



ATD
Accounting Technicians Diploma
Examination Syllabus

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1.0 **BACKGROUND INFORMATION ABOUT kasneb**

1.1 **Historical Background of kasneb**

The history of kasneb dates back to 1964, immediately after Kenya attained independence. At that time, the Government identified a number of policy objectives, which took cognisance of the fact that:

- 1.1.1 In order for a country to develop, it was necessary to create a pool of trained personnel in the various fields of national economy;
- 1.1.2 The right direction had been taken in other fields such as medicine, agriculture, law and engineering and it was also a natural corollary that professions of accounting, finance, administration and management should follow suit;
- 1.1.3 Although the people of Kenya had benefited greatly from training in foreign countries, it was obvious that other countries could not afford to place unlimited facilities for training of foreign personnel, nor could Kenya rely entirely on other countries for the training of her personnel.

1.2 **Legal Foundation and Status of kasneb**

kasneb was established as a state corporation under the National Treasury by the Government of Kenya on 24 July 1969. The establishment and operations of kasneb are governed by the following main Acts:

- (a) The Accountants Act, No. 15 of 2008 (which repealed the Accountants Act, Cap 531 of 1977).
- (b) The Certified Public Secretaries of Kenya Act, Cap 534 of 1988.
- (c) The Investment and Financial Analysts Act, No. 13 of 2015.

1.3 **Partner Institutions**

1.3.1 **Institute of Certified Public Accountants of Kenya (ICPAK)**

ICPAK is established under Section 3 of the Accountants Act, 2008. One of the functions of ICPAK is to advise kasneb on matters relating to examination standards and policies. The Act also makes provisions for the establishment of a Registration and Quality Assurance Committee (Registration Committee) under Section 13. One of the functions of the Registration Committee is to register eligible persons as Certified Public Accountants.

1.3.2 **Institute of Certified Secretaries (ICS)**

ICS is established under Section 3 of the Certified Public Secretaries of Kenya Act (Cap. 534) of the Laws of Kenya. One of the functions of ICS is to advise kasneb on matters relating to examination standards and policies.

1.3.3 Registration of Certified Public Secretaries Board (RCPSB)

RCPSB is established under Section 11 of the Certified Public Secretaries of Kenya Act (Cap. 534) of the Laws of Kenya. One of the functions of RCPSB is to register eligible persons as Certified Secretaries.

1.3.4 Institute of Certified Investment and Financial Analysts (ICIFA)

ICIFA is registered under the Investment and Financial Analysts Act, No. 13 of 2015 of the Laws of Kenya. One of the functions of ICIFA is to advise kasneb on matters relating to examination standards and policies. The Act also makes provisions for the establishment of a Registration Committee under Section 13. One of the functions of the Registration Committee is to register eligible persons as Certified Investment and Financial Analysts.

1.3.5 Institute of Credit Management Kenya [ICM (K)]

ICM (K) is registered under the Societies Act, (Cap.108) of the Laws of Kenya.

1.4 Functions of kasneb

Section 17(1) of the Accountants Act, 2008 of the Laws of Kenya defines the functions of kasneb. These functions are:

- (a) To prepare syllabuses for professional, diploma and certificate examinations in accountancy, company secretarial practice and related disciplines;
- (b) To make rules with respect to such examinations;
- (c) To arrange and conduct examinations and issue certificates to candidates who have satisfied examination requirements;
- (d) To promote recognition of its examinations in foreign countries;
- (e) To investigate and determine cases involving indiscipline by students registered with the Examinations Board;
- (f) To promote and carry out research relating to its examinations;
- (g) To promote the publication of books and other materials relevant to its examinations;
- (h) To liaise with the Ministry of Education, Science and Technology in accreditation of institutions offering training in subjects examinable by the Examinations Board, and
- (i) To do anything incidental or conducive to the performance of any of the preceding functions.

2.0 EXAMINATIONS OF kasneb

kasneb offers the following examinations:

- 2.0.1 **Certificate in Accounting and Management Skills (CAMS) Examination;** for persons who wish to qualify and work as entry level accounting and management personnel in small and medium enterprises, non-governmental organisations (NGOs), public sector entities and related areas.

- 2.0.2 **Accounting Technicians Diploma (ATD) Examination;** for persons who wish to qualify and work as middle level accountants providing technical support to professional accountants, auditors, tax practitioners and related areas.
- 2.0.3 **Diploma in Information Communication Technology (DICT) Examination;** for persons who wish to qualify and work as technical support personnel in computer applications, systems development, programming, networking and other ICT related areas.
- 2.0.4 **Diploma in Credit Management (DCM) Examination;** for persons who wish to qualify and work as middle level credit managers, credit assessors and other related areas in both formal and informal sectors.
- 2.0.5 **Certified Public Accountants (CPA) Examination;** for persons who wish to qualify and work or practice as professional accountants, auditors, finance managers, tax managers and consultants in related areas in both public and private sectors.
- 2.0.6 **Certified Secretaries (CS) Examination;** for persons who wish to qualify and work or practice as corporate secretaries, policy formulators and consultants in governance, compliance, administration at county and national levels, business management and related areas in both public and private sectors.
- 2.0.7 **Certified Information Communication Technologists (CICT) Examination;** for persons who wish to qualify and work or practice as information and communication technology (ICT) professionals in various areas including systems development, programming, database management, network administration, mobile applications and software engineering.
- 2.0.8 **Certified Investment and Financial Analysts (CIFA) Examination;** for persons who wish to qualify and work or practice as investment, securities and financial analysts, portfolio managers, investment bankers, fund managers, consultants on national and global financial markets and related areas.
- 2.0.9 **Certified Credit Professionals (CCP) Examination;** for persons who wish to qualify and work or practice in various fields of credit management including credit analysis, debt management and recovery, corporate lending and related areas in both formal and informal sectors.
- 2.0.10 **Examination for holders of foreign accountancy qualifications (FAQs)**
In consultation with the Council of ICPAK under Section 26 Sub-Sections (2) and (3) of the Accountants Act, 2008, kasneb examines holders of foreign accountancy qualifications who have applied for registration as Certified Public Accountants (CPAs) of Kenya and they are required to demonstrate their knowledge of local law and practice.
- 2.0.11 **Examination for holders of foreign secretaries qualifications (FSQs)**
In consultation with the Council of ICS under Section 20 Sub-Sections (2) and (3) of the Certified Public Secretaries of Kenya Act, Cap 534, kasneb examines holders of foreign secretaries qualifications who have applied for registration as Certified Secretaries (CSs) of Kenya and they are required to demonstrate their knowledge of local law and practice.
- 2.0.12 **Examination for holders of foreign investment and financial analysts qualifications (FIFAQs)**
In consultation with the Council of ICIFA under Section 16 Sub-Sections (2) and (3) of the Investment and Financial Analysts Act, No. 13 of 2015, kasneb examines holders of foreign qualifications who have applied for registration as Certified Investment and Financial Analysts (CIFA) and they are required to demonstrate their knowledge of local law and practice.

