R15 000 which has been invested in this account to date. The capital portion of this investment was recorded after it was agreed to the bank statements (M67). In the August 2015 minutes, R18 099 was the amount recorded as the balance in the fixed deposit account. In August 2016, the balance in the fixed deposit account was R19 199.77 (M90 & M100). Although the amount of R15 000 was recorded as the amount deposited and invested, interest of R4 199.77 was never separately accounted for in the minutes or ledger as interest received to date.

Although the money is invested in a 6-month fixed deposit, the fixed deposit statement only appears to have been analysed twice by members in the 7-year period that the Burial Stokvel has had this account (M52, M67, M79, M90, M100). The Burial Stokvel appears to still have the fixed deposit as one of its assets in 2018 as the August 2018 minutes of meetings state that the amount invested in the fixed deposit should be increased (M121). This is despite no mention being made about the money available in the fixed deposit in 2019.

The bank account statement, on the other hand, is normally accessed only once a year. Members are not made aware of the monthly bank balance and the value of the stokvel at any given point. The treasurer does, however, keep track of the deposit slips by sticking them into a separate book available for members to check as evidence of deposits. Although this may be effective for tracking cash receipts, it is not effective for tracking cash outflows.

Bank charges paid on the current account and interest accruing to the stokvel on this account are never accounted for in the minutes or ledger. Bank charges are sometimes in excess of R100 per month whereas interest is less than R2 per month.

In the April 2017 minutes of meetings, members stated that the Chairman would be given both the bank statement and the fixed deposit statement in June so that he could “work on the statements beforehand,” (M104). It is unclear what members meant by this. It is possible that the Chairman evaluates the bank statements and fixed deposit statements to assist in determining the contributions and pay-outs based on the money available from the bank.

Table 3 - Analysis of cash and cash equivalents	
Ratio	**Interpretation**
Movement in bank balance for the year $\frac{Current\ year\ bank\ balance - Prior\ year\ bank\ balance}{Prior\ year\ bank\ balance}$ 2017: $\frac{9772-5769}{5768} = 69.39\%$ 2018: $\frac{14\ 183-9772}{9772} = 45.14\%$	The closing bank balance in 2017 grew by 69.39% whereas this growth declined in 2018 to 45.14%. The growth in the 2017 bank balance was despite 2 dependents passing and claims being made. In 2018, there were no deaths reported yet the bank balance still showed declining growth. This declining growth in 2018 may have been primarily due to a loan being granted to a member in November. There were no loans granted in 2017 – only loan repayments were made which contributed positively in growing the bank balance. Members may calculate this ratio at the beginning of the year to evaluate how much their bank balance has grown or shrunk in

	relation to the previous year so that their monthly contributions/claims can be determined and revised if necessary.

Loans to members

The loans which have been granted to members cannot be classified as cash equivalents as these are usually outstanding for longer periods of time. However, they may be classified as financial assets as the Burial Stokvel is entitled to receive principal and interest repayments from its members.

Loans are given to members to cover the costs of gifts given to members for birthdays and weddings, for personal transport costs and to cover the cost of the year-end entertainment expense if members do not have the money immediately available. When the bank balance was R21 000, it was decided that loans should be granted to members for personal reasons (M56).

Because of trust among members, all members are eligible for loans. This is evidenced by the fact that members often grant themselves the loans. The chairperson has cautioned the members to notify him first before giving themselves loans out of the stokvel's money (M63).

Members of the stokvel keep track of the loans made to members in the minute book. Any cash repayments are also recorded in the minutes as well as in the contributions ledger. In 2012, members agreed for the first time to charge interest of 5% (M62). The interest charged is recorded in the minutes when levied and in the ledger and minutes when paid. Capital repayments are also recorded in the minutes and ledger upon payment. Members clearly distinguish in the minutes of meetings and in the ledger whether the relevant member is making repayments of either interest or principal (M66, M68, M72, M75, M90, M97, M98&M124). When a member makes a claim, the claim is first used to reduce the value of the loan outstanding before the claim is paid out.

Accurate records of the loan repayments are not kept. This has been evidenced in M46&M47 where the repayments for the loan granted to eight members for entertainment purposes changed from R250 to R225 for unknown reasons. M49 recorded one member as having settled this debt after making a repayment of only R220. This further evidences the need for accounting records which analyse the financial position of the Burial Stokvel so that all outstanding loans are kept track off. This will ensure that loans are collected timeously and all irrecoverable loans are written off.

Table 4 - Analysis of loans granted to members	
Ratio	**Interpretation**
Comparing outstanding loans to cash: $$\frac{Value\ of\ loans\ outstanding}{Closing\ bank\ balance}$$ 2016: $\frac{5\ 000}{5769} = 86.67\%$ 2017: $\frac{2\ 500}{9772} = 25.58\%$ 2018: $\frac{5\ 300}{14\ 183} = 37.37\%$	In 2016, loans as a percentage of cash was 86.67%. The Burial Stokvel should have tried to collect these loans outstanding so that their liquidity position would be improved. In 2017, the liquidity position improved as more loans were collected as the value of loans outstanding only represented 25.58% of the closing bank balance. In 2017, the liquidity position declined as the value of loans outstanding now made up 37.37% of the closing bank balance. This ratio provides useful information about the Burial Stokvel's ability to lend members its cash. The higher the percentage, the lower the Burial Stokvel's ability to provide financing as it places too much pressure on the stokvel's ability to pay claims as they fall due. Members should calculate this ratio at the end of every year so that members with outstanding loans can be reminded of their debts so that repayments can be made in the following year in order to improve the Burial Stokvel's bank balance.
Comparing the value of loans outstanding to those granted: $$\frac{Value\ of\ principal\ loans\ outstanding}{Value\ of\ principal\ loans\ granted}$$ 2016: $\frac{5\ 000}{11\ 000} = 45.45\%\%$ 2017: $\frac{2\ 500}{14\ 000} = 17.86\%$ 2018: $\frac{5\ 300}{17\ 000} = 31.18\%$	Loans granted to members have ranged between R1 000 and R5 000. This may indicate that the limit for loans granted to members is R5 000. This ratio represents the percentage of the principal portion of loans outstanding on the loans granted to members for personal reasons over the life of the Burial Stokvel. Loans to the value of R17 000 have been granted to members between 2010 and 2018. In 2016, of the R11 000 granted to members in loans from 2010 till 2016, 45.45% of those loans were still outstanding. By 2017, of the R14 000 worth of loans granted to members between 2010 and 2016, only 17.86% was still outstanding which was a major improvement as the loans outstanding were

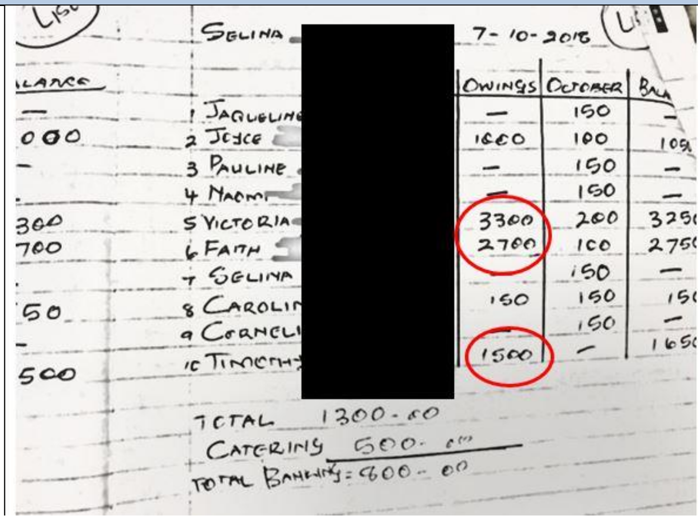
	more than cut in half – members were repaying their loans well which improved the Burial Stokvel's liquidity position. By 2018, of the R17 000 worth of loans granted to members from 2010 till 2018, 31.18% was still outstanding. This is almost double the loans outstanding in 2017. This may have been due to a R3 000 loan which was granted towards the end of the 2018. In future, if the stokvel records bad debts expenses as recommended in section 5.2.4, the bad debts expenses in each year can also be analysed to provide useful information relating to the collection rate of the loans granted to members.
Comparing the value of the claim to the value of loans settled: $\frac{Claim}{Value\ of\ loan\ settled}$ 2016: $\frac{3\ 000}{5\ 000} = 60\%$ 2017: $\frac{3\ 000}{5\ 000} = 60\%$ $\frac{Total\ value\ of\ claims\ used\ to\ settle\ loans}{Value\ of\ loans\ granted}$ $\frac{6\ 000}{14\ 000} = 42.86\%$	Two loans of R5 000 were settled through claims of R3 000. The loan settled in 2016 through a claim had been outstanding for 12 months and the loan settled in 2017 had been outstanding for 76 months. Both these claims settled 60% of the individual loan values. The claims settled 42.86% of the total loans granted between 2010 and 2017. This may further incentivize members to take out loans which they will not repay until settled through a claim. Although the Burial Stokvel is forfeiting a portion of the loan, they are also foregoing paying a claim which leaves them in a net position of nil. Although their net position will be nil, members waiting till the death of a dependent before they settle their loans will adversely affect the Burial Stokvel's liquidity position, preventing them from paying other members' claims when or as they become due.

Accounts receivable

The Burial Stokvel members often miss meetings or are unable to pay contributions resulting in arrears being raised in the contributions ledger. Arrears are accumulated based on the number of missed contributions at meetings. The Burial Stokvel has the right to receive such amounts – this is signified by the fact that when claims are paid out, they first reduce the amount of arrears of the relevant member before being applied as a claim (M111). As a result, arrears should be recognised by the Burial Stokvel as accounts receivable.

The arrears recognised by the Burial Stokvel to date are high and some represent arrear contributions of more than 2 years. The likelihood of receiving these contributions is low unless that member's dependent passes and the claim is utilised against such arrears. The value of these arrears have never been written-down despite many of them being doubtful.

Extract 4 – Long-outstanding arrears



SELINA [redacted] 7-10-2016

ILANCE		[redacted]	OWINGS	OCTOBER	BAL
—	1 JAQUELINE		—	150	—
000	2 JOYCE		1600	100	109
—	3 PAULINE		—	150	—
	4 NAOMI		—	150	—
300	5 VICTORIA		3300	200	325
700	6 FAITH		2700	100	275
	7 SELINA			150	—
50	8 CAROLI		150	150	15
—	9 CORNELI			150	—
500	10 TIMOTHY		1500	—	165

TOTAL 1300-00
CATERING 500-00
TOTAL BANKING: 800-00

Members who consistently have high arrears. These members have not been making contributions for more than a year.

