

External Examiner's Report Ternopil Academy of National Economy

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1. On May 23-26, 2004 I visited the Ternopil Academy of National Economy (TANE). I have had very informative meetings with the Rector, the President, a Vice-Rector, the Dean of the Ukrainian-Dutch Faculty, several lecturers, and students. This visit occurred shortly after a major expansion of the European Union (EC) on May 1, 2004, when 10 countries - 8 of which located in Central and Eastern Europe - joined the EC. Ukraine will not be invited for negotiations to join the EC, at least not in the foreseeable future. Nonetheless, the EC is determined to further develop relationships with its new neighbors including Ukraine. Thus, more cooperation between Ukraine and the EC can be expected, also in the field of higher education.

This is important to observe, since TANE seems at the crossroad of expanding its relationships with institutions of higher education in the EC or in Asian countries. For Ukraine's future it seems important to put increased effort in developing its relationship with the EC. To a large extent Ukraine and the EC have common interests including stability in the region and trade relations. This is highly significant with a view on opportunities for TANE's graduates. Therefore, TANE may want to consider intensifying the exchange of staff and students with western - and more in particular EC - institutions of higher education an important goal for its strategy in the long run.

2. The bachelor students were required to submit a term paper in the framework of the course in Financial Management. I observed that the students have been provided with guidelines for writing a term paper. This is consistent with one of the recommendations presented in the External Examiners' 2002 report and it stresses TANE's commitment to progress and improvements.

I have read all term papers of the 42 students. Each student had been given the same assignment. As the financial manager of a Ukrainian company they had to suggest a financial strategy for how to deal with a non-payment crisis and a shortage of financial resources. Therefore, they have calculated a number of financial ratios. In addition, they have compared these ratios with those of a foreign company. Though the assignment includes an analysis of the impact of taxation on the financial result, some students fail to include this in their papers. I understood that no lectures have been given on taxation. Therefore, it seems questionable whether students can be required to analyze how taxation affects the company. A golden rule in education is that one can only test students on subjects that have been taught and students are supposed to have studied. Finally, I observed that most of the papers have been written in mediocre or poor English. See Annex 1 for more detailed observations.

In addition, I went through the examinations of two courses:

a. Business Law

I have only seen the final examinations. See Annex 2 for more detailed comments.

b. Basics of Accounting

I have seen two mid-term exams and the final assignment. See Annex 3 for more detailed observations.

I value to repeat what I wrote in my 2003 report. Generally, both teachers and students have done good work. Nonetheless, some further improvements seem possible. I observe a great potential to realize this and I am very confident that the gradual process towards implementing western standards at TANE will continue.

The following points need to be addressed to continue the ongoing process of further improvements:

(a) Most students fail to identify corruption and bribes as impediments to a healthy business climate. Though the examination of Business Law explicitly addresses business ethics it does not address corruption. Generally, the awareness of this major problem seems limited among students and staff.

(b) The substance of the papers can be further improved. For example, the choice of companies to be compared can be more sensible. It does not make much sense to compare small firms with big companies and students can be more accurate in presenting numbers. The format of the term papers can also be further improved. Tables should have headings and the language often needs to be improved.

(c) Plagiarism remains a problem and the Internet remains tempting.

(d) The quality of the questions in the examinations can be improved.

(e) The level of some of the staff members needs to be improved, while human resource management is needed.

(f) Administrative matters can be improved. This is possible in the domain of personnel management as well as in the domain of student affairs.

5. On the basis of my discussions with the staff I am convinced that TANE is able and willing to work on addressing the problems observed above. My reading of the papers and my discussions with staff and students give rise to the following concrete recommendations that may assist TANE in its ongoing efforts to improve its educational level.

(a) I value the written guidelines that are available for students writing a term paper. However,

students do not always follow the guidelines, while the supervisor tends to neglect this. I observed that written evaluations were lacking.

Recommendation 1:

Instruct supervisors to pay attention to the guidelines both in their guidance of the students and in their evaluation of the papers.