2.1 Aims and Objectives of the Examinations of kasneb

The aims and objectives of the examinations of kasneb are to produce:

- (a) Qualified accountants, auditors and tax practitioners with competency to present, analyse and interpret financial information for both public and private sector entities in oral and written forms.
- (b) Qualified corporate secretaries capable of advising on matters relating to corporate secretarial practice, governance, ethics, compliance and administration including at national and county levels.
- (c) Information communication technology professionals who are capable of designing, developing, implementing, maintaining and safeguarding modern information systems.
- (d) Competent professionals with the ability to analyse and advise on matters relating to investments, securities and other areas of finance.
- (e) Competent professionals who are able to make sound decisions in credit management in both formal and informal sectors.
- (f) Qualified managers with the ability to make sound managerial decisions.
- (g) Professionals who uphold high ethical standards and professional values in the discharge of their duties.
- (h) Professionals who are creative, innovative and able to communicate effectively and to adapt to the dynamic environment **both in the public and private sectors.**

2.2 The Accounting Technicians Diploma (ATD) Examination

The ATD Examination is held twice yearly in May/June and November/December. The examination is divided into three levels, with each level comprising four papers. A candidate is required to pass a lower level before progressing to the higher level.

The examination is rigorous and standards are high and therefore a candidate is advised to devote approximately the equivalent of six months of full time study for each level of the examination. Ideally, a student should be able to complete the ATD examination in a period not exceeding one and a half years.

Students taking the ATD examination are advised to look for ways and means of acquiring practical experience so that they can match progress in examination with competence in performance of duties in the work environment.

2.2.1 Aim of ATD Examination

The aim of ATD examination is to equip the candidate with the competencies required to undertake middle level responsibilities in the areas of accounting, auditing, taxation and other related areas and enable the candidate to progress to the professional accountancy level.

2.2.2 Aims of ATD Level I Examination

To equip the candidate with knowledge and skills to, among other responsibilities:

- (a) Prepare basic financial statements.
- (b) Use various computer application packages.
- (c) Provide a basis for further progression to ATD Level II.

2.2.3 Aims of ATD Level II Examination

To equip the candidate with knowledge and skills to, among other responsibilities:

- (a) Analyse financial statements by use of ratios and statements of cash flow.
- (b) Apply mathematical approach to solve business problems.
- (c) Provide a basis for further progression to ATD Level III.

2.2.4 Aims of ATD Level III Examination

To equip the candidate with knowledge and skills to, among other responsibilities:

- (a) Apply the principles of public finance and taxation in practice.
- (b) Obtain audit evidence and comply with the regulatory framework during audits.
- (c) Provide a basis for entry into the professional examinations.

3.0 EXAMINATION RULES AND REGULATIONS

3.1 Registration Requirements

A person seeking to be registered as a student for the ATD examination must show evidence of being a holder of one of the following qualifications:

- 3.1.1 Kenya Certificate of Secondary Education (KCSE) examination with an aggregate average of at least grade C minus (C-).
- 3.1.2 A kasneb technician certificate, CAMS or diploma certificate.
- 3.1.3 Such other certificates or diplomas as may be approved by kasneb.

Persons intending to take the November/December examinations must register as students not later than 15 September while those intending to take the May/June examinations must register as students not later than 15 March.

kasneb reserves the right to refuse to register any applicant who in its opinion is not fit and proper to be registered as a student. Similarly, kasneb reserves the right to cancel the registration of any student who in its opinion is not fit and proper to be a student of kasneb.

3.2 Exemptions

Holders of CAMS will be exempted in ATD Level I. In addition, graduates of the other diploma qualifications of kasneb wishing to pursue ATD will be exempted in the common papers as applicable.

3.3 Retention of Credits

There are three levels in the ATD Examination. Each level has four papers. Papers taken and passed in a level shall be retained as credits for the candidate provided that the candidate fulfils the requirements set out below:

3.3.1 The candidate must enter and attempt all the papers in a level unless the candidate is exempted from some papers in the level or has earned credits in previous attempts.

3.3.2 A candidate who is awarded one or more credits in a level must enter and pass the failed paper(s) in the level within two and a half (2¹/₂) years or five (5) consecutive sittings failure to which the candidate will be required to resit all the papers in the level.

3.4 **Progression Rule**

A candidate must attempt and pass the ATD Level I examination before proceeding to the ATD Level II examination. Similarly, a candidate must attempt and pass the ATD Level II examination before proceeding to the ATD Level III examination.

3.5 **Duration of Registration as a Student of kasneb**

3.5.1 A registered student of the ATD Examination will be required to complete the examination within a maximum period of six years provided that the candidate shall complete:

3.5.1.1 The ATD Level I examination by the end of the second year since registration.

3.5.1.2 The ATD Level II examination by the end of the fourth year since registration.

3.5.1.3 The ATD Level III examination by the end of the sixth year since registration.

3.5.2 kasneb reserves the right to cancel the registration of a student who fails to complete the ATD Examination within the stipulated time. A student whose registration is cancelled under the rules in this paragraph may not be eligible for re-registration.

However, kasneb reserves the right to vary or amend the regulations.

3.6. **Registration Renewal**

3.6.1 A registered student must renew the studentship registration annually on the first day of July provided that newly registered students will be required to renew their registration on the first day of July following the examination sitting to which they are first eligible to enter.

3.6.2 A student who without good cause fails to renew the registration within three months of the renewal date will be deemed to have allowed the registration to lapse and may thus forfeit the right to write the examination until the renewal position is regularised. The registration number of a student who fails to renew the registration for three consecutive years will be deactivated, that is, removed from the register of students and will thus not be able to book for examinations until the registration number is reactivated.

3.6.3 A student whose registration number is deactivated for failure to renew the registration may apply for reactivation provided that if the application is accepted, the student shall:

(a) Pay the registration reactivation fee.

(b) Pay three years of registration renewal fees.

3.7. Examination Entries

Examination entries, which must be on the prescribed forms, are accepted from registered students only. The closing date for the receipt of entries for the November/December examinations is 15 September and for the May/June examinations, the 15 March.

3.8 Rules Governing the Conduct of Students in the Examination Room

3.8.1 Candidates should present themselves for the examination at least **30 minutes** before the scheduled time for the commencement of the examination they are taking.

3.8.2 A candidate who arrives half an hour or later after the commencement of the examination will not be allowed to take the examination nor will a candidate be permitted to leave the examination room until after the end of the first half hour since the commencement of the examination.

3.8.3 Each candidate is assigned a registration number upon registration as a student of kasneb. The candidate must sit at the place indicated by that number in the examination room. The registration number must be entered in the space provided at the top right hand corner of each answer sheet.

3.8.4 The name of the candidate **must not** appear anywhere on the answer sheet.

3.8.5 Each answer sheet has a serial number indicated on the top, left hand side of the answer sheet. Each candidate must indicate the serial number of the answer sheet(s) used for each examination paper in the signature register.