(L153)

Table 5 - Analysis of arrears	
Ratio	**Interpretation**
Percentage movement in arrears: $$\frac{Current\ year\ arrears - Prior\ year\ arrears}{Prior\ year\ arrears}$$ 2016: $\frac{6350-9600}{9600} = -33.85\%$ 2017: $\frac{7800-6350}{6350} = 22.83\%$ 2018: $\frac{9600-7800}{7800} = 23.08\%$	In 2016, the Burial Stokvel collected significant cash contributions which resulted in their arrears declining sharply by 33.85%. This may have been because the premiums became more affordable at the beginning of 2016 when they decreased from R200 to R150. It is evident that members paid their contributions well in 2016. In 2017 and 2018, members stopped paying their contributions again which saw an increase in arrears of 22.83% and 23.08% respectively. It is unclear why members started accumulating arrears again, despite a lower contribution. If calculated annually, this ratio will remind members to settle their arrears in the new year and that long outstanding arrears can be written-off by the Burial Stokvel.
Movement in arrears to the total contribution income: $$\frac{Current\ year\ arrear\ contributions - Prior\ year\ arrear\ contributions}{Total\ Contribution\ Income^{8}}$$ 2016: $\frac{6350-9600}{13\ 150} = -24.71\%$ 2017: $\frac{7800-6350}{12\ 775} = 11.35\%$	In 2016, the cash contributions received exceeded the contribution income for the 2016 financial year because members settled past arrears and were trying to keep up-to-date with their contributions. This is represented by the cash contributions received exceeding the contribution income for 2016 and the current year's arrears to

[8] Contribution income represents the value of contributions which the Burial Stokvel is entitled – and not just what has been received at meetings. Therefore, it is comprised of arrears and contributions received. Please refer to 5.2.3.

2018: $\frac{9600-7800}{11\ 600} = 15.52\%$	contribution income ratio being -24.71%. In 2017 and 2018, cash contributions made up less of the contribution income and arrears made up more of the contribution income as members stopped settling their arrears. These ratios should be calculated at the end of every year to ensure that arrears are never in excess of cash contributions as this would indicate that the Burial Stokvel is no longer liquid or even a going concern.
Comparing the cash contributions received to contribution income recognised: $$\frac{Cash\ contributions\ received}{Contribution\ Income}$$ 2016: $\frac{16\ 400}{13\ 150} = 125.71\%$ 2017: $\frac{11\ 325}{12\ 775} = 88.65\%$ 2018: $\frac{9800}{11\ 600} = 84.48\%$	

Property, plant and equipment: gas stoves

The last known assets of the Burial Stokvel are two gas stoves. M29&30 indicated that two gas stoves would be purchased for R1 200 each. These gas stoves were to be kept in Mamelodi and Atteridgeville as these are areas in which most of the members reside. R1 140 had been contributed out of the Burial Stokvel's normal contributions towards the purchase of the gas stoves as indicated by M29 and M30. In the May 2009 minutes of meetings, it was recorded that the gas stoves would be ready for collection in June yet no further mention is made of the gas stoves to date (M44). It is unclear whether these gas stoves were actually purchased, if so, where they are kept, and whether they are used solely for stokvel affairs. Again, with a lack of accounts, no depreciation is accounted for.

Table 6 – Treatment of assets

Transaction type	IFRS	IFRS for SMEs	MCS	Suggested treatment
Cash and cash equivalents	The balance available in the bank account shall be reflected in the Statement of Financial Position. When funds are deposited from the bank account to the fixed deposit account, the following journal will be recognised: Dr/+ Financial Asset (SoFP) Cr/- Bank (SoFP)			
Loans to members	Loans granted to members will be measured at amortised cost. When these loans are initially granted, the following journal entry should be recognised by the Burial Stokvel: Dr/+ Loan Asset (SoFP) Cr/- Bank (SoFP) When repayments of the principal amount are made, the following journal entry should be recognised:	Loans granted to members will be measured at amortised cost. When loans are initially granted to members, the following journal entry should be recognised by the Burial Stokvel: Dr/+ Loan Asset (SoFP) Cr/- Bank (SoFP) When repayments of the principal amount are made, the following journal entry should be recognised:	As the loans granted to members are used to derive cash flows of interest and principal, they shall be measured at amortised cost. The accounting treatment would be similar to the amortised cost model in IFRS for SMEs. The journal entry to be recognised by the Burial Stokvel is: Dr/+ Loan asset (SoFP) Cr/- Bank	The accounting for loans granted to members is similar under all 3 standards when amortised cost is used. The difference would be the impairment model. IFRS proposes an impairment calculation using either a 12-month or lifetime rate. The rate used is dependent on significant increases in

	Dr/+ Bank (SoFP) Cr/- Loan Asset (SoFP) To reflect any increases in the credit risk of each debtor/member (for example, where members disclose their financial difficulties), impairment losses should be recognised by the Burial Stokvel using either a 12-month or a lifetime rate depending on whether or not the relevant member's credit risk has increased significantly. The following journal would be recognised: Dr/+ Impairment Loss (SoCI) Cr/- Expected Credit Loss Allowance (SoFP)	Dr/+ Bank (SoFP) Cr/- Loan Asset (SoFP) When a member is in financial difficulty and discloses it to the other members (there is objective evidence of impairment), an impairment indicator exists and an impairment loss should be recognised as follows: Dr/+ Impairment Loss (SoCI) Cr/- Accumulated Depreciation and Impairment (SoFP)	When an impairment indicator arises, such as a member in financial difficulty, the Burial Stokvel will recognise any impairments using the prevailing prime interest rate. The journal entry recognised would be as follows: Dr/+ Impairment Loss (SoCI) Cr/- Accumulated Impairment (SoFP)	credit risk which may be difficult for members to assess. The Burial Stokvel will find it easier to apply the IFRS for SMEs impairment model, as impairments are recognised only when there is objective evidence of impairment. The proposed impairment model under the IFRS for SMEs may also be too complex as members may be unable to determine the associated entity-specific discounting rate to present value future cash flows. As a

				result, the MCS impairment model would be the most appropriate for ease of use as the prime interest rate is used to calculate the present value of future cash flows. The prevailing prime interest rate is easily sourced on the internet.
Accounts Receivable	When arrears are raised, the following journal entry should be recognised: Dr/+ Accounts Receivable (SoFP) Cr/+ Contribution Income (SoCI)	When arrears are raised, the following journal entry should be recognised: Dr/+ Accounts Receivable (SoFP) Cr/+ Contribution Income (SoCI)	No journal entry would be recorded when arrears are raised. However, when members settle their arrears, the following journal entry should be recognised: Dr/+ Bank (SoFP)	The MCS would not be appropriate as it would not require members to keep track of arrears. As a result, members would not know how much each member owes at any given point.

	When arrears are settled and derecognised, the following journal entry should be recognised: Dr/+ Bank (SoFP) Cr/- Accounts Receivable (SoFP) An expected credit loss allowance should be recognised on arrears as follows: Dr/+ Impairment loss (SoCI) Cr/- Expected Credit Loss Allowance (SoFP)	When arrears are settled and derecognised, the following journal entry should be recognised: Dr/+ Bank (SoFP) Cr/- Accounts Receivable (SoFP) An impairment loss will be recognised using the difference between the value of the arrears and the Burial Stokvel's best estimate of the amount which will be recoverable. This journal entry will be as follows: Dr/+ Impairment loss (SoCI) Cr/- Accumulated Depreciation and Impairment (SoFP)	Cr/- Contribution Income (SoCI)	IFRS and IFRS for SMEs' accounting treatment for arrears recognised and derecognised is similar, which is consistent with how the Burial Stokvel recognises its arrears. However, the impairment calculation under IFRS and IFRS for SMEs differs. The determination of the lifetime rate may be too complex for members to determine. As a result, for ease of use, it is recommended that the Burial Stokvel uses the impairment model proposed by IFRS for SMEs.

				The recognition of an impairment loss is imperative as debtors, especially in a South African context, are often unable to make payment (Lubbe & Rossouw, 2005). As a result, the entity should record only what it expects to receive so that the quality of the debtors book can be easily assessed.
Property, Plant and Equipment: Gas stoves	Where the gas stoves are held on the cost model, the Burial Stokvel should recognise the following journals: On initial Recognition: Dr/+ Property, plant and equipment: Gas Stoves (SoFP)	Where the gas stoves are held on the cost model, the Burial Stokvel should recognise the following journals: On initial Recognition: Dr/+ Property, plant and equipment: Gas Stoves (SoFP)	Upon initial recognition, the gas stoves would be recognised at their cost as follows: Dr/+ Property, plant and equipment: Gas stoves (SoFP) Cr/- Bank (SoFP)	The accounting treatment for the gas stoves under the MCS is the easiest and most cost effective as the Burial Stokvel will be required neither to determine the useful

	Cr/- Bank (SoFP) Subsequently: Dr/+ Depreciation (SoCI) Cr/- Accumulated Depreciation (SoFP) If the asset is subsequently impaired: Dr/+ Impairment loss (SoCI) Cr/- Accumulated depreciation and impairment (SoFP)	Cr/- Bank (SoFP) Subsequently: Dr/+ Depreciation (SoCI) Cr/- Accumulated Depreciation (SoFP) If the asset is subsequently impaired: Dr/+ Impairment loss (SoCI) Cr/- Accumulated depreciation and impairment (SoFP)	If the Burial Stokvel cannot determine the cost, the fair value will be used. If the fair value cannot be determined, R1 will be used as the cost of the gas stoves. No depreciation or impairment is subsequently recognised. However, the Burial Stokvel may choose to revalue the gas stoves to their fair value.	life of the gas stoves nor depreciate it. Determining the recoverable amount for impairment as required by IFRS and IFRS for SMEs may be too onerous and complex for the Burial Stokvel members.

5.2.3 Income

The Burial Stokvel derives its income from the following sources: (1) members' contributions, (2) joining fees paid and (3) from interest accrued on the bank account, fixed deposit as well as from loans granted to members.

