

CASE EXAMPLE ONE

WILL RISING COSTS FAIL KIMULI TO DELIVER ITS SOCIAL IMPACT GOALS?

The COVID-19 pandemic has spotlighted economic and social inequalities persisting in our society, hitting the most vulnerable populations the hardest. Several organizations are working towards addressing inequalities in our society. One such organization is Kimuli Fashionability, a social enterprise based in Uganda. Kimuli produces upcycled fashion products and accessories from plastic waste such as used cement bags, milk packets, sugar sacks, rice sacks, and others. One of its major aims is to reduce inequalities by training and employing persons with disabilities (physically impaired and those with hearing impairments).

However, more recently circumstances have started to change, which have not been considered in its 5-year budget prepared in 2019. A major concern is a dramatic increase in direct material costs (i.e., plastic waste purchased) that usually represent 65% of the company's total production costs. Previously, the company could easily source 100% of its plastic waste requirements from local trash-pickers at a very reasonable price. However, since September 2020, waste pickers could supply only 20% of the company's plastic waste requirements. This is mainly due to the recent government ban on throwing plastic waste into streets and cleanup of unregulated dumpsites, which meant less plastic waste for waste-pickers to collect. Also, the general increase in environmental awareness has reduced the consumption of plastic-packaged products. In this situation, to support its production, Kimuli could source the rest 80% of its plastic waste requirements from Plastic Collection – a local company that provides door-to-door plastic waste collection services. However, the cost per ton of plastic waste sourced from Plastic Collection is 75% higher than that of the waste-pickers. Kimuli cannot afford the increasing direct material costs. It is worried whether the rising costs will lead to its failure to accomplish its goal to train and employ disabled people, thus reducing inequalities.

Requirements:

1. Research Kimuli Fashionability and write a brief company background (e.g., its founders, foundation year, foundation story, etc.). Also, briefly discuss how, as a social enterprise, Kimuli's business operations are different from traditional for-profit and not-for-profit organizations. *[Maximum word limit: 1,000]*
2. Critically examine Kimuli's business environment via conducting a PEST analysis (here is a link to examples of PEST analyses: https://pestleanalysis.com/pest-analysis/#PEST_Examples). Clearly articulate the assumptions that underlie your analysis. *[Maximum word limit: 750]*
3. Prepare a report detailing your proposed cost reduction or cost management solutions for Kimuli's survival. Clearly articulate the assumptions that underlie your proposed solutions. Also, demonstrate how your proposed solutions will help Kimuli deliver its social impact goals (i.e., reducing inequalities). *[Maximum word limit: 2,500]*

4. What sorts of advice will you give to Kimuli's management team so that they duly consider future events like rising direct material costs while preparing their budget? Explain your answers. *[Maximum word limit: 750]*

Notes: Kimuli Fashionability is a real-life company. However, information associated with its rising direct material costs is fictitious, which is presented in a thought-provoking way to develop students' critical thinking and problem-solving skills. This case has been prepared by Dr. Syrus Islam from the Accounting for Social Impact Research Group, Auckland University of Technology, New Zealand.

CASE EXAMPLE TWO

ACCOUNTING FOR TRAFFIC

What is accounting's role in decision making? How can accounting be used to address social issues? To whom organisations are accountable? How are these organisations held to account for their social impact? What are the roles of technology in accounting for social impact? All these questions are relevant to the radical changes we are experiencing and have become increasingly important. You are provided with an opportunity to take these questions into action to solve a social problem in our daily life – traffic.

One Auckland street, Onewa Road, will have 68 new traffic cameras installed on 17 sites on a 2.3 km stretch of the road in the suburbs of Birkenhead and Northcote to monitor a controversial transit lane. From May 2021, the new CCTV network will observe a car from the front and the side to monitor for compliance and send any breaches for review. The stretch of road is used by 42,000 vehicles per day as it is a motorway access road.