3.8.6 Examination stationery will be provided in the examination room, but candidates must bring their own blue or black ink pens, pencils, and rulers.

3.8.7 **Mobile phones are strictly not allowed in the examinations room.**

3.8.8 No stationery whatsoever may be removed from the examination room.

3.8.9 Candidates **must not** carry the examination question papers from the examination room.

3.8.10 Candidates are allowed to use calculators provided that such calculators are noiseless, cordless and non-programmable.

3.8.11 Candidates will be required to positively identify themselves to the chief invigilator by producing their student identification cards and the national identity cards. Non-Kenyan candidates will be required to produce other relevant identification documents such as passports.

3.8.12 Strict **silence** must be observed during the entire duration of the examination.

3.8.13 Candidates **must not** possess any notes, printed paper or books in the examination room, but must leave any such material with the chief invigilator. Candidates using clipboards must ensure that such clipboards have no writing on them whatsoever.

3.8.14 Smoking is **not** allowed in the examination room.

- 3.8.15 Candidates **must not** collude in the examination room by exchanging notes or keeping the answer booklet in such a way that another candidate can read or copy from the booklet.
- 3.8.16 Impersonation in the examination room is not only a serious offence but also a criminal offence.
- 3.8.17 During the course of the examination, no candidate may leave the examination room without permission from the chief invigilator. Any candidate who does so will not be allowed to return to the examination room.
- 3.8.18 Candidates who finish the paper before the chief invigilator announces the end of the examination and wish to leave the examination room while the examination is in progress must inform the invigilator and hand in their scripts to the invigilator before leaving the examination room. However, no candidate will be allowed to leave the examination room during the last fifteen (15) minutes of the examination.
- 3.8.19 Candidates **must not** leave the examination room with any answer booklet or answer sheets.
- 3.8.20 Candidates **must not** leave the examination room before their answer booklets are collected by the invigilators.
- 3.8.21 Candidates **must not** write notes on the examination timetable (Authority to sit the Examination).
- 3.8.22 Candidates with confirmed disabilities may apply to kasneb to be allowed extra time during examinations. Such application should be made at least two months prior to the examination.
- 3.8.23 Candidates must produce the timetables (Authority to sit the Examination) in order to be allowed to take the examination. Candidates may download their timetables (Authority to sit the Examination) from the kasneb website. The downloaded timetables may be used as authority to sit the examination.

3.9 **Action for Breach of Examination Rules and Regulations**

- 3.9.1 kasneb is mandated by the Accountants Act, No.15 of 2008 under Section 17 (1)(e) to investigate and determine cases involving indiscipline by students registered with kasneb. Section 42 of the Act further defines examination offences that are punishable under the law and the applicable penalties.
- 3.9.2 Disciplinary action will be taken against candidates who breach the examination rules and regulations of kasneb. A breach of the examination rules and regulations of kasneb shall include but is not limited to the following:
- (a) Deficiency in identification.
 - (b) Impersonation.
 - (c) Collusion.
 - (d) Possession of a mobile phone in the examinations room.
 - (e) Possession of notes in the examination room.
 - (f) Taking away answer booklets.
 - (g) Writing of names on the scripts.
 - (h) Possession of mobile phones in the examination room.
 - (i) Carrying the examination question papers from the examination room.

- 3.9.3 The action for breach of the examination rules and regulations of kasneb shall include but not limited to the following:
- (a) De-registration as a student of kasneb.
 - (b) Cancellation of registration number.
 - (c) Nullification of candidate's results.
 - (d) Prohibition from taking examinations of kasneb.
 - (e) Written reprimand and warning.
- 3.9.4 Certain breaches of the rules and regulations amount to breaches of the law. In such cases, candidates will be handed over to the police for investigations and appropriate legal action.

Section 42 of the Accountants Act, 2008 provides that a person who:

- (a) gains access to examinations materials and knowingly reveals the contents, whether orally, in writing or through any other form, to an unauthorised party, whether a candidate or not;
- (b) wilfully and maliciously damages examinations materials;
- (c) while not registered to take a particular examination, with intent to impersonate, presents or attempts to present himself to take the part of an enrolled candidate;
- (d) presents a forged certificate to a prospective employer or to an institution of learning with intent to gain employment or admission; or
- (e) introduces unauthorised materials into the examinations room, whether in writing or in any other form, whether a candidate or not, commits an offence and is liable on conviction to imprisonment for a term not exceeding three years, or to a fine not exceeding one hundred thousand shillings, or to both.

4.0 **SUMMARY OF THE ACCOUNTING TECHNICIANS DIPLOMA (ATD) EXAMINATION SYLLABUS**

LEVEL I

Paper No. 1	Introduction to Financial Accounting
Paper No. 2	Principles of Business Law
Paper No. 3	Entrepreneurship and Communication
Paper No. 4	Information Communication Technology

LEVEL II

Paper No. 5	Financial Accounting
Paper No. 6	Principles of Management
Paper No. 7	Business Mathematics and Statistics
Paper No. 8	Fundamentals of Finance

LEVEL III

Paper No. 9	Principles of Economics
Paper No. 10	Fundamentals of Management Accounting
Paper No. 11	Principles of Public Finance and Taxation
Paper No. 12	Auditing

LEVEL I

PAPER NO.1: INTRODUCTION TO FINANCIAL ACCOUNTING

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to account for various basic financial transactions and prepare financial statements.

1.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply accounting concepts in preparation of financial statements
- Apply the double entry aspects of accounting
- Account for assets and liabilities
- Prepare financial statements of a sole trader, partnership and company.

CONTENT

1.1 Introduction to accounting

- Nature and purpose of accounting
- Objectives of accounting
- Users of accounting information and their information needs
- Qualities of useful accounting information
- Accounting concepts/principles
- Accounting standards and their importance
- The accounting equation

1.2 Double entry bookkeeping and books of original entry including manual and computerised systems

- Source documents
- Books of original entry
- The double entry system and the ledger
- The trial balance and basic financial statements
- Computerised accounting systems - Role of computers, application and accounting softwares in the accounting process, benefits and challenges of operating computerised accounting systems

1.3 Accounting for assets and liabilities

- Accrued expenses and prepaid expenses
- Accounting for revenue including accrued income and prepaid income
- Accounting for account receivables, bad debts and allowance for doubtful debts
- Property plant and equipment including capital revenue and expenditure, depreciation, acquisition and disposal
- Inventory – recognition, measurement and valuation using specific cost method (FIFO and weighted average cost only)
- Accounting for cash and cash equivalents, bank reconciliation
- Accounting for accounts payable including control account

1.4 Correction of accounting errors and the suspense account

1.5 **Financial statements of a sole trader**

- Income statement
- Statement of financial position

1.6 **Partnership accounts**

- Contents of a partnership agreement
- Distinction between current and capital accounts
- Appropriation statement and partners current and capital accounts
- Statement of financial position and income statement (excluding changes in partnerships)

1.7 **Company accounts**

- Types of share capital – ordinary shares and preference shares
- Types of reserves – share premium, revaluation reserve, general reserves and retained profits
- Issue of shares (exclude issue by installment and forfeiture)
- Rights issues and bonus
- Income tax -Accounting treatment and presentation (exclude computation)
- Income statement
- Statement of financial position

1.8 **Emerging issues and trends**

PAPER NO. 2 PRINCIPLES OF BUSINESS LAW

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply the principles of legal system and commercial law in various business environments.