Contributions

The stokvel was incorporated for the main purpose of collecting contributions in order to help pay for a member's or dependent's death. Members of the Burial Stokvel make monthly contributions of R150 in order to be covered for the risk of death of their dependents or themselves. Members' contributions have ranged between R50 and R200 in the past. It is unclear how members determine how much the monthly contribution should be. However, in the August 2013 minutes of meetings, members had agreed to increase the monthly instalments to R200 because of a low bank balance (M75). This is indicative that the balance in the bank account is a possible determinant of the instalments.

All opening arrears, contributions made at each meeting and closing arrears are recorded in the contributions ledger. There is a running total of contributions made at each meeting. The Burial Stokvel has a right to receive all arrear amounts if members intend to remain covered by the Burial Stokvel. Arrears accumulate until they are settled in cash by the relevant member or through a claim.

Any instalments contributed late or "after the books were closed" are recorded in the ledger against the relevant member's name with the word "banking" annotated above it (M38, L25, L32, L42, L45, L50, L51, L55, L57, L60, L62, L66, L70, L71, L72, L80, L86, L108, L112, L118, L132, L143, L147, L150&L151). The word "banking" in this context means that the contribution has not been included in that month's running total but has been included in the amount banked by the treasurer. The word "banking" has also meant that a member made a direct deposit of his/her contributions into the Burial Stokvel's bank account (M122, L147&L151).

Table 7 - Analysis of contribution income	
Ratio	**Interpretation**
Comparing the movement in the contribution income to the bank balance: $$\frac{\text{Prior year contribution income} - \text{Current year contribution income}}{Bank\ Balance}$$ $$\frac{200 * 9 * 12 - 150 * 9 * 12}{10\ 452} = 51.66\%$$	By decreasing the contributions from R200 to R150 in April 2016, the Burial Stokvel is losing approximately 51.66% of its bank balance annually. This has affected the liquidity in 2016 adversely. Every time members increase or reduce their monthly contributions, this ratio should be calculated to determine how much of the bank balance will be lost or gained in order to assess whether the increase or decrease will be worthwhile.
Percentage movement in the contribution received: $$\frac{(Current\ year's\ contributions\ received - Prior\ year's\ contributions\ received)}{Prior\ year's\ contributions\ received}$$ 2016: $\frac{16\ 400 - 11\ 920}{11\ 920} = 37.58\%$ 2017: $\frac{11\ 325 - 16\ 400}{16\ 400} = -30.95\%$ 2018: $\frac{9800 - 11\ 325}{11\ 325} = -13.47\%$	In 2016, the Burial Stokvel received 37.58% higher cash contributions than they did in 2015. In 2017, however, the Burial Stokvel must have recognised more arrears as their 2017 cash contributions declined by -30.95%. By 2018 members were beginning to settle their arrears as cash contributions received increased to -13.47%. The executive committee needs to improve the stokvel's cash contributions received by incentivizing members to make payments when they are due at each meeting.

	This ratio will assist the Burial Stokvel assess their performance and how well contributions are being collected.
Percentage movement in the contribution income: $$\frac{Current\ year\ contribution\ income - prior\ year\ contribution\ income}{Prior\ year\ contribution\ income}$$ 2016: $\frac{13\ 150 - 16\ 620}{16\ 620} = -20.88\%$ 2017: $\frac{12\ 775 - 13\ 150}{13\ 150} = -2.85\%$ 2018: $\frac{11\ 600 - 12\ 775}{12\ 775} = -9.20\%$	Although the Burial Stokvel's cash contributions received increased by 37.58% in 2016, the overall contribution income declined by 20.88%. This can be attributed to the fact that the monthly contribution decreased from R200 to R150 on 2 February 2016. In 2017, the contribution income improved but then worsened again in 2018.
If a member invested R150 a month for 18 years at the current prime rate of interest, how much money would the member have today? n = 18 * 12 = 216 i = 10,25%/12 = 0.85417% Present Value = 0 Payment = R150 Future Value = R93 491,58	If the cost of a funeral in South Africa is R86 000[9], if a member put away R150 a month in a savings account with a rate of return equal to the current prime rate of interest per month, the member will have saved R90 835 over an 18-year period towards their own funeral. As a result, the member would be able to pay for the full cost of only their own funeral and not just 5.81% of it (see ratio under claim expense). The cost of a member being a part of the Burial Stokvel may exceed its benefits.

[9] (Hippo, 2017)

Joining fee income

If a new member wishes to join the Burial Stokvel, the executive committee must be consulted. Once a request has been made of the executive committee, full membership can be obtained immediately or after 4-months subject to certain terms and conditions. Full membership occurs when a new member is considered by the Burial Stokvel to be equal to members who have been a part of the stokvel operation for extended periods of time. When a new member obtains full membership, he/she is entitled to make decisions about the Burial Stokvel and to have the same coverage as all other members.

In order to join the Burial Stokvel prior to 2016, a once-off R1 000 joining fee would have to be paid in addition to the monthly contributions from inception (M92&M93). If the new member chose to pay the R1 000 in instalments over 3 months, then a 3-month probationary period would apply. The new member would only be a full member after the payment of the final instalment. If the joining fee was paid immediately, then the new member would become a full member immediately (M28). In 2016, members increased the joining fee, for the first time, to R2 000. The probationary period was also amended and increased to 4 months if the joining fee was paid in instalments. If a new member leaves the stokvel before the 4-month probationary period elapses, then he/she would be refunded all money paid to the Burial Stokvel. If the new member paid his/her monthly contributions timeously - along with the agreed upon joining fee - and one of his/her dependents passed away within the probationary period, the Burial Stokvel would pay out the claim limited to the new member's joining fee (M92 & M93).

Table 8 - Analysis of joining fee income	
Ratio	**Interpretation**
How much one member would have contributed in 17 years compared with R2 000 paid by new member joining the Burial Stokvel n = 17 * 12 = 204 months i = 10,25%/12 = 0.8333% Present Value = 0 Payment = 125 (Average Contribution: $\frac{50+200}{2} = R125$) Future Value = R68 918,07	A member who has been a part of the Burial Stokvel for 17 years would have contributed approximately R67 087 but a new member would only have to contribute R2 000 in order to be considered an equal member. This cannot be considered equitable. The Burial Stokvel should consider increasing the joining fee while still maintaining the set probationary period.
Comparing the joining fee received to date to the total joining fee to be received from the new member: $\frac{Joining\ fee\ received\ to\ date}{Total\ joining\ fee\ to\ be\ received}$ $\frac{300}{2000} = 15\%$	The recently accepted new member (accepted in 2017) has only paid 15% of their joining fee in the past 3 months even though the probationary period is 4 months. It is unlikely that this new member will be able to pay the remaining R1 700 in the remaining months. The Burial Stokvel should have considered not letting this member become a full member due to her inability to pay the joining fee in the required period.

Interest income

The Burial Stokvel has two types of cash and cash equivalents namely, the cash in the bank account and the fixed deposit. Both bank accounts are interest-bearing structures which are liquid and readily convertible into cash. Interest earned by the Burial Stokvel by June 2016 on the fixed deposit was R4 199.77 (M90&M100). This was the last time the Burial Stokvel reported the balance on its fixed deposit so that the interest could be determined. This interest reflects 23%[10] of the opening fixed deposit balance which can be considered significant indicating the importance of separate disclosure. Monthly interest on the Burial Stokvel's bank account is less than R2 a month and may be considered trivial as it represents less than 1% of the bank balance at any given point (BS01/01/2016 – BS31/12/2018).

[10] 4 199.77/18 099 = 23.20%

Interest is also derived when the Burial Stokvel grants loans to its members. Interest is charged at 5% simple interest over a one-year period, irrespective of the actual period of the loans outstanding (M62). In March 2015, members agreed that they would ask the Chairperson what the appropriate interest rate should be. It would appear that this type of interest is at the Chairperson's discretion (M87&M88). When interest is paid by members, the cash received is aggregated with the cash contributions for that meeting and any loan repayments (L100&L94).

The Burial Stokvel's lending rate is very low in relation to prime as it represents only 48,78%[11] of the prime interest rate. This may be to incentivize members to borrow from the Burial Stokvel as opposed to loan sharks or financial institutions who may charge hefty interest rates. This seems to be at detriment to the performance of the Burial Stokvel. Other stokvels charge a high amount of interest on micro-financing (Mashigo & Schoeman, 2012). The Burial Stokvel is not taking advantage of the potential of this income stream. The performance is weakened, as interest is charged for one year only, irrespective of the loan period. This does not take the time value of money into account.

[11] 5%/10,25% = 48,78%

Table 9 - Analysis of interest income	
Ratio	**Interpretation**
Comparing the interest repaid by members on personal loans to the interest charged: $$\frac{Total\ interest\ repaid\ to\ date}{Total\ interest\ charged\ to\ date}$$ 2016: $\frac{250}{700} = 35.71\%$ 2017: $\frac{375}{750} = 50\%$ 2018: $\frac{375}{900} = 41.67\%$	This ratio represents the total interest repaid in relation to the total interest charged on loans granted to members for personal reasons between the periods 2010 till 2018. The interest charged and repaid during this period was obtained from the minutes of meetings. Members are settling interest more than they are settling outstanding loans. This may be because the value of the interest is much lower than the value of the principal portion of the loans. The decline in the interest repayments in 2018 was due to a loan being granted towards the end of 2018 and interest on this loan being charged simultaneously – this member may not have had the opportunity to make the interest repayment resulting in a declining interest repaid to interest charged ratio in 2018.
Percentage movement in the interest charged: $$\frac{Current\ year\ interest\ charged - Prior\ year\ interest\ charged}{Prior\ year\ interest\ charged}$$ 2017: $\frac{750-700}{700} = 7.14\%$ 2018: $\frac{900-750}{750} = 20\%$	The Burial Stokvel is experiencing an increasing amount of interest income in 2017 and 2018. In 2017, there was an increase of 7.14% in the interest income recorded and this more than doubled in 2018 when the interest income grew by 20%. However, although interest income recognised is increasing, interest received has decreased substantially between 2017 and 2018 to 0%. As a result, it is evident that interest income and interest receipts do

$$\frac{Current\ year\ interest\ received - Prior\ year\ interest\ received}{Prior\ year\ interest\ received}$$ 2017: $\frac{375-250}{250} = 50\%$ 2018: $\frac{375-375}{375} = 0\%$	not occur at the same rates which may result in high profits but declining liquidity.
Growth in interest on fixed deposit: $$\frac{Value\ of\ 2016\ fixed\ deposit - Value\ of\ 2015\ fixed\ deposit}{Value\ of\ 2015\ fixed\ deposit}$$ $$\frac{19\ 200 - 18\ 099}{18\ 099} = 6.08\%$$	Between 2015 and 2016, the Burial Stokvel earned interest of 6.08% on its fixed deposit account over a 6-month period. This was below inflation (6.8% in 2016) indicating that this investment opportunity did not provide the Burial Stokvel with a good return on its investment (Statistics South Africa, 2016). This ratio should be performed annually and the returns compared to the inflation rate to ensure that the investment has a good return and whether alternate investment opportunities should be sought.