“Remote monitoring of bus and transit lanes allows Auckland Transport to provide a more consistent way to enforce the rules without the need for our staff to stand at the side of the road for long periods of time, in sometimes adverse weather conditions and at the risk of being abused by upset members of the public,” an Auckland Transport spokesperson said. However, the new technology, being rolled out by Auckland Transport, has been labelled an overkill by the Chair of the Kaipātiki Local Board, John Gillon. He said residents trying to get in or out of their driveways or turn into businesses or schools along the road would be treated unfairly. He supported the move to shift commuters on to public transports, but the road was coming to a “saturation point”. There were a “huge number” of people who would always need to drive their own car down Onewa Rd to travel beyond the city, and they could drop off and pick up children. Gillon said that congestion issues on Onewa Rd would be an ongoing issue, with the population of areas, such as Beach Haven and Birkdale, swelling after changes to Auckland's Unitary Plan. “The situation's only going to get worse,” Gillon said.

Requirements:

1. Critically examine the social issues of traffic. Write a brief background for the potential causes of the traffic and Auckland Transport's motivations for the proposed solution. *[Maximum word limit: 1,000]*
2. Evaluate the roles of accounting and accountability to address the traffic issues for residents using Onewa Road. *[Maximum word limit: 1200]*
3. Propose solutions for Auckland Transport to solve this traffic problem. Clearly articulate potential accounting and accountability implications for your suggestions. Any assumptions that underlie your proposed solutions must be provided. *[Maximum word limit: 1,000]*

4. Propose solutions for the Kaipātiki Local Board to address the identified potential unfair treatment. Clearly articulate the assumptions that underlie your proposed solutions. *[Maximum word limit: 1,000]*
5. Discuss the similarities and differences in the proposed solutions and reconcile the differences so that both Auckland Transport and the Kaipātiki Local Board would agree with you. *[Maximum word limit: 800]*

Note: This case is extracted from news such as New Zealand Herald and RNZ from February to April 2021. The questions are prepared by Dr. Cherrie Yang from the Accounting for Social Impact Research Group, Auckland University of Technology, New Zealand to encourage students to be innovative change-makers in solving real-world social issues.

CASE EXAMPLE THREE

PACIFIC ISLAND CHURCHES AND ACCOUNTING

The news reads, **“Tonga’s church built in hope, faith and pride, collapses in debt”**. The headline captures it all. In most Pacific Island churches, projects are empowered by hope and faith. The traditional role of accounting through budgets, cost analysis, cash flow forecast, while important, are often secondary to faith and hope. Some church projects fail while others succeed.

These churches do not lack accounting expertise, but every so often, when accounting skills are required to inform decision making, faith and hope are prioritized. Consequently, debts mount, the church collapses with severe ramification for church members and their respective families. Even more concerning is that this case is not a one-off. There are several.

<https://www.smh.com.au/national/tongas-church-built-in-hope-faith-and-pride-collapses-in-debt-20120127-1qlmv.html>

Requirements:

Critically comment on the delicate balance between faith, hope and the use of accounting to inform church activities. You are to consider the following (but not limited to them) in your commentary:

1. Critically examine the social issue of faith and church donations.
2. Evaluate the role of accounting in church related activities.
3. How can one deploy accounting in such a manner so as not to become too intrusive into the faith-based donation that is part and parcel of Pacific Islands church giving?

Note: This case was extracted from the Sydney Morning Herald, and Dr Peni Tupou Fukofuka prepared the questions. Dr Fukofuka is a member of the Accounting for Social Impact Research Group, Auckland University of Technology, New Zealand. He is also a member of one of the Tongan churches in Auckland. The case is to encourage students to be innovative change-makers in solving real-world social issues.

CASE EXAMPLE FOUR

THE WHO, WHAT, WHY AND HOW OF SUSTAINABILITY REPORTING

Background: Naga Parbat Apparels Limited (hereafter NPA) specializes in the manufacture of outdoor (hiking, mountaineering, etc.) clothing, footwear and gear. The company's R&D and marketing departments are based in New Zealand. The company manufactures its clothes from a production facility in New Zealand, while the footwear and gear are sourced through contractors in Asia and South America. The market is competitive, and the company must aggressively invest in R&D and marketing to stay competitive. The NPA brand is globally recognized, and products are sold through outlets (based in 57 different countries) and through the company's website.