2.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate knowledge of essential elements of the legal system
- Demonstrate knowledge of legal personality
- Apply law of contract and tort in various scenarios
- Apply general principles of commercial law in business.

CONTENT

2.1 Elements of the legal system

2.1.1 Nature, purpose and classification of law

- Meaning of law
- Nature of law
- Purpose of law
- Classification of law
- Law and morality

2.1.2 Sources of law

- The Constitution
- Legislation
- Substance of common law and doctrine of equity
- African customary law
- Islamic law
- Judicial precedent
- General rules of international law and ratified treaties

2.1.3 Administrative law

- Meaning of administrative law
- Functions of administrative laws
- Doctrine of separation of powers
- Principles of natural justice
- Judicial control of the Executive

2.1.4 The court system

- Establishment ,structure, composition and jurisdiction of courts
- Supreme Court
- Court of Appeal
- High Court
- Employment and Labour Relations Court
- Magistrates Court
- Court Martial
- Kadhi's Court

2.1.5 **Alternative dispute resolutions**

- Nature of alternative dispute
- General principles of ADR
- Mediation
- Negotiation
- Conciliation

2.2 **Law of persons**

- Natural persons
- Nationality, citizenship and domicile
- Artificial person
- Unincorporated associations
- Incorporated associations
- Co-operative societies

2.3 **Law of tort**

- Nature of tort
- General defences of tort
- Negligence
- Vicarious liability
- Strict Liability
- Defamation
- Limitation of actions

2.4 **Law of contract**

- Definition of contract
- Classification of contracts
- Essentials of a valid contract
- Terms of a contract
- Vitiating factors
- Illegal contracts
- Discharge of contract
- Remedies for breach of a contract
- Limitation of actions

2.5 **Sale of goods**

- Nature of the contract
- Formalities of the contract
- Terms of the contract
- Implied terms by statute
- Rights and duties of the parties
- Auction sales
- International contracts of sale: FAS, FOB, CIF, FCA, CPT, CIP, DAT, DAP, DDP, CFR, DAF, DDU, Ex-works and Ex-ship

2.6 **Hire purchase contracts**

- Nature of the hire purchase contract
- Difference between hire purchase and conditional sale/credit sale
- Formalities of the hire purchase contract
- Implied Terms of the hire purchase contract
- Rights and duties of the parties
- Termination and completion of the hire purchase contract

2.7 **Agency**

- Meaning and nature of the agency contract
- Types of agents
- Creation of agency
- Authority of an agent
- Rights and duties of the parties
- Termination of agency

2.8 **Partnership**

- Nature of partnership
- Types of partnerships
- Rights, duties and liabilities of existing, incoming and minor partners
- Management of partnerships
- Dissolution of a partnership and its consequences

2.9 **Indemnity and Guarantees**

- Nature of the contracts
- Rights and duties of the parties
- Termination of the contract
- Remedies for breach of contract

2.10 **Insurance**

- Nature of the contract
- Formalities of the contract
- Principles of insurance
- Types of insurance
- Termination of the contract

2.11 **Negotiable instruments**

- Nature and characteristics
- Negotiability of the instrument
- Types: cheques, promissory notes, bills of exchange
- Obligations of the parties

2.12 **The law of property**

- Definition of property
- Classification of property (real and personal, movable and immovable, tangible and intangible)
- Property in land: private, public and community land
- Interests in land: estates, servitudes and encumbrances
- Intellectual property: plant breeder's patents, trademarks, copyrights and industrial designs

2.13 **Emerging issues and trends**

PAPER NO.3 ENTREPRENEURSHIP AND COMMUNICATION

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply entrepreneurship knowledge in business and other environments.

3.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Identify viable business opportunities
- Prepare a business plan
- Demonstrate entrepreneurial orientation skills
- Communicate effectively in a business environment
- Apply entrepreneurship knowledge in response to emerging business trends.

CONTENT

3.1 Introduction

- Definition of entrepreneurship, entrepreneurs and sustainable entrepreneurship
- Historical development of entrepreneurship
- Characteristics of entrepreneurs
- Importance of entrepreneurship
- Challenges of entrepreneurship
- Entrepreneur's contribution to development

3.2 Developing individual innovation

- Role of creativity
- The creative process
- Areas in which people are creative
- Approaches to creative problem solving
- The innovation process
- Types of innovation
- Sources of innovation
- Principles of innovation

3.3 Assessing entrepreneurial opportunities

- Problems encountered in selecting new ventures
- Factors considered in setting up a new venture
- Factors that determine success of a new venture
- Reasons why new ventures fail
- Importance of business incubators

3.4 Entrepreneurs and market research

- Assessing the feasibility of business ideas
- Business plan overview - format
- Research purpose and objectives for entrepreneurs
- Secondary and primary sources of data
- Marketing plan
- Marketing research
- Sales research
- Pricing strategies

3.5 **Creating a new venture**

- Forms of business ownership
- Buying an existing business
- Franchising
- Sources of finance for a new venture
- The venture capital market

3.6 **Entrepreneurial growth and technology**

- Life-cycle of an enterprise
- The success and failure factors at every stage of growth
- Decision making and growth
- Business networking
- Use of internet and E-commerce
- Electronic and mobile money transfers

3.7 **Business communication basics**

- Meaning of communication
- Benefits of effective communication
- Internal and external communication
- Choosing the channel of communication
- Stages in the communication cycle
- Barriers to effective communication
- Steps to effective communication

3.8 **Written communication**

- Rules of effective writing
- Writing business letters
- Application letters
- Memorandum
- Reports
- Electronic mail

3.9 **Oral and visual presentation**

- Meaning of a presentation
- Knowing the audience
- Location and size of audience
- Designing the presentation
- Use of visual aids
- Methods of presentation

3.10 **Meetings**

- Types of meetings
- Attending meetings
- Notice and Agenda
- Role of the chairperson
- Role of the secretary
- Role of participants
- Conduct of meetings
- Minutes of meetings

3.11 Ethics and integrity in business communication

- Concept of ethics and integrity
- Significance of ethical communication
- Factors influencing ethical communication
- Ethical dilemmas in communication
- Guidelines to handle communication ethics dilemmas
- Business ethics in communication

3.12 Emerging issues and trends

PAPER NO. 4 INFORMATION COMMUNICATION TECHNOLOGY

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply fundamental information communication technology (ICT) skills in business.

4.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate knowledge of computer systems
- Select appropriate computer hardware and software
- Use various computer application packages
- Select various types of information systems
- Use computer networks and the Internet.