Table 10 – Treatment of income			
Transaction Type	IFRS and IFRS for SMEs	MCS	Suggested Treatment
Contributions	Where contributions are made in cash at each meeting, these should be recognised as: Dr/+ Cash/Bank (SoFP) Cr/+ Contribution income (SoCI)		
Joining fee income	Where a new member pays the joining fee upfront, this will be recognised as: Dr/+ Cash/Bank (SoFP) Cr/+ Joining fee income (SoCI) Where a new member pays the joining fee in instalments over 4 months, this will be recognised as: Dr/+ Joining fee receivable (SoFP) Cr/+ Refund Liability (SoFP) A liability is raised because the Burial Stokvel becomes	Where a new member pays the joining fee upfront, this would be recognised as: Dr/+ Cash/Bank (SoFP) Cr/- Joining fee income (SoCI) Where the joining fee is paid in instalments, revenue will be recognised as each instalment is made regardless of the right to refund.	It is recommended that the Burial Stokvel adopt the principles of either IFRS or IFRS for SMEs. If members were to adopt the MCS approach, they would be unable to keep track of outstanding joining fees and the refund liability if new members left the Burial Stokvel before the probationary is over.

	unconditionally entitled to the joining fee only after the 4-month period has elapsed. Before then, the new member has the right to be refunded his/her joining fee in full if he/she leaves the Burial Stokvel. After the 4-month period has elapsed, the liability will be derecognised and income will be recognised as follows: Dr/- Refund Liability (SoFP) Cr/+ Joining fee income (SoCI)		
Interest income	Interest on the bank account will be accounted for as it accrues monthly to the Burial Stokvel, as follows: Dr/+ Bank (SoFP) Cr/+ Interest Income (SoCI) Interest on the fixed deposit will be recognised as it accrues to the Burial Stokvel over the semi-annual	Interest will only be recognised as income when the cash is received. As a result, interest on the bank account will be recorded monthly: Dr/+ Bank (SoFP) Cr/+ Interest Income (SoCI) Interest on the fixed deposit will be accounted after each 6-month	The accounting for interest on the current account, fixed deposit and loans to members should be recognised on the accrual principle per IFRS and IFRS for SMEs. Interest on the current account and fixed deposit will be easy to record as bank statements are received monthly.

	contractual period. The journal entry would be as follows: Dr/+ Financial Asset (SoFP) Cr/+ Interest Income (SoCI) Lastly, interest on loans to members will be accounted for when it accrues to the Burial Stokvel. Immediately after a loan is granted, the interest to be repaid, along with the principal amount, is recorded in the minutes. This may indicate that it accrues to the Burial Stokvel immediately. The journal entry for the interest will be as follows: Dr/+ Loan Asset (SoFP) Cr/+ Interest Income (SoCI)	period has elapsed and the fixed deposit matures: Dr/+ Financial Asset (SoFP) Cr/+ Interest Income (SoCI) Lastly, interest on loans to members will only be recorded when it is received from members. The journal entry when interest is received will be: Dr/+ Cash/Bank (SoFP) Cr/+ Interest income (SoCI)	Interest income on loans granted to members will necessitate a further recording of interest accrued, otherwise it will be impossible to track owing amounts. It is imperative that members keep track of all sources of interest and correctly account for them so that the Burial Stokvel's performance can be assessed at any given point.

	When the member settles the interest on the loan, the following journal entry will be recognised: Dr/+ Bank (SoFP) Cr/- Loan Asset (SoFP)		

5.2.4 Expenses

The Burial Stokvel incurs expenses such as (1) catering and transport every month, (2) claims when members or their dependents pass away, (3) bad debts when members have failed to pay their contributions for an extended period of time and (4) entertainment expenditure for their annual year-end function.

Monthly stokvel expenses

Members rotate and agree on the host for the next meeting at the previous month's meeting. Evidence of rotation at each meeting is apparent as each month's minutes of meetings begins with a note stating the name of the hosting member and the date, indicating the equitability among members. At each meeting, members are served with food and drink before the meeting commences. The amount given for catering has ranged between R200 and R500 over the years. It is currently R500. It is unclear how members determine how much funding to give to hosts and whether it covers the full cost of catering for 9 members. In a meeting in 2013, members agreed to stop paying for catering for a few months so that they could "boost their bank balance" (M74 & M75). As a result, the bank balance may also be an important determinant of the catering cost and whether or not it is paid out. Although members had agreed to stop paying for catering for a few months in M74 and M75, the Burial Stokvel continued to pay for the cost of catering in the months that followed despite this decision.

Where the host is in arrears on his/her contributions or they have loans outstanding, his/her arrears will also be settled using the amount usually given for catering. If their arrears and loans outstanding are less than the amount given for catering, the host receives the residual. If the arrears and loans outstanding exceed the amount given for catering, the host will not receive any money for catering for that month's meeting. This was first agreed upon and exercised in May 2003 (M9). This practice has been consistently exercised till 2019. When the most recent new member hosted a meeting in April 2018, R500 was not given to her in respect of catering even though she was not in arrears nor had a loan outstanding. This R500 may have been used towards settling this member's joining fee. This was not explicitly stated in the minutes (M119&L147).

After every meeting, the treasurer must travel, using public transport, to deposit that month's cash contributions and loan repayments after deducting the cost of catering in the Burial Stokvel's bank account. As a result, the Burial Stokvel provides for a transport allowance for the money spent by the treasurer in depositing the cash. In 2004, the transport cost was R10. In February 2006, the transport cost increased to R12 (M24). In 2007, the transport cost varied between R15 and R20 for many months. By August 2013, the transport cost was R30 and remained constant till September 2016 (M75).

In some instances, when more than one member is required to go to the bank, a higher transport cost is incurred. In 2005, R30 was given for transport so that a claim could be honoured – this represented triple the amount of the usual transport cost (M22). In August 2008, R40 was given for transport to the bank as money had to be withdrawn to grant a member a loan (M41). In August 2009, R40 was given for transport to the bank as two signatories were requested to go to the bank by members so that a bank statement could be printed (M46). In November 2010, R80 was given so that the designated bank signatories could invest some of the stokvel's money in a fixed deposit (M53). In September 2013, the transport cost was as high as R125 for 2 members to travel to the bank to withdraw a claim (M76). No transport cost has been incurred since September 2016. It is unclear why this is the case. It is possible that the treasurer is required to bear this cost himself which would not be equitable. Further, if the same treasurer is bearing the cost of transport every month themselves, the Burial Stokvel may be required to recognise a donation. If the person banking rotates, this will no longer be a donation as all members will be bearing cost equally and the rotation of this duty may reduce the likelihood of fraud as the same person will not be responsible for the monthly banking. Maintaining records of the value of the transport cost incurred by members in their personal capacities may be useful so that members can decide whether this is a cost which should be borne by the Burial Stokvel or whether members should continue to incur it based on members' affordability.

Table 11 - Analysis of catering and transport expense	
Ratio	**Interpretation**
Catering expense for the year in relation to the closing bank balance: $\frac{Catering\ expense\ for\ the\ year}{Closing\ bank\ balance}$ 2016: $\frac{2\,000}{5769} = 34.67\%$ 2017: $\frac{1200}{9772}$ = 12.28% 2018: $\frac{1750}{14\,183}$ = 12.33%	The catering expense is a significant expense. In 2016, when the Burial Stokvel's solvency position was weak, the R2 000 which was spent on catering could have increased the bank account balance by 34.67% which would have improved its solvency and liquidity position. In 2017 and 2018 not contributing towards catering would increase the Burial Stokvel's bank balance by 12.28% and 12.33% respectively. The Burial Stokvel members should consider bearing the cost of catering themselves or not serving refreshments at meetings in order to ensure that they are in a better position to pay future claims – especially if deaths occur in close succession.
Catering expense for the year in relation to the contribution received for the year: $\frac{Catering\ Expense\ for\ the\ year}{Contribution\ received\ for\ the\ year}$ 2016: $\frac{2000}{16\,400} = 12.20\%$ 2017: $\frac{1200}{11\,325} = 10.60\%$ 2018: $\frac{1750}{9\,800} = 17.86\%$	Of the total contributions by members, more than 10% of the annual contributions goes towards catering. Eliminating this cost may diminish the social aspect of this stokvel but these funds could be better utilized towards interest-bearing arrangements. Annually evaluating this metric ensures that the catering costs are always contextualized and the risk of these costs getting out of hand is mitigated.
Percentage movement in the transport cost: $\frac{Current\ transport\ cost - Prior\ transport\ cost}{Prior\ transport\ cost}$	The transport cost grew consistently between 2006 and 2013.

2006: $\frac{12-10}{10} = 20\%$ 2007: $\frac{15-12}{12} = 25\%$ 2007: $\frac{20-15}{15} = 33.33\%$ 2013: $\frac{30-20}{20} = 50\%$	
Transport expense in relation to the closing bank balance: $$\frac{Transport\ expense}{Closing\ bank\ balance}$$ 2016: $\frac{350}{5769} = 6.07\%$ 2017: 0% 2018: 0%	In 2016, the transport cost made up 6% of the Burial Stokvel's bank balance. Now that the Burial Stokvel is no longer incurring the cost of transport, a saving of ±6% is made annually which will contribute positively to the liquidity.
Transport expense in relation to the contribution received for the year: $$\frac{Transport\ expense}{Contributions\ received\ for\ the\ year}$$ 2016: $\frac{350}{16\ 400} = 2.13\%$ 2017: 0% 2018: 0%	The transport expense incurred represented only 2.13% of the contributions received in 2016. However, an annual saving of approximately 2% has been made on the cash contributions received since these costs have not been incurred.