(b) The quality of the term papers varies widely. This pertains both to the substance and the format. In addition, the grading by supervisors can be improved.

Recommendation 2:

Encourage supervisors to provide students with feedback so as to enable students to learn from their efforts to write term papers and to improve their papers before they are graded.

(c) It should be made clear to students that plagiarism is wrong for two reasons. First, it is wrong from the ethical point of view. Second, it is wrong from a practical point of view, since students do not learn anything by simply copying a text. I do not know whether students are required to sign a plagiarism form.

Recommendation 3:

Require students to sign a form in which they declare that their paper is their own work. See the form in the Annex of my 2003 report.

(d) The English of most of the students needs to be improved. In addition, the English of supervisors needs to be improved.

Recommendation 4:

Improving language skills could be made part of the English curriculum. TANE may consider requiring students to improve the language of their papers under the guidance of an English teacher and to resubmit the revised papers. However, the language used should not affect the evaluation or grading of a paper's substance.

(e) The quality of the examinations can be further improved.

Recommendation 5:

a. Encourage teachers to check each other's draft examination questions. Experience shows that teachers tend to have a blind spot for mistakes or shortcomings in their own examinations.

b. Examinations should not test students on subjects that have not been taught.

c. The number of points that can be earned per question should be specified (as was done in the examinations Basics of Accounting).

- d. Consider the possibility to require students in their last year to write a more comprehensive paper in which they combine knowledge and insights derived from different courses.
 - e. Consider the possibility to increase the number of multiple-choice questions permitting a statistical analysis of the validity of both the examination as whole and individual questions.
 - f. Organize a course "Drafting examinations" for teachers.
- (f) Human resource management is necessary for an organization to function properly. Evaluations of personnel are a regular component of personnel management. Crucial is that the evaluations of staff are carried out transparently and by using the same method for all categories of personnel. Note that evaluations of staff are a form of two-way traffic. It is not only the department head who evaluates a staff member, but also the staff member who evaluates the working conditions. For example, it gives a staff member the chance to signal the lack of certain materials, or the occurrence of certain conditions affecting the quality of their work, or the need to take courses, etc. The evaluation should be considered a staff member's right.

Recommendation 6:

- a. Department heads evaluate their staff members on an annual basis, while they report to the dean.
- b. Design a standardized form for this purpose so as to ensure that all staff members will be evaluated in similar ways and by using the same method.
- c. A personnel officer assists department heads in making and administering these evaluations.

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ANNEX 1 Observations regarding the term paper in Financial Management

1. The approach of the same assignment for all students has pros and cons. An advantage is that students' performances can easily be compared and that plagiarism from literature is discouraged. On the other hand it encourages students to copy text from the web sites of the companies they compare.
2. A disadvantage of the assignment given to the students is that it encourages a mechanical approach. Most students confined themselves to calculating the financial ratios and presenting some very general recommendations. Notably, this is no criticism of the approach the professor of the course in Financial Management has chosen. It goes without saying that students should be tested on their ability to compute financial ratios. However, I recommend to do so without requiring students to analyze the effect of tax systems on the firm's financial position. The reason is that - as I have understood - taxation has not been taught, hi addition, I recommend to require students to write a more comprehensive paper in which they combine knowledge and insights derived from different courses. This could also give them more freedom in choosing their subject. It seems recommendable to schedule this paper in the last year and to leave it to the students when they will effectively work on the paper. However, a clear deadline should be set.
3. The papers calculate the financial ratios of two companies in two years and compare them. None of the students explains the choice of these firms. Small or medium-sized firms employing a few hundreds of workers (for example Aerosvit) are compared with a big enterprise employing tens of thousands of workers (for example British Airways). Sometimes the comparison involves a local subsidiary of a big enterprise working worldwide (for example, the French subsidiary of Heineken). A rationale for this kind of comparisons is typically lacking. One paper compares a Danish company (turnover 790 million - in unspecified currency, but presumably US\$ - and 313 employees) with a Ukrainian firm (turnover 59 million - also in unspecified currency - and 526 employees). The paper states that the Danish company "has a better ability to get bigger profit because of the lower taxes", but it fails to point to the productivity per worker. This is an obvious example of the drawbacks of a narrow view resulting from a mechanical approach, i.e., only using financial ratios while neglecting the firm's economic and political environment. The latter is clearly illustrated in another paper comparing a Ukrainian company with the Russian oil giant Yukos. Given Yukos' political environment this comparison is rather meaningless. (Yukos's former CEO Mikhail Khodorkovsky was arrested in October 2003 on charges of fraud and tax evasion, while the owners of the holding company Menatep controlling Yukos have offered their share in Yukos - an estimated 44% - to the Russian government in exchange for Khodorkovsky's release.)
4. I observed one case of plagiarism from literature in a paper comparing Nemiroff and the