CONTENT

4.1 Introduction to ICT

- ICT overview
- Types of ICTs
- Information centres
- Uses of ICT in business
- Impact of ICT in society

4.2 Computer systems

- Overview of a computer system
- Evolution of computers
- Elements of a computer system

4.3 Computer hardware

- Overview
- Input devices
- Main memory
- Processing devices
- Output devices
- Storage devices
- Communication devices
- Factors that determine the processing power of a computer
- Selection and acquisition of computer hardware

4.4 Computer software

- Overview of computer software
- System software
- Utility software
- Application software
- Proprietary versus open source software
- Computer programming languages
- Selection and acquisition of computer software

- 4.5 **Introduction to operating systems**
 - Overview of an operating system
 - Functions of an operating system
 - Types of operating systems
 - Computer booting
 - Selection and acquisition of operating systems

- 4.6 **Computer files**
 - Elements of a computer file
 - Types of computer files
 - Basic file design and storage
 - File organisation
 - File access methods
 - File security

- 4.7 **Overview of application packages**
 - Word processing
 - Features of a word processor
 - Formatting and editing text
 - Creating and formatting tables
 - Spreadsheets
 - Features of a spreadsheet program
 - Formatting and editing spreadsheet
 - Formulas and functions
 - Charts and graphs
 - Presentation software
 - Features of a presentation program
 - Typing and formatting text in slide
 - Slide show
 - Computerised accounting software
 - Features of accounting software
 - Capturing data

- 4.8 **Overview of information systems**
 - Systems overview
 - Information systems
 - Components of an information system
 - Role of information systems in an organisation
 - Classification of information systems
 - Types of information systems
 - Overview of information systems security and controls

- 4.9 **Computer networks**
 - Computer networks concepts
 - Computer network hardware and software
 - Data transmission media
 - Types of computer networks
 - Benefits and challenges of networking

4.10 The Internet

- Introduction to the Internet
- Internet services – emails, www, instant messaging
- Internet connectivity
- Searching for information on the internet
- Impact of internet on society

4.11 Emerging issues and trends

LEVEL II

PAPER NO. 5 FINANCIAL ACCOUNTING

GENERAL OBJECTIVES

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to prepare financial statements for different entities.

5.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Prepare books of original entry and basic ledger accounts under double entry system
- Prepare basic financial statements of sole traders, partnerships, companies and manufacturing entities and not for profit organisations
- Comply with the regulatory framework in the accounting field
- Account for assets and liabilities
- Analyse financial statements by use of ratios and statement of cash flows.

CONTENT

5.1 Introduction to accounting

- The accounting framework
- Sources of regulations at national and global levels; the law (Companies Act), professional bodies, global regulatory bodies
- Accounting standards (IASs/IFRSs) (their importance and limitations)
- Professional ethics

5.2 Accounting for assets and liabilities

5.2.1 Assets

- Property, plant and equipment – recognition, capital and revenue expenditure, measurement (depreciation and revaluation), disposal and disclosures – property, plant and equipment schedule
- Intangible assets – recognition, measurement (amortisation, impairment and revaluation), disposals and disclosures
- Financial assets – examples and risks only

5.2.2 Liabilities

- Loans – Accounting treatment of repayment of principal and interest

5.3 Financial statements of a sole trader

- Income statement
- Statement of financial position

5.4 Financial statements of a partnership

- Income statement
- Statement of financial position
- Changes in partnership – admission of a new partner, retirement and change in profit sharing ratio

5.5 **Financial statements of a company**

- Financial statements – income statement and statement of financial position
- Published financial statements (describe a complete set of published financial statements but not preparation)

5.6 **Financial statements of a manufacturing entity**

- Features of a manufacturing entity
- Classification and apportioning costs between manufacturing and selling and administration
- Financial statements – manufacturing account, income statement and statement of financial position

5.7 **Accounts from incomplete records**

- Features
- Types of incomplete records (pure single entry, simple single entry, quasi single entry)
- Ascertainment of profit by capital comparison
- Preparation of statement of affairs and profit determination
- Techniques of obtaining complete accounting information

5.8 **Financial statements of a not-for-profit making organisation**

- Features
- Types of funds and their accounting treatment
- Income and expenditure account
- Statement of financial position

5.9 **Analysing financial statements**

- Statement of cash flows (categories of cash, methods of preparing statement of cash flows and the importance)
- Financial ratios – definition, categories, analysis and interpretation, application and limitations

5.10 **Introduction to Public Sector Accounting**

- Features of public sector entities (as compared to private sector)
- Structure of the public sector (National and county governments, state corporations and other agencies)
- Regulatory structures and oversight [IPSASB, PSASB (establishment, mandate and functions), Director of Accounting Services, National Treasury, Parliamentary Committees, Accounting Officers at national and county levels]
- Objectives of public sector financial statements
- Objectives of IPSAS
- Accounting techniques in public sector (budgeting, cash, accrual, commitment and fund)
(Preparation of financial statements excluded)

5.11 **Emerging issues and trends**

PAPER NO. 6 PRINCIPLES OF MANAGEMENT

GENERAL OBJECTIVE

This paper is intended to equip the candidate with the knowledge, skills and attitudes that will enable him/her to apply the principles of management in practice.

6.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate understanding of management principles and techniques
- Apply knowledge of management theories in organisations
- Demonstrate knowledge of other types of management
- Apply management competencies in response to emerging trends in management.

CONTENT

6.1 Introduction to management

- Meaning and importance of management
- Features of management
- Levels and skills of management
- Managerial roles
- Qualities of an effective manager

6.2 Approaches to management thought

- Scientific approach
- General administrative approach
- Behavioural approach
- Bureaucratic approach

6.3 Planning function

- Meaning and importance of planning
- Types of plans
- Planning process
- Limitations of planning
- Effective planning
- Decision making and planning

6.4 Organising function

- Meaning and importance of organising
- Process of organising
- Principles of organising
- Foundations of organisational structures
- Authority, responsibility and power
- Delegation, centralisation and decentralisation

6.5 Directing function

- Meaning and importance of directing
- Elements of directing
- Characteristics of directing
- Principles of directing
- Supervision and directing
- Qualities of an effective supervisor

6.6 Staffing function

- Meaning and importance of staffing
- Role of human resource manager
- Recruitment and selection
- Training and development
- Performance appraisal
- Reward and compensation
- Separation
- Labour relations

6.7 Control function

- Meaning and importance of control
- The control process
- Types of control systems
- Effective control systems
- Contemporary control techniques

6.8 Emerging issues and current trends

PAPER NO. 7 BUSINESS MATHEMATICS AND STATISTICS

GENERAL OBJECTIVE

This paper is intended to equip the candidate with the knowledge, skills and attitudes that will enable him/her to apply the principles of management in practice.