Claims

Claims are expenses only incurred when a death of a covered dependent or member arises. A burial claim, at the inception of the burial stokvel in 2002, was R800. Members agreed that this would only be increased once the balance in the bank account was R14 000 (M2). The claim was increased to R1 500 for immediate dependents and R1 000 for other dependents in October of 2004 (M18). It is unclear what the bank balance on this date was and whether the stokvel had achieved their R14 000 target. The bank balance may be a strong determinant of the claims paid out.

The change from R1 000 to R1 500 for dependents and R1 500 to R2 000 for members was never recorded. However, when a member passed away in September 2006, their family was given R2 000 (M28). The change may have occurred during 2006. This may indicate that some of the Burial Stokvel's practices and protocols are not formally documented. This may be because these decisions which are considered quick, are made when or as necessary or are not made at formal meetings (Posel & Thomson, 2002).

In April of 2013, members agreed that the claim pay outs would increase from R1 500 and R2 000 to R3 000 and R5 000 for dependents and members who pass away (M73). No attempt is made by members to determine whether the pay-outs made so far are sufficient to cover the funeral.

Pay outs may be paid partially from the month's contributions and partially from amounts withdrawn from the bank. When a pay-out is made, it is recorded in the minutes of meetings.

Where members are in arrears with their contributions or have loans outstanding when their dependent passes, those members' arrears are reduced by the amount of the claim. The member will be paid out the residual claim after deducting their arrears and outstanding loans. If arrears exceed the claim, members have recently been allowed to replace such deceased dependents (M111)[12]. Where members were in arrears and replacements have taken place, there have been instances where members donated R50 each – out of their own pockets - to the member whose dependent has passed away (M78). In March 2012, members contributed (over and above the Burial Stokvel's monthly contributions) and donated R1000 – out of their own pockets – to the family of a member who had passed away as well as to a member whose husband had passed away(M63). This evidenced members' Ubuntu as they were willing to fund a portion of the claim out of their own pockets.

[12] A deceased dependent for which no claim pay out was received is replaced with a new living dependent.

Table 12 - Analysis of claims	
Ratio	**Interpretation**
Closing bank balance in relation to a claim: $$\frac{Closing\ Bank\ Balance}{Claim}$$ 2015: If a member passes $$\frac{14\ 220}{5000} = 2.84\ times$$ If a dependent passes $$\frac{14\ 220}{3000} = 4.74\ times$$ 2016: If a member passes $$\frac{5769}{5000} = 1.15\ times$$ If a dependent passes $$\frac{5769}{3000} = 1.92\ times$$	Based on the 2015 closing bank balance, the Burial Stokvel could pay for 2 members' deaths or 4 dependents' deaths. As the average death toll is 2 from 2016 until 2018, the Burial Stokvel is solvent as it is able to pay its 2016 claims. Although no deaths occurred in 2015, a R5 000 loan was granted to a member which at year-end was still outstanding. This was the Burial Stokvel's largest cash outflow in 2017 but their solvency was still maintained. By end of 2016, the Burial Stokvel's solvency position has greatly reduced as they are only able to pay for a single member's death or a single dependent's death – not both. Furthermore, as the death toll is 2 for the periods 2016 until 2018, the Burial Stokvel would be unable to pay the claims. Their solvency was diminished because of the 2 claims paid out during 2016 as well as due to a loan which was granted to one of the Burial Stokvel's members. Another reason for the reduction in solvency was a reduction in the monthly contribution – this decreased from R200 to R150. By the end of 2017, the Burial Stokvel's solvency has improved. Although they would not be able to afford 2 members' deaths, they are able to afford the death of a single member and a single dependent or 3 dependents which meets the average death toll of 2. This improvement was despite contributions being maintained at R150 and 2 dependents' deaths. The improvement can also be attributed to catering only being incurred for 6 of the 10 meetings and no transport cost being incurred.

2017: If a member passes $$\frac{9772}{5000} = 1.95\ times$$ If a dependent passes $$\frac{9772}{3000} = 3.26\ times$$ 2018: If a member passes $$\frac{14\ 183}{5000} = 2.84\ times$$ If a dependent passes $$\frac{14\ 183}{3000} = 4.73\ times$$	By the end of 2018, the Burial Stokvel can be considered solvent as both their members' and dependents' closing bank balance/claims ratios increased and both exceed 2 which is the average death toll. This can be attributed to no loans being granted during the year, no members or dependents passing away, no transport cost being incurred and catering being incurred for only 5 of the 11 meetings. The Burial Stokvel should perform closing bank balance to claims ratio and the average death toll at the beginning of every year to ensure that the opening bank balance will be able to cover the claims that they expect to pay out in the year. The closing bank balance to claims ratio can be used to determine whether an increase or decrease in the contributions should be considered or whether contributions should stay the same. This ratio can also be used to determine whether the Burial Stokvel has the ability to increase the current value of the claims– as with the rise in inflation, it can be expected that members will require more money to cover the cost of funerals.
Number of Deaths: 2016: Member: 1 Dependents: 1 2017:	

Member: 0 Dependents: 2 2018: Member: 0 Dependents: 0 In the last 3 years, there has been an average of 1.33 deaths in the Burial Stokvel which should be rounded up to 2.	
There are 9 members all currently contributing R150 to the Burial Stokvel. It would take the Burial Stokvel members 2.22 months (3 months rounded up) to contribute enough money to pay one dependent's claim ($\frac{3000}{150*9}$). It would take the Burial Stokvel members 3.70 months (4 months rounded up) to contribute enough money to pay one member's claim ($\frac{5000}{150*9}$).	If the Burial Stokvel did not give out any loans to its members or provide for catering and transport as expenses, it would be able to pay for 3 members' deaths or 4 dependents' deaths in a year. This was consistent with the 2015 and 2018 closing bank balance/claims ratio.

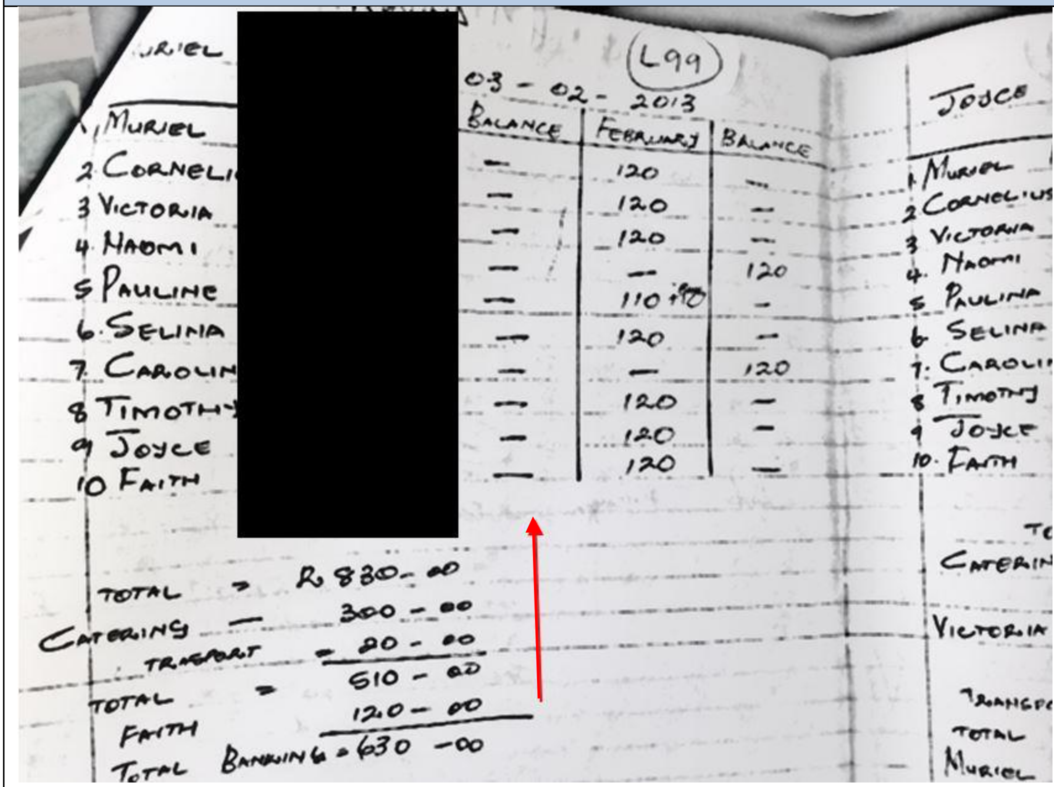
Percentage increase in dependents' claims: $$\frac{1000-800}{800}*100=25\%$$ $$\frac{1500-1000}{1000}*100=50\%$$ $$\frac{3000-1500}{1500}*100=100\%$$ **Percentage increase in members' claims:** $$\frac{1500-800}{800}*=87.5\%$$ $$\frac{2000-1500}{1500}*100=33.3\%$$ $$\frac{5000-2000}{2000}*100=150\%$$	The increase in dependents' claims was consistent as it doubled each time. From the minutes of meetings, it is unclear whether members intended for it to be this way – it may be coincidental. The members' claims, on the other hand, are increasing at irregular increments which may indicate that members do not determine their claims in a systematic manner.
The value of a claim in relation to the cost of a funeral in South Africa: $$\frac{Claim}{Cost\ of\ a\ funeral\ in\ South\ Africa}$$ $$\frac{3000}{86000^{13}}*100=3.49\%$$ $$\frac{5000}{86000}*100=5.81\%$$	As a claim is only able to cover 3.49% of a dependent's funeral and only 5.81% of a member's funeral, it is evident that the Burial Stokvel is only designed to help with the cost of a funeral as opposed to covering the full cost of the funeral. This metric is useful to helping members of the Burial Stokvel assess the benefit of participating in a stokvel. This metric coupled with the claim-coverage metrics, may prompt members to increase both their contributions as well as the value of their current claims so that a larger proportion of the cost of a funeral is covered.

[13] (Hippo, 2017)

Bad debts

In February 2013, for the first time, all arrears were written off and all members would start on a "clean account" (L99&M71). From the minutes, it is unclear whether a "clean account" referred only to a write-off of arrear contributions or whether it applied to both arrear contributions and loans outstanding (M71). However, M71 also refers to a member who paid R500 in respect of the loan which they had been granted. This member would have an outstanding capital balance of R3500 and outstanding interest of R250 after this repayment. From this, it can be assumed that the bad debts written off were only attributable to the arrear contributions.