The Covid-19 pandemic has negatively impacted the company's revenue. Further, the company has received negative media coverage with stakeholder groups (based in Chile, Vietnam and Cambodia) complaining that the NPA consistently fails to understand and address their concerns. The company's risk management systems were criticized when a fire broke out in their production facility. While the fire was contained, had it spread, it would have had a devastating environmental impact, as the facility is located near a national park. During the board meeting, the Chief Executive Officer (CEO) was asked about the company's CSR activities, and what the company was doing to give back to society. The CEO informed the board that NPA regularly engages in CSR activities (undertaken across the globe) and was not sure why the company was receiving complaints from stakeholders. He felt that the media was sensationalizing issues and was not providing coverage over the good work being done by the NPA. When asked about the fire, the CEO replied that his team was not aware that the nearby park was a national park protected by environmental laws.

During the meeting, the Chief Financial Officer (CFO) remarked that the New Zealand Stock Exchange (NZX) now requires listed entities to publish either a sustainability report (following the requirements of the GRI) or an integrated report (using the IIRC Framework). However, she was not sure what a sustainability was, how these reports are prepared and what the benefits of engaging in sustainability reporting are for the company. The CEO commented that perhaps a sustainability report could be used to repair the damage done to the company's reputation as a result of the negative media publicity.

Requirements:

The board has commissioned your services to provide them with a comprehensive report addressing the following queries:

1. What is sustainability reporting and who are the users of sustainability reports? (1,000 words)
2. Why do organizations engage in sustainability reporting and what information do they disclose in their sustainability reports? (1,000 words)
3. How are sustainability reports prepared? (3,000 words)

Guidance: When answering these questions, you should draw on real world examples, keeping in mind the nature of NPA's business, the industry in which it operates in and the challenges it faces. Your answers should be linked/connected, i.e., a clear theme should run through your answers. Finally, in your answers you should critically examine social issues of interest, identify the roles of accounting in understanding the issues and achieving social impact and suggest innovative solutions to address the issues.

Note: *This is a fictitious case prepared by Dr Muhammad Bilal Farooq who is a member of the Accounting for Social Impact Research Group, Auckland University of Technology, New Zealand. The case is expected to encourage accounting students to better understand sustainability reporting and how it impacts reporting organizations and the broader society.*

CASE EXAMPLE FIVE

SUSTAINABLE SMOKE-FREE FUTURE?

More than half a million New Zealanders smoke cigarettes, with high smoking rates among the Maori and Pasifika communities. Cigarette smoking is one of the leading preventable causes of death and illness. Despite the risks involved, many smokers either do not wish to quit this addictive habit or find it very difficult to quit.

In March 2011, the New Zealand government adopted the Smokefree Aotearoa 2025 goal to reduce the burden of death and disease caused by smoking. Smoke-free products, such as e-cigarettes, vapes and other heated tobacco products, that do not produce any smoke (i.e., do not combust) are becoming increasingly popular and are now seen as a good alternative to minimize the harm caused by cigarette smoking. The Smokefree Environments and Regulated Products (Vaping) Amendment Act 2020 came into force on 11 November 2020. The Amendment Act ensures vaping products are available for smokers who want to switch to less harmful alternatives and also ensures these products are not marketed or sold to young people in New Zealand.

Globally, tobacco manufacturers such as Philip Morris International (PMI), have started seeking alternative business models as the smoke-free policies reduce cigarette consumption, and thus are disastrous for their profits. More recently, PMI was accused of targeting low-income earners, Maori and Pasifika at marae and sports clubs to promote their smoke-free products (see <https://www.rnz.co.nz/news/in-depth/394073/big-tobacco-targeting-maori-with-e-cigarettes>).

Requirements:

1. Critically examine social issue(s) that (may) arise due to the increased popularity of e-cigarette use and vaping.
2. Identify and evaluate the role(s) of accounting and/or accountability in addressing the social issue(s) and achieving social impact
3. Suggest solutions on how the social issue(s) can be addressed. Clearly articulate potential accounting and/or accountability implications for your suggestions. Any assumptions that underlie your proposed solutions must be provided.

The information of this case is extracted from various news articles and government website. The questions are prepared by Dr. Sabrina Chong from the Accounting for Social Impact Research Group, Auckland University of Technology, New Zealand to encourage students to be critical and innovative thinkers in evaluating real-world social issues.