7.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply linear, quadratic and simultaneous equations to solve business problems
- Solve business problems using matrix algebra
- Solve business problems involving commercial mathematics
- Present statistical data in form of tables, graphs and curves
- Calculate measures of location, dispersion, skewness and kurtosis
- Apply basic probability concepts
- Compute simple, general and weighted index numbers.

CONTENT

7.1 Equations

- Linear equations; solving and graphs
- Simultaneous equations; solving
- Quadratic equations; solving and graphs
- Basic calculus; simple differentiation and integration
- Total revenue, total cost and profit equations
- Break-even analysis
- Application of errors; absolute/relative

7.2 Sequences and series

- Arithmetic progression(A.P): n^{th} term, sum of first n terms
- Geometric progression (G.P): n^{th} term, sum of first n terms

7.3 Matrices

- Introduction: order of matrices, types of matrices
- Addition, subtraction and multiplication of matrices
- Determinants of 2×2 matrices
- Inverses of 2×2 matrices
- Application of matrices in solving business problems

7.4 Commercial mathematics

- Buying and selling; discounts, profit and loss, margins and mark-ups
- Wages and salaries; piece and hourly rates, commissions, gross and net pay
- Statutory deductions; PAYE, NHIF, NSSF
- Simple and compound interest
- Depreciation and appreciation of assets
- Hire purchase
- Foreign exchange rate transactions

7.5 Introduction to statistics

- Introduction: definitions and branches of statistics
- Methods of data collection: primary and secondary data,
- Sampling techniques

7.6 Presentation of statistical data

- Tables
- Diagrams: bar charts and pie charts
- Graphs: time series graphs, Z-charts, Lorenz curves and semi-logarithmic graphs
- Frequency distribution tables
- Histogram and frequency polygons
- Cumulative frequency curve (ogive) and its application

7.7 Descriptive statistics

- Measures of central tendency: mean: arithmetic mean, weighted arithmetic mean; geometric mean, harmonic mean, median and mode.
- Measures of dispersion: range, quartile, deciles, percentiles, mean deviation, standard deviation and coefficient of variation
- Measures of skewness: pearsons coefficient of skewness, product coefficient of skewness
- Measures of kurtosis: pearsons coefficient of kurtosis, product coefficient of kurtosis.

7.8 Set theory

- Introduction to set theory
- Types of sets: universal, empty/null, subsets, finite and infinite
- Operation of sets: unions, intersections, complements and set difference
- Venn diagrams

7.9 Basic probability theory

- Introduction to probability: definitions, events, outcomes, sample space
- Types of events: simple, compound, independent, mutually exclusive, mutually inclusive, dependent events
- Rules of probability: additive and multiplicative rules
- Introduction to counting techniques, combinations and permutations
- Baye's Theorem
- Elementary probability trees

7.10 Index numbers

- Construction of index numbers
- Purpose of index numbers
- Simple index numbers; fixed base method and chain base method
- Weighted index numbers; Laspeyre's, Paasche's, Fisher's ideal and Marshall-Edgeworth's methods (both price and quantity index numbers)
- Consumer Price Index (CPI)
- Applications of CPI
- Limitations of index numbers

7.11 Emerging issues and trends

PAPER NO. 8 FUNDAMENTALS OF FINANCE

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply the principles of finance in business decision making.

8.0 LEARNING OUTCOMES

- Identify various sources of finance for organisations
- Calculate non-complex risk and return measures
- Make basic dividend decisions for a firm
- Determine the cost of capital for an organisation
- Apply the basic valuation models to determine value of financial securities
- Evaluate the viability of capital investments using appropriate appraisal techniques
- Apply basic concepts of Islamic Finance.

CONTENT

8.1 Overview of finance

- Nature and scope of finance
- Relationship between accounting and finance
- Finance functions
- Goals of a firm
- Agency theory: conflicts and resolutions

8.2 Sources of finance

- Factors to consider when choosing a source of finance
- Internally generated and externally generated finance
- Short term, medium and long term sources of finance

8.3 Financial markets and systems

- Roles and importance of financial markets and systems
- Market participants and financial innovation
- Types of financial markets
- Characteristics of a good market
- Functions of financial markets
- The flow of funds and the financial system
- Organisation, structure and functions of securities markets
- Automation of securities exchanges; automated trading system (ATS), Central depository system (CDS)
- Role of government in the financial system; capital markets authority, central bank, central depository and settlement company

8.4 Time value of money

- Time value versus time preference for money
- The relevance of time value of money
- Discounting techniques
- Compounding techniques
- Preparation of the loan amortisation schedule

8.5 Introduction to risk and return

- Components of risk and return
- Sources of risk
- Measures of risk and return for a single asset
- Distinction between risk-free and risky assets
- Relationship between risk and return on investments

8.6 Cost of capital

- Significance of cost of capital to firms
- Factors influencing a firm's cost of capital
- Components of cost of capital
- Weighted average cost of capital
- Weighted marginal cost of capital

8.7 Working capital management

- Nature and importance of working capital management
- Determinants of working capital
- Working capital operating cycle
- Working capital financing policies
- Cash management
- Accounts receivable management
- Accounts payable management
- Management of inventory, debtors and creditors

8.8 Capital budgeting decisions under certainty

- Importance, characteristics and types of capital investment decisions
- Capital investment cash flows; total initial cash outlay, the total terminal cash flows and annual net operating cash flows
- Investment evaluation criteria
- The features of an ideal capital budgeting technique
- Investment appraisal techniques; Accounting Rate of Return (ARR), Payback period, Internal Rate of Return, Net Present Value, Profitability index

8.9 Dividend decisions

- Factors influencing the dividend decision of a firm
- Forms of dividend payment
- The dividend policies; pay-out ratio policy, residual policy, stable predictable policy, low regular plus extra policy
- Dividend payment chronology- declaration date, holder of record date, ex-dividend date and payment date

8.10 Fundamentals of Islamic finance

- Principles and trends in Islamic banking
- Differences between Islamic and conventional banking
- The concept of interest (riba) and how returns are made by Islamic financial securities
- Sources of finance in Islamic financing

8.11 Emerging issues and trends

LEVEL III

PAPER NO. 9 PRINCIPLES OF ECONOMICS

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply the fundamental principles of economics in decision making.

9.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply basic mathematical and graphical techniques to analyse economic relationships and interpret the results
- Apply the knowledge of economics in decision making
- Analyse economic problems and suggest possible policy related recommendations.