Extract 5 – Bad debts written-off



	[redacted]	03 - 02 - 2013 (L99)		
		Balance	February	Balance
1 Muriel		—	120	—
2 Corneli		—	120	—
3 Victoria		—	120	—
4 Naomi		—	—	120
5 Pauline		—	110	—
6 Selina		—	120	—
7 Carolin		—	—	120
8 Timothy		—	120	—
9 Joyce		—	120	—
10 Faith		—	120	—

Total → R 830-00
Catering — 300-00
Transport = 20-00
Total = 510-00
Faith 120-00
Total Banking = 630-00

All members have a zero opening balance in the contributions ledger. 4 of the 10 members listed at this date, had their arrears written off.

(L99)

Table 13 - Analysis of bad debts written-off	
Ratio	**Interpretation**
$\frac{Bad\ debt\ write - off}{Contribution\ income\ for\ the\ year}$ 2013: $\frac{260}{13\ 330} = 2\%$	Bad debts written-off in 2013 represent only 2% of the contribution income which would have been recognised in

$\frac{Arrears\ written\ off\ in\ 2013}{Arrears\ in\ 2018}$ 2018: $\frac{260}{9\ 600} = 2.70\%$	2013. The arrears written-off in 2013 represent only 2.70% of the 2018 arrears. If members could write-off arrears when the balances owing were so small (only R260), then more write-offs should be done in 2018 as the arrears balance is so high. The recoverability of arrears should be frequently assessed so that debts considered irrecoverable are written off timeously.

Entertainment expenses

To embrace the social function of stokvels, the Burial Stokvel frequently hosts year-end functions for themselves and their families in December. Usually, members allocate what each member is responsible for contributing. Members can contribute food, drinks or snacks out of their own pockets (M13, M18, M30&M36). It is unclear whether the stokvel reimburses members amounts expended for the year-end function. The year-end function is not an annual occurrence for reasons such as a low bank balance or members not getting along (M64&M125).

For the year-end function in 2008, members had planned a three-day trip to Nelspruit. For this trip, the Burial Stokvel lent eight of the members who were going R2 200 (M41). Each of the members were required to each pay R250 once-off towards the settlement of this loan in February 2009 (M43). The loan repayment was reduced to R225 by October 2009 (M47). Of this loan, only R1090 was repaid from 2009 till 2013. It is unclear whether this debt was written off as a bad debt when members decided to “start on a clean account” in February 2013 as no further repayments were ever made (M71&L99). This further highlights the importance of continuously assessing the recoverability of loans which have been granted to members. This can be done by assessing the members individual financial position (considering their employment status) or assessing the length of time which the loan has been outstanding.

Table 14 – Treatment of expenses				
Transaction Type	IFRS	IFRS for SMEs	MCS	Suggested Treatment
Monthly expenses	The transport and catering expenses reduce the amount of cash contributions made at each meeting. As a result, the journal entry should be as follows: Dr/+ Catering/Transport Expense (SoCI) Cr/- Cash/Bank (SoFP) Where the catering expense is used to reduce the amount of arrears, the following journal entry should be recognised: Dr/+ Catering Expense (SoCI) Cr/- Accounts Receivable (SoFP)		The transport and catering expenses reduce the amount of cash contributions made at each meeting. As a result, the journal entry should be as follows: Dr/+ Catering/Transport Expense (SoCI) Cr/- Cash/Bank (SoFP) No journal entry would be recognised when the catering cost is used to settle a member's arrears.	The recognition of accounts receivable was recommended previously under IFRS for SMEs. When catering is utilized to settle members' arrears, this should be accounted for in the manner required by IFRS/IFRS for SMEs. As the MCS does not recognise accounts receivable, when no catering is granted, nothing will be recorded as there will be no cash outflow. This is not recommended as the Burial Stokvel should keep track of and account for their monthly

			expenses in order to determine their performance.
Claims	When a claim is paid out and the relevant member has no arrears, the following journal entry shall be disclosed: Dr/+ Claim Expense (SoCI) Cr/- Bank (SoFP) When a claim is paid out and the relevant member has arrears or loans outstanding which do not exceed the claim pay-out, the following journal entry shall be recorded: Dr/+ Claim Expense (SoCI) Cr/- Accounts Receivable/Loan Asset (SoFP) Cr/- Bank When a member's arrears or loan outstanding exceed the claim paid out, the following journal entry will be recorded:	Only the amount actually paid out to a member as a claim would be recognised as an expense. The journal entry would be as follows: Dr/+ Claim Expense (SoCI) Cr/- Bank (SoFP) When a claim is paid out and the relevant member has a loan outstanding that does not exceed the claim pay-out, the following journal entry shall be recorded: Dr/+ Claim Expense (soFP) Cr/- Loan Asset (SoFP) Cr/- Bank When a member's loan outstanding exceeds the claim pay-out, the	The accounting under IFRS/IFRS for SMEs is recommended because arrears are recognised by the Burial Stokvel and claims are first utilized against these.

	Dr/+ Claim Expense (SoCI) Cr/- Accounts Receivable/Loan Asset (SoFP)		following journal entry shall be recognised: Dr/+ Claim Expense (SoCI) Cr/- Loan Asset (SoFP)	
Bad debt	When bad debts are written-off on arrears or loans granted to members, the following journal entry should be recognised. Dr/+ Credit Loss (SoCI) Cr/- Accounts Receivables (SoFP) This impairment loss would be in terms of	When bad debts are written-off on arrears or loans granted to members, the following journal entry should be recognised. Dr/+ Bad Debt (SoCI) Cr/- Accounts Receivables (SoFP)	When bad debts are written-off on unpaid loans granted to members, the following journal entry would be recognised: Dr/+ Bad debt expense (SoCI) Cr/- Loan asset (SoFP) However, as arrears are not recognised in terms of this accounting standard (refer to table 6), no bad debts can be recognised in terms of this standard either.	It is imperative that the Burial Stokvel write-off long outstanding or irrecoverable arrears and loans to better assess the quality of the debtors and whether the Burial Stokvel should reduce the amount of debt it grants certain members to avoid future large bad debt write-offs. It is recommended that debts be written-off, as suggested by the IFRS for

	the expected credit loss model (refer to Table 6 – Treatment of Assets)	This bad debt would be raised only when there is objective evidence of financial difficulty of the debtor (refer to Table 6 – Treatment of Assets)		SMEs when there is objective evidence that the debt will go bad – such as when a member discloses financial difficulty as it will be certain that contributions/loans receivable will not be recovered.
Entertainment Expense	When the Burial Stokvel grants its members the funds to host a year-end function without the right to reimbursement, the following journal entry will be recognised: Dr/+ Entertainment expense (SoCI) Cr/- Bank (SoFP) If the Burial Stokvel grants its members the funds to host a year-end function with the right to reimbursement, the following journal entry will be recognised: Dr/+ Accounts Receivable (SoFP) Cr/- Bank (SoFP)			

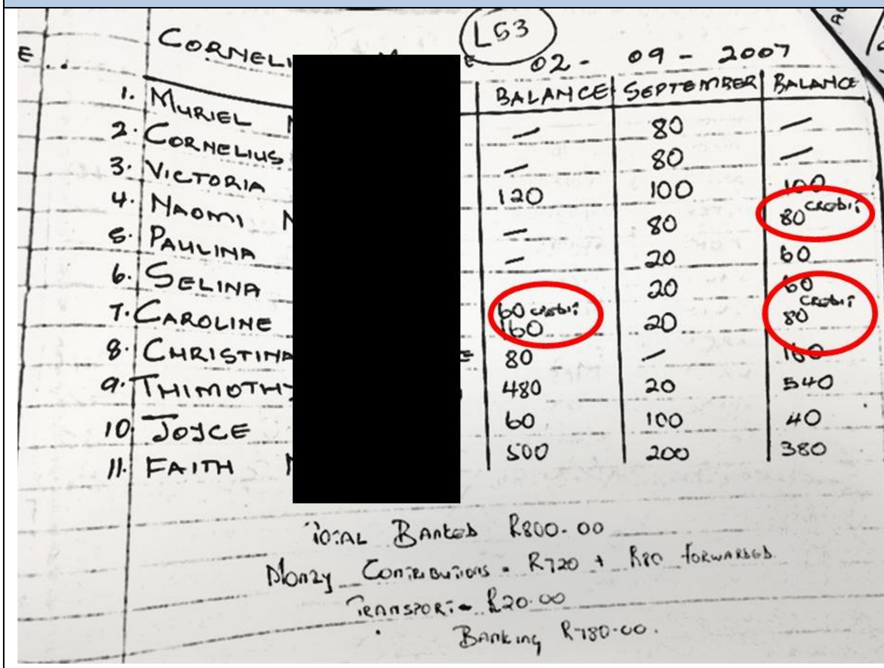
5.2.5 Liabilities

Current liabilities

The Burial Stokvel does not have many liabilities. Of its liabilities, all of them are settled within a short period of time. An example of a current liability occurs where pay-outs are paid weeks or months after the death of the relevant member's dependent. Per the April 2003 minutes, a member whose dependent passed away in January was recorded as having received the pay-out in April (M8). In 2015, members emphasized that claims should be paid within 2 days of the death being announced (M88). As claims were still not being paid out timeously, members further emphasized the importance in February 2016 as the deceased's family are often in need of the money urgently (M94).

The last current liability identified in the Burial Stokvel's records are prepayments of contributions. Some members often pay for their contributions in advance. In these instances, the prepayments are recorded and the words "credit" written in the closing balance in the ledger.

Extract 6 – Contributions made in advance


(L53)

Corneli[redacted] 02-09-2007

		Balance	September	Balance
1.	Muriel [redacted]	—	80	—
2.	Cornelius [redacted]	—	80	—
3.	Victoria [redacted]	120	100	100
4.	Naomi [redacted]	—	80	80 credit
5.	Paulina [redacted]	—	20	60
6.	Selina [redacted]	—	20	60
7.	Caroline [redacted]	60 credit 160	20	80 credit
8.	Christina [redacted]	80	—	160
9.	Thimothy [redacted]	480	20	540
10.	Joyce [redacted]	60	100	40
11.	Faith [redacted]	500	200	380

Total Banked R800-00
Money Contributions R720 + R80 forwarded
Transport R20-00
Banking R780-00

When a prepayment is made, the word "credit" is written above the amount for the relevant member who made the contribution in advance.