Canadian firm Crown Royal. This paper (by Liliya Matiyiv) also presents data that cannot be correct. For example, Nemiroff's gross profit would amount to nearly \$38 billion in 2002 (whereas Ukraine's total GDP amounted to \$41.4 in 2002!). Amazingly, another paper – by Vlad Lugovskoy - also compares Nemiroff, though with the British firm GBL International Ltd. This paper contains very different data for Nemiroff, such as a (more plausible) gross profit of \$26.6 million in 2002.

Other observations are:

- a. Conclusions in the papers indicate that in one year a company did better than in the other year and that one company did better than the other, while increases and decreases were sometimes confused.
- b. Numbers are sometimes a factor 1,000 wrong (billions rather than millions).
- c. Recommendations made in the papers are very general, for examples "reduce the operating costs" or "increase the turnover". No attempt is made to suggest how this kind of recommendations could be put into practice. The assignment did not require students to do so. This makes sense, since the papers were written in the framework of the course Financial Management. However, see my recommendation under point 2 above regarding a more comprehensive paper.

ANNEX 2. Observations regarding the examination Business Law Final

1. Students received 8 questions. Question 1 was required. In addition, they had to answer any 4 from questions 2-7. Moreover, question 8 was optional. By answering this question the students could earn 20 extra credit points. The first question not only required students to deal with the legal aspects, but also with the ethical dimension.
2. The questions 1-7 seem attractively formulated to students because they are related to situations that could have been real.
3. Question 8 requires students to speculate about the development of business law, business ethics and the economy in Ukraine over the next 8 years as well as the second 8-years period. Although it encourages students to think about the future and about the role of their own generation it is difficult to understand how the answers to this question can help the professor to evaluate the students' knowledge.
4. The grading seems a black box. The exams only show a total of points earned, not a breakdown per question.
5. Amazingly, I observed that one of the students (Irina Sdson) had sent her answers by email. In addition, I observed typed answers (by Roman Zvorich). This suggests that students were allowed to take the questions home and to submit their answers later. This would imply that it is unknown whether the answers are the student's own work and whether they have consulted literature and/or other people. However, my observations may pertain to exceptions made because of special circumstances of the individual students.

ANNEX 3. Observations regarding the examination Basics of Accounting

1. First mid-term exam

Students had to answer 5 true/false and 5 multiple-choice questions (3 points each). In addition, they had to answer an open question. The exam did not specify how many points students would earn by answering the open question correctly.

2. Second mid-term exam

Students had to answer 5 true/false questions (5 points each) and 2 multiple-choice questions (6 points each).

3. Final assignment

Data were given for inventory, sales and purchases for a certain period. Students had to calculate the value of the ending inventories on different bases (FIFO and LIFO) and they had to determine the cost of the goods sold. The combination of questions seems very good. However, the questions are not comprehensive and their coverage is limited. Moreover, the number of multiple-choice questions is low and does not permit a statistical analysis of the validity of both the test as a whole and the individual questions.