CONTENT

9.1 Introduction to economics

- Definition of economics
- Basic economic concepts: economic resources, human wants, scarcity and choice, opportunity cost, production possibility curves/frontiers.
- Scope of economics: Micro and macro economics
- Methodology of economics: positive and normative economics, scientific methods, economics as a social science.
- Economic systems: free market economy, planned economy and mixed economy, consumers' sovereignty and its limitations

9.2 Demand, supply and determination of equilibrium

9.2.1 Demand analysis

- Definition
- Individual demand versus market demand
- Factors influencing demand
- Exceptional demand curves
- Types of demand
- Movement along and shifts of demand curves
- Elasticity of demand
- Types of elasticity: price, income and cross elasticity
- Measurement of elasticity; point and arc elasticity
- Factors influencing elasticity of demand
- Application of elasticity of demand in management and economic policy decision making

9.2.2 Supply analysis

- Definition
- Individual versus market supply
- Factors influencing supply
- Movements along and shifts of supply curves
- Definition of elasticity of supply
- Price elasticity of supply
- Factors influencing elasticity of supply
- Application of elasticity of supply in management and economic policy decision making

9.2.3 **Determination of equilibrium**

- Interaction of supply and demand, equilibrium price and quantity
- Mathematical approach to equilibrium analysis
- Stable versus unstable equilibrium
- Effects of shifts in demand and supply on market equilibrium
- Price controls
- Reasons for price fluctuations in agriculture
- Government's action to stabilise the prices and incomes of agricultural producers

9.3 **The theory of consumer behaviour**

- Approaches to the theory of consumer behaviour - cardinal versus ordinal approach
- Utility analysis, marginal utility (MU), law of diminishing marginal utility (DMU)
- Limitations of cardinal approach
- Indifference curve analysis; indifference curves, budget lines
- Consumer equilibrium; effects of changes in prices and incomes on consumer equilibrium
- Derivation of a demand curve
- Applications of indifference curve analysis: substitution effect and income effect for a normal good, inferior good and a giffen good; derivation of the Engels curve
- Consumer surplus/ Marshallian surplus

9.4 **The theory of a firm**

9.4.1 **The theory of production**

- Factors of production
- Mobility of factors of production
- Short run analysis
- Total product, average and marginal products
- Stages in production and the law of variable proportions/ the law of diminishing returns
- Long run analysis
- Isoquant and isocost lines
- The concept of producer equilibrium and firm's expansion curve
- Law of returns to scale
- Demand and supply of factors of production
- Wage determination theories
- Trade unions: functions and challenges
- Producer surplus/economic rent/ Marshallian surplus
- Quasi rent

9.4.2 **The theory of costs**

- Opportunity costs ,explicit and implicit costs, private and social costs
- Short run costs analysis and size of the firm's total cost, fixed cost, average cost, variable costs and marginal cost
- Long run costs analysis
- Optimal size of a firm
- Economies and dis-economies of scale
- Internal and external business growth

9.5 **Market structures**

- Definition of a market
- Necessary and sufficient conditions for profit maximisation
- Mathematical approach to profit maximisation
- Output, prices and efficiency of: perfect competition, monopoly, monopolistic competition, oligopolistic competition

9.6 National income, economic growth, money and banking

9.6.1 National income

- Definition of national income
- Circular flow of income
- Methods/approaches to measuring national income
- Concepts of national income: gross domestic product (GDP), gross national product (GNP) and net national product (NNP), net national income (NNI) at market price and factor cost, disposable income
- Difficulties in measuring national income
- Uses of income statistics
- Analysis of consumption, saving and investment and their interaction in a simple economic model
- Determination of equilibrium national income
- Inflationary and deflationary gaps
- The multiplier and accelerator concepts
- Business cycles/cyclical fluctuations

9.6.2 Economic growth, economic development and economic planning

- The differences between economic growth and economic development
- Actual and potential growth
- The benefits and costs of economic growth
- Determinants of economic development
- Common characteristics of developing countries
- Role of agriculture and industry in economic development
- Obstacles to economic development
- The need for development planning
- Short term, medium term and long term planning tools
- Challenges to economic planning in developing countries

9.6.3 Money and banking

9.6.3.1 Money

- The nature and functions of money
- Demand and supply of money
- Theories of demand for money: The quantity theory, the Keynesian liquidity preference theory

9.6.3.2 The banking system

- Definition of commercial banks
- The role of commercial banks and non-banking financial institutions in the economy
- Credit creation
- Definition of central bank
- The role of the central bank; traditional and changing roles in a liberalised economy, such as financial sector reform, exchange rate reform
- Monetary policy, definition, objectives, instruments and limitations
- Determination of interest rates and their effects on the level of investment, output, inflation and employment
- Harmonisation of fiscal and monetary policies
- Simple IS–LM Model
- Partial equilibrium and general equilibrium

9.7 Inflation and unemployment

9.7.1 Inflation

- Definition and types of inflation
- Causes of inflation: cost push and demand pull
- Effects of inflation
- Measures to control inflation

9.7.2 Unemployment

- Definition of unemployment
- Types and causes of unemployment
- Control measures of unemployment
- Relationship between unemployment and inflation: the Phillips curve

9.8 International trade and finance

- Definition of International trade
- Theory of absolute advantage and comparative advantage
- World trade organisation (WTO) and concerns of developing countries
- Protection in international trade
- Regional integration organisations, commodity agreements and the relevance to less developed countries (LDCs)
- Terms of trade, balance of trade, balance of payments (causes and methods of correcting deficits in balance of payments), exchange rates, types of foreign exchange regimes, factors influencing exchange rates, foreign exchange reserves
- International financial institutions: International Monetary Fund (IMF) and World Bank
- National debt management: causes and interventions
- Structural Adjustment Programmes (SAPs) and their impacts on the LDCs

9.9 Emerging issues and trends

PAPER 10: FUNDAMENTALS OF MANAGEMENT ACCOUNTING

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply the fundamental principles of management accounting in decision making.

10.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Estimate the cost of goods and services
- Analyse product costs for manufacturing and non-manufacturing activities
- Prepare marginal and absorption cost statements
- Analyse an organisation's activities through budgetary control process
- Use computers in cost management.

CONTENT

10.1 Nature and purpose of cost and management accounting

- The nature of cost accounting and costing terms
- The role of cost accounting in management
- The purposes of cost accounting information
- Scope of cost accounting
- Meaning of management accounting, scope, limitations, applications
- Relationship between cost, financial and management accounting
- Selection of an ideal cost accounting system

10.2 Cost classification

- Definition and purpose of cost classification
- Methods of cost classification: By nature/elements of manufacturing costs; Functional classification; Behavioral classification; Controllability; Time; Financial accounting; Identification with inventory

10.3 Cost estimation

- Meaning of cost estimation
- Methods of estimating cost; non-mathematical methods like engineering method, accounts analysis method and high-low method; mathematical methods like scatter graph method, OLS regression method

10.4 Cost accumulation

- Accounting for materials and inventory; material cost records, purchasing procedures, receipt and issues of material, methods of valuing material issues, stock control procedures
- Accounting for labour: methods of labour remuneration, labour control procedures, maintenance of labour records
- Accounting for overheads: types of overheads, manufacturing, distribution and administration, departmental cost allocation and apportionment, overheads analysis, overhead absorption rates, over or under absorption
- Accounting for materials and inventory; material cost records, purchasing procedures, receipt and issues of material, methods of valuing material issues, stock control procedures