(L53)

Recognition of a contract liability by the Burial Stokvel

Initial and subsequent recognition

IFRS 17 focuses on the types of contracts which exist between the insurer and the insured rather than the type of entity. It applies to all entities, whether they are registered as regulated insurers or not (KPMG, 2017). As a result, this standard may be applied to the Burial Stokvel as it can be considered mutual insurance where the risk of death is borne mutually by all the stokvel members (Schulze, 1997).

The Burial Stokvel is the issuer of the insurance contract and bears significant insurance risk in the form of either the death of a dependent or the death of a member. These deaths represent an “uncertain future event” (KPMG, 2017, p. 12). The death of a dependent or member of the Burial Stokvel will adversely affect the member along with their immediate family due to the high costs associated with funerals in South Africa (Hippo, 2017). This adverse effect will entitle members and their immediate family, to compensation in the form of a claim of either R3 000 when a dependent passes and R5 000 when a member of the Burial Stokvel passes. The Burial Stokvels receives premiums of R150 per month per member, yet the claim pay-outs are R3 000 and R5 000 for dependents and members respectively, exposing the Burial Stokvel to the risk of loss if claims are made before contributions equal to the premiums. As a result, insurance contracts exist between the Burial Stokvel and its members (see section 3.2).

As IFRS 17 applies to a group of contracts, the first group of insurance contracts would have been recognised by the Burial Stokvel on the 2nd of May 2002. This date represented the beginning of the coverage period as well as the date on which all the members’ first contribution payment became due. Thirteen insurance contracts were entered into at the inception of the Burial Stokvel. These contracts will be in the same portfolio as they will be managed together. Of the initial 13 founding members, 3 have passed away and 1 is no longer in the stokvel. As a result, 8 insurance contracts are still in the same group of insurance contracts. A second group of insurance contracts was to be recognised in April 2017 when a new member was accepted. As this stokvel was issued almost 15 years after the first group of insurance contracts was issued, this insurance contract would be in a group of its own.

The insurance contract would be recognised on a month-by-month basis as the Burial Stokvel has the ability to change the premium at any given point. As a result, the insurance contract would be for a period less than a year and would qualify to be accounted for in accordance with the simplified model (PAA) under IFRS 17[14].

At initial recognition, the insurance contract liability would be zero because contributions were not received in advance as the Burial Stokvel was entitled to receive payment immediately at the first meeting. The premiums received net of the acquisition cash flows would be recognised as revenue immediately. Subsequently, the liability for remaining coverage would also be zero as the premiums received net of acquisition cash flows equaled the premiums recognised in profit or loss over the expired portion of the coverage period. This is as a result of the date of receipt being the same as the date of income recognition. However, an asset for remaining coverage may have to be recognised as the premiums recognised in profit or loss over the expired portion of the coverage period often exceeds the premiums received net of acquisition cash flows due to members accumulating arrears.

Derecognition of insurance contracts

When the 3 members passed away, the Burial Stokvel was no longer required to transfer economic resources to satisfy the insurance contract as the members along with their dependents were crossed off (LOD5&LOD6). All the members' dependents (both alive and deceased) were crossed off, therefore, the Burial Stokvel was no longer exposed to the risk of death of these dependents. As a result, the 3 insurance contracts must be derecognised. When 1 member left the stokvel and ceased contributing, his/her insurance contract should have also been derecognised as the Burial Stokvel no longer had the obligation to transfer economic resources to this member if they passed away. The coverage units in this group of insurance contracts would decrease from 13 to 9. There would be no need to adjust the Burial Stokvel's fulfilment cash flows and the contribution services margin as the simplified approach (PAA) was adopted.

[14] The application of the BBA would be too complex for the members of the Burial Stokvel to compute.

Table 15 - Analysis of liabilities	
Ratio	**Interpretation**
The total liabilities to the total assets: $$\frac{Total\ liabilities}{Total\ assets}$$ 2016: $\frac{0}{(5769+5000+6350)} = 0\%$ 2017: $\frac{100}{(9772+2500+7800)} = 0.5\%$ 2018: $\frac{0}{(14183+5300+9600)} = 0\%$	This ratio should be calculated annually to assess the Burial Stokvel's leverage. The Burial Stokvel's assets comprise of the bank account, loans to members and the arrears. These were added together to make up the total assets. The fixed deposit was omitted from the total assets as the 2016 – 2018 balances are not known. The only liability that the Burial Stokvel had in these 3 years was a debt owed to a member for a wreath purchased. The Burial Stokvel's leverage is low. Its assets are able to pay off its debts at any given point. As a result, the Burial Stokvel does not need to perform this ratio as it will not provide useful analysis.

Table 16 – Treatment of liabilities				
Transaction Type	IFRS	IFRS for SMEs	MCS	Suggested Treatment
Late claim pay-outs	Where a claim pay-out is made weeks or months after a death has occurred, the journal entry to be recorded by the Burial Stokvel is as follows: Dr/+ Claim Expense (SoCI) Cr/+ Liability for Incurred Claims (SoFP) When the Burial Stokvel settles the claim, the following journal entry should be recognised: Dr/- Liability for Incurred Claims (SoFP) Cr/- Bank (SoFP)		The claim expense can only be recognised when payment is made by the Burial Stokvel. The only jounal entry that would be recognised is as follows: Dr/+ Claim Expense (SoCI) Cr/- Bank (SoFP)	Although the accounting under the MCS appears easier, members need to keep track of claims still outstanding, especially since paying claims as soon as a death occurs is a priority for the Burial Stokvel. The Burial Stokvel should elect either the IFRS or IFRS for SMEs treatment as they are the same.

Prepayments	When members pay their contributions in advance, the following journal entry should be recognised: Dr/+ Bank (SoFP) Cr/+ Prepayment Liability (SoFP) At the following meeting when the prepayment liability is utilised as that month's contribution, the following journal entry should be recorded: Dr/- Prepayment Liability (SoFP) Cr/+ Contribution Income (SoCI)	Although members may make a prepayment of their contributions, the associated revenue is recognised immediately when the payment is made. The journal entry would be as follows: Dr/+ Bank (SoFP) Cr/+ Contribution Income (SoCI)	On examination of extract 6, it is clear that members of the Burial Stokvel clearly distinguish prepayments from normal cash contributions made at each meeting. the recommended accounting treatment (IFRS/IFRS for SMEs) would allow the prepayments of contributions to be distinguished from normal cash contributions made at each meeting as a liability is recorded before recognizing the income.

5.3 GOVERNANCE

New practices adopted

Members of the Burial Stokvel create rules as and when the circumstances occur. For example, in September 2002, a member disclosed that he/she would not be able to attend meetings for the next three months because work commitments. He would, however, send his contributions in his absence. After this, members resolved that they would no longer allow members to be absent for a period exceeding 3 months even if contributions were submitted (M4). Further, if members were not going to be in attendance, members are encouraged to contact the host to ensure that they are not catered for (M31). This may reduce the Burial Stokvel's monthly catering expense.

One of the members of the burial stokvel informed the other members that he was a part of another burial stokvel and would only be able to attend meetings every second month as a result (M66). He made this disclosure in June 2012. On this date, he already had arrears of R530 (L94). As this member already had arrears, it would be unlikely he/she would be able to afford the monthly premiums of two stokvels. However, this member may have become a member of multiple burial stokvels to ensure that all his dependents were covered or to ensure he was able to cover the full cost of the funeral with the claims he would receive (Matobo, 1998; Posel & Thomson, 2002).

Contributions are often banked weeks after the meeting took place. The July 2008 meeting took place on the 6th of July 2008 yet the contributions for that day were only banked on the 31st of July 2008 (M41). For five months of the 2016 year, deposits were made almost a month late. In 2 of the 5 months, there was a discrepancy between the amount to be banked according to the ledger and minutes of meetings and the respective bank statements (BS01/03/2016, M96, M97, L126 & L127). Cash on hand for extended periods of time is easily susceptible to being stolen. Members even noted that they needed to implement safety measures to avoid money irregularities (M104). It is unclear whether these safety measures were ever implemented.

Deviations from established practices and protocols

Although the minutes are said to be read to all the members and understood by all, members have never recorded any discrepancies between the amount to be banked according to the minutes and the amount actually banked according the deposit slip. This was highlighted in the May 2007 minutes where R655 was contributed and R15 was given for transport which resulted in a residual of R640 which was to be banked. However, only R620 was recorded as the amount to be banked in the minutes of meetings (M32). This indicates that members do not really understand what is being said when the minutes are read to them and the deposit slip passed around for all members to peruse.

The members who prepare the ledger and the minutes of meetings are different. This conclusion was reached because the handwriting in the 2 books are different. As a result of this, many discrepancies have been noted between the minutes of meetings and the ledger. For example, per the June 2003 minutes of meetings, R600 was the amount to be banked yet the ledger reflected a banking of R550 (M10&L12). In the June 2003 minutes, the amount to be banked per the minutes was R530 yet the ledger reflected R460 (M10&L13). More recently, in June 2013, the ledger reflected an amount to be banked of R1120 whereas the minutes reflected R1150 (M74, M75&L103). The two members do not perform a monthly reconciliation of the amounts to ensure that there are no discrepancies.

As highlighted in 5.1, all members are close knit. As a result of this, one of the members disclosed her financial difficulties to the stokvel in November 2009. Members then agreed to “freeze everything up until six months” and her financial position would be evaluated again in February 2010 (M48). This member settled her outstanding arrears in November 2009 with a claim pay-out when one of her deceased dependents passed away. She continued to make contributions in the months following the disclosure of her financial difficulties. As a result, it is unclear what members meant by “freeze everything up until six months.” Another member disclosed, in February 2016, that she was also having financial difficulties and would be unable to host any meetings. As at February 2016, she had arrears of R3000 (M96&L126). Although members agreed that she should not host, she was required to pay R300 for catering at the next meeting. This member only contributed R150 in March 2016 and did not make any contributions till August 2016 (M96, L126, L127, L128, L129, L130, L131 & L132). This member did not host a meeting till October 2017 (L143). This was another example of members not adhering to their own practices and protocols.