- Accounting for labour: methods of labour remuneration, labour control procedures, maintenance of labour records
 - Accounting for overheads: types of overheads, manufacturing, distribution and administration, departmental cost allocation and apportionment, overheads analysis, overhead absorption rates, over or under absorption
- 10.5 Cost bookkeeping**
- The flow of costs in a business enterprise
 - Cost bookkeeping- interlocking and integrated ledger systems
- 10.6 Costing methods**
- Job order costing
 - Batch costing
 - Process costing (excluding work in progress, joint and by-products)
 - Service costing
 - Unit costing
- 10.7 Marginal and absorption costing**
- Distinction between marginal and absorption costing, valuation of products under marginal and absorption costing
 - Preparation of marginal and absorption statements; cost of production and profit determination
 - Reconciliation of marginal profits and absorption profits, application of marginal costing: break-even analysis and charts (single product), simplified decision problems; accept or reject, special order, dropping a product, make or buy and choice of a product where a limiting factor exists
- 10.8 Budgeting and budgetary control**
- Nature and purposes of budgets
 - Preparation of budgets; master budgets, functional (department budgets, cash budgets), proforma financial reports (income statements and balance sheets)
 - Purpose of budgetary control; Operation of a budgetary control system, organisation and coordination of the budgeting function
- 10.9 Emerging issues and trends**

PAPER NO. 11 PRINCIPLES OF PUBLIC FINANCE AND TAXATION

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply principles of public financial management and taxation in practice.

11.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Comply with the regulatory framework in public financial management (PFM)
- Compute tax for various entities
- Manage the budgetary process, public revenue and control public expenditure in national and county governments
- Apply the written tax law in addressing various tax issues.

CONTENT

11.1 Introduction to Public Financial Management Legal Framework

- General overview of Public Financial Management as envisaged by the Constitution(Chapter 12 of the constitution)
- Financial regulations
- Treasury Circulars
- Process of developing county government finance bills

11.2 Public budget process for public bodies

- General definition of budgets terms
- Role of budget officers in budget preparation and execution
- Responsibilities of The National and County treasury's in relation to budget preparation
- Budget process for both national, county and Public entities
- Budgetary and fiscal policy tools

11.3 Oversight function in public finance management

- The role of National Assembly
- The role of Senate
- The role of County Assembly
- The role of Auditor General
- The role of Internal Audit
- Role of Controller of Budget in relation to disbursement of public funds as envisaged by the Constitution and PFM Act, 2012

11.4 Introduction to taxation

- History of taxation
- Types of taxation
- Principles of an optimal tax system
- Single versus multiple tax systems
- Classification of tax systems
- Tax shifting
- Factors that determine tax shifting
- Tax evasion and tax avoidance

- Taxable capacity
- Fiscal policies
- Revenue authority –history ,structure and mandate

11.5 **Taxation of income of persons**

- Sources of taxable incomes
- Meaning of residence
- Significance of residence
- Withholding tax
- Employment Income:
 - taxable and non taxable employment benefits
 - allowable deductions against employment income
 - taxation of employment income
 - tax credits against gross tax
- Business Income
 - definition of business
 - circumstances under which taxable business income is deemed to have accrued.
 - reasons why accounting profit and taxable profits are different
 - taxation of sole proprietorship, partnership and incorporated entities
- Other incomes
 - royalties
 - rental
 - farming
 - investment (interest and dividends)
 - pension income
 - turnover tax/presumptive tax
 - rationale behind introduction of turnover tax
 - incomes exempted from turnover tax
 - payment of turnover tax
 - benefits of turnover tax

11.6 **Capital deductions**

- Rationale for capital deductions
- Investment deductions
- Industrial building deductions
- Wear and tear allowances
- Diminution in value
- Farm works deductions

11.7 **Administration of income tax**

- Overview of the income tax act
- Identification of new tax payers
- Assessments and returns
- Operations of PAYE systems: Preparation of PAYE returns, categories of employees
- Notices, objections, appeals and relief of mistake
- Appellant bodies
- Collection, recovery and refund of taxes
- Offences, fines, penalties and interest
- Application of ICT in business; iTax, simba system

11.8 **Administration of value added tax**

- Introduction and development of VAT
- Registration and deregistration of businesses for VAT
- Taxable and non taxable supplies
- Privileged persons and institutions
- VAT rates
- VAT records
- Value for VAT, tax point
- Accounting for VAT
- VAT returns
- Remission, rebate and refund of VAT
- Rights and obligations of VAT registered person
- Changes to be notified to the commissioner
- Offences fines, penalties and interest
- Enforcement
- Objection and appeals: Requirements and procedure

11.9 **Customs taxes and excise taxes**

- Customs procedure
- Import and export duties
- Prohibitions and restriction measures
- Transit goods and bond securities
- Excisable goods and services
- Goods subject to customs control
- Circumstances under which duty may be refunded
- Purposes of customs and excise duties

11.10 **Emerging issues and trends**

PAPER NO.12 AUDITING

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to undertake non-complex audit assignments.

12.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Plan an audit assignment
- Comply with the regulatory framework during an audit assignment
- Obtain audit evidence
- Prepare an audit report.

CONTENT

12.1 Nature, purpose and scope of auditing

- Definition of auditing, auditor and an audit
- Explain the principles and processes of an audit
- Differences between auditing and accounting
- The types and timing of audits
- Internal versus external and a focus on the complimentary role of internal to external, interim and final audit
- The users of audited financial statements and auditor reports

12.2 Legal and professional requirements

- Appointment of an auditor
- Qualifications of an auditor
- Duties and rights of an auditor
- Dismissal of a company auditor
- Professional ethics
- Auditing standards and guidelines

12.3 Planning and conducting an audit

- Objectives of planning for the audit work
- Audit plan for a new client
- Audit plan for an existing client
- Developing an overall audit plan
- Limitations of audit plans
- Methods and techniques of an audit

12.4 Internal control system

- Definition of internal controls and internal control systems
- Purpose of internal control system
- Designing an internal control system
- Benefits and limitations of internal control system
- General controls on:
 - Revenue
 - Expenditure
 - Assets
 - Liabilities

12.5 **Error and fraud**

- Definition of error and fraud
- Differences between error and fraud
- Types of errors and frauds
- Causes of frauds and fraud triangle

12.6 **Audit evidence**

- Nature and source of audit evidence
- Financial statement assertion
- Types of audit evidence
- Gathering audit evidence
- Reliance on the work of an internal auditor
- Contents of audit working papers (excluding their preparation)
- Audit tests
- Substantive tests
- Analytical tests

12.7 **Audit risk**

- Definition of audit risks
- Components of audit risks
- Risk-based audit

12.8 **Computerised auditing**

- Benefits and drawbacks of computerized accounting systems
- Computer Aided Auditing Techniques (CAATs); Auditing around and through the computer

12.9 **Auditor's report**

- Purpose of the auditor's report
- Legal provisions on auditor's report
- Elements of the auditor's report
- Key audit matters
- Forms of audit opinion

12.10 **Emerging issues and trends**