Only one new member was ever accepted into the stokvel. This new member was the daughter of a deceased member. According to the April 2017 minutes, she was introduced to the stokvel with the aim of continuing the legacy of her late mother (M105). This new member agreed to pay the R2 000 joining fee over the probationary period 4 months. As at the meeting in April 2017, the new member had already contributed R450 in three months. Her outstanding joining fee was, therefore, R1700 (M105). The remainder of the R1700 joining fee was never recorded as being fully paid. Although the new member had not paid the full joining fee in the required four-month probationary period, she became a full member in three months as a result of her meeting attendance (M105). Being a full member, she was allowed to add 13 dependents (including herself) in the dependents' registry (M108). The addition of the new member as a full member was not in compliance with the stokvel's own protocols and practices according to the minutes of meetings as she became a full member before settling her joining fee.

CHAPTER 6 - CONCLUSION

This chapter addresses the research objectives of this dissertation. Section 6.1 sets out, in summary, the key findings from the case study and closing remarks. Section 6.2 discusses the contribution of this research while section 6.3 proposes areas of future research.

6.1 Summarising comments

The aim of this study was to understand how a burial stokvel maintains its records, how they account for transactions and whether their accounting can be improved using principles of 3 widely accepted accounting frameworks. A qualitative case study was undertaken in which the records of a single Burial Stokvel in Gauteng were analysed.

The findings clearly indicate that the Burial Stokvel does not prepare accounts and only maintains record of transactions entered into and decisions made. This resulted in the stokvel being unable to (i) identify fraud and error, (ii) use evidence to set contributions and payouts and (iii) determine whether the stokvel was in a financial position to lend money and how much to lend.

Based on the records, typical transactions and events were identified such as arrear contributions, loans granted to members, property, plant and equipment, joining fees, interest income and expense, bad debts and general expenses. Recommendations were provided drawing on different accounting frameworks. Recommendations included, among others, (i) measuring loans to members using the amortised cost of accounting and impairing them using the prime rate of interest as recommended by the MCS, (ii) claims being accounted for under IFRS or IFRS for SMEs as these accounting standards recognise accounts receivable. The recognition of accounts receivable is important as they are usually reduced by claims and (iii) debts should be written-off when there is objective evidence that a debt will go bad – such as when a member discloses financial difficulty. Special consideration was also given to the context in which stokvels operate and IFRS 17: *Insurance Contracts* as prior literature suggests that burial stokvels can be likened to insurance companies (Roth, 2001; Schulze, 1997). The contract between each member and the Burial Stokvel was identified as an insurance contract which would be recognized on a month-by-month basis given the fact that the Burial Stokvel has the ability to change the premiums at any given point. This qualifies the insurance contracts to be accounted for under IFRS 17's simplified approach.

The proposed recommendations include the Burial Stokvel preparing accounts using the positive and negative system, as well as the elements of financial statements (assets, liability, equity, income and expenses). At the end of every quarter or year, these accounts should be casted to calculate the closing balances. These closing balances could be used to determine the stokvel's financial position, solvency and liquidity through the use of ratios. The use of ratios will not only assist in assessing the stokvel's performance through the use of historical and entity-specific information, but also assessing how effectively and efficiently the executive committee have discharged their responsibilities per the constitution (Murphy & O'Connell, 2013). The proposed ratios can (and should) be used by stokvels to inform decisions over setting contributions, payouts and the stokvel's ability to grant loans. For example, considering the closing bank balance-to-claim ratio, coupled with average claims per year allows the stokvel to see whether it needs to increase (or can decrease) its required contribution per member.

These ratios, especially if used by many stokvels over a few years, can then be used to set industry benchmarks. These benchmarks will be useful for stokvels to assess their contributions, payouts and ability to grant loans. These proposals will positively contribute to the important informal financing industry and help these, mainly, previously disadvantaged members of society to improve their financial wellbeing.

6.2 Contribution of this research

The findings of this research aimed to contribute to the academic literature on the records prepared by burial stokvels in the financial reporting space as there is no currently existing literature despite the size of this industry. This thesis addressed the need to improve the financial reporting of burial stokvels and provided the initial insight about how this can be done. Although the recommendations provided are premised on the current records of the Burial Stokvel under study and cannot be generalised, the recommendations could be modified in such a way that suits and adapts to the records of other burial stokvels and possibly other types of stokvels.

Insight into how the financial reporting of a burial stokvel can be improved to curtail the likelihood of fraud and possibly contribute to the financial education of members so that better quality accounting records can be produced was provided. Recommending a standard method of accounting as well as ratios to assess performance and liquidity may help in standardizing the stokvel industry's method of record-keeping and introduce accounting principles to members. This will, in turn, make the records of the stokvels more accessible to members as all members would be using a standard and understandable method of recording. This would reduce reliance on the treasurer as each member would be able to interpret the financial position of the stokvel themselves at any point in time as their financial and accounting knowledge will be improved.

6.3 Areas of future research

The study is the first of its kind and aims to provide a starting point into understanding a burial stokvel's record-keeping. Researchers may find it useful to replicate the study using other types of stokvels to evaluate how the accounting techniques and/or record-keeping across stokvels are different or similar. It might also be useful to explore in more detail, the governance issues faced by stokvels so that improvements can be recommended through the application of the principles and practices in the King IV Code of Corporate Governance. These studies may be useful in better understanding the governance of the stokvel industry in relation to companies applying the King IV.

Researchers may also find it valuable to determine if the ratios calculated in chapter 5 (section 5.2) can be successfully used as benchmarks in the calculation of future claims and contributions if adopted. Another consideration is to determine whether the additional services provided by burial stokvels over and above a claim (such as cleaning and cooking prior to the funeral) are (1) services provided by the burial stokvel itself or (2) whether members provide this service in their personal capacity and (3) whether these services can be considered a component of an insurance contract which should be accounted for in terms of IFRS 17 and IFRS 15.

As the world is becoming more digitized with more people having basic smartphones, it may be useful to stokvel members if researchers developed a smartphone application where the positive and negative accounting system proposed in the findings were integrated into the application based on the transactions and events identified. The advantage of this will be that members will be able to (1) capture information easily, (2) easily share information with other members and (3) multiple physical books would not have to be kept.

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APPENDIX 1

Stokvel Constitution

This constitution has been drafted and published by the National Stokvel Association of South Africa (NASASA) as a set of fundamental principles according to which a Stokvel or any community-based deposit-taking organisation is governed. Together, these principles define the Stokvel group premise. This document is a set of guidelines that a Stokvel group may use to create its own constitution.

NASASA is a self-regulatory organisation authorised by the South African Reserve Bank in terms of Government Notice 404 in Gazette 35368 25 May 2012.

The name of the Stokvel is:

....

1. Aims and Objectives

- To promote personal and group development.
- To pool funds with a common purpose and outcome.

The aim of this Stokvel is to pool funds for the following purpose:

-
-
-
-

2. Membership

- Members will supply the Stokvel with their personal details (ID number, date of birth and residential address).
- Members must abide by the Stokvel constitution.
- Should a member pass away, his or her family members will not automatically become members of the club.

3. Stokvel Executive Committee

The executive committee will consist of the following positions:

a. Chairperson, whose responsibilities are:

- To lead and prepare the agenda for meetings.
- Make sure rules are followed.
- Approve money withdrawal with other executive member.
- Explore opportunities for enhancing the group's practices.

b. Secretary, whose responsibilities are:

- Keep an accurate record of the group's activities, namely minutes, correspondence and membership register.
- Maintain communication to make sure all members are informed of all activities of the group.
- Have signing powers with the chairperson and treasurer.

c. Treasurer, whose responsibilities are:

- Keep accurate account of all the group's finances and present copies of all the deposit slips.
- Collect money or deposit slips at every meeting.
- Have signing powers with the chairperson and the secretary.

Change of Leadership

- Members can change the leadership structure if there is a majority vote.
- Changes in the leadership structure must be announced 60 days prior to the meeting.

4. Resolutions

- Each member shall have one vote.
- A resolution can be passed by simple majority (one more than half of the members present at a meeting).

- A resolution can only be passed in a meeting where at least half of the Stokvel members are present in person.
- Shall be by a show of hands, unless a member requests a secret ballot.

5. Meetings

- Meetings will be held weekly, fortnightly, monthly or other.
- A minimum of one third of the members will be required for a meeting.
- Non-members will not be allowed to sit in entire meetings, unless invited by the executive committee.
- Special meetings will be called when necessary by the executive committee.

6. Joining Fee

- Each member must pay R........ as a non-refundable joining fee.

Please note that NASASA does not levy a joining fee. Such fees are payable only to the group with which an individual is a member.

7. Contributions

- Each member will contribute an amount of R.......... per meeting.
- If members contribute different amounts, the minimum will be R…...

Please note that NASASA does not levy a membership fee. Such fees are payable only to the group with which an individual is a member.

8. Benefits

- Member benefits will be agreed upon by the members and the executive committee.
- Benefits as well as method's of distribution may be amended from time to time.
- Alterations to benefits will be agreed upon by way of group vote.

9. Beneficiaries

- If a member passes away, any money they are owed will go to their estate.

10. Code of Conduct

- No member will use the name of the Stokvel for personal business purposes or personal gain.
- Each member will be expected to conduct him or herself in a socially acceptable manner at the meetings.
- Members must dress in a socially acceptable manner.

11. Meeting Attendance

- If a member is unable to attend a meeting for whatever reason, he or she must send an apology in writing.
- Should a member fail to attend ……… *(number)* consecutive meetings without a good reason such as illness or being away, he/she will face a disciplinary committee.

12. Banking

- The money in the organisation must be deposited into a bank account in the name of the Stokvel.
- Signing power will be held by ……. *(number)* persons nominated by the Stokvel.
- All transactions must be signed by at least ……. *(number)* of the nominated persons.

13. Stokvel Closure

- In the event that the Stokvel closes, any extra funds and assets of the Stokvel will be shared amongst members according to each members' contribute on to the Stokvel.
- Liability and debts will also be shared equally in the Stokvel if such debt is made by the Stokvel.

14. Change of Constitution

- The votes of two thirds of all the members of the Stokvel are required to change its constitution.
- Changes in the constitution must be announced 60 days prior to the meeting.

15. Declaration

I, ... hereby accept the constitution of

....(name of Stokvel group)

Signed at ....on this ....day of ....20......

....	....
Signature	Full Name and Surname