



**CCP**  
**Certified Credit Professionals**  
**Examination Syllabus**

**August 2018**

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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- (a) The Accountants Act, No. 15 of 2008 (which repealed the Accountants Act, Cap 531 of 1977).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 Credit Management Kenya [ICM (K)]**

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

#### 1.3.2 **Institute of Certified Public Accountants of Kenya (ICPAK)**

ICPAK is established under Section 3 of the Accountants Act, No. 15 of 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 Registration Committee is to register eligible persons as Certified Public Accountants.

#### 1.3.3 **Institute of Certified Secretaries of Kenya (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.

#### 1.3.4 **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.

#### 1.3.5 **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.

### 1.4 **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 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.
- 2.0.3 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.
- 2.0.4 Certified Secretaries (CS) Examination;** for persons who wish to qualify and work or practice as corporate secretaries, administrators at county and national levels and consultants in governance, compliance, business management and related areas in both public and private sectors.
- 2.0.5 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.
- 2.0.6 Certified Investment and Financial Analysts (CIFA) Examination;** for persons who wish to qualify and work or practice as investment and securities analysts, financial analysts, portfolio managers, investment bankers, fund managers and related specialisations.
- 2.0.7 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.
- 2.0.8 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 specialisations.
- 2.0.9 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.
- 2.0.10 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) Competent professionals who are able to make sound decisions in credit management in both formal and informal sectors.
- (b) 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.
- (c) Qualified corporate secretaries capable of advising on matters relating to corporate secretarial practice, governance, ethics, compliance and administration including at national and county levels.
- (d) Information communication technology professionals who are capable of designing, developing, implementing, maintaining and safeguarding modern information systems.
- (e) Competent professionals with the ability to analyse and advise on matters relating to investments, securities and other financial areas at both national and global levels.
- (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 Certified Credit Professionals (CCP) Examination**

The CCP Examination is held twice yearly in May/June and November/December. The examination is divided into three parts of two sections each. Each section consists of three papers. A candidate may attempt two sections in a part together or separately in ascending order but before proceeding to the next part, a candidate must pass the lower part.

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

Students taking the CCP 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. The practical experience may be acquired during or after the qualification process.

Upon completing the CCP examination, the graduates are eligible to register with the Institute of Credit Management Kenya [ICM (K)] as members. In addition, the CCP graduates are eligible for admission to pursue masters and other higher degrees in reputable universities, both in Kenya and foreign countries.

### **2.2.1 Aims of CCP Examination**

The aims of CCP Examination include to:

- (a) Produce a credit professional with knowledge and expertise in the areas of credit management and practice, regulations governing credit management, lending practices and related areas as applicable in formal and informal sectors.
- (b) Impart professional values and ethics, communication skills, creativity, innovation and ability to generate new ideas.

### **2.2.2 Aims of CCP Part I Examination**

The aims of CCP Part I examination include to:

- (a) Provide the candidate with knowledge and skills in credit management and the legal environment in which businesses operate.
- (b) Enable the candidate to apply the principles of public financial management and taxation in practice.
- (c) Provide a basis for further progression to CCP Part II.

### **2.2.3 Aims of CCP Part II Examination**

The aims of CCP Part II examination include to:

- (a) Equip the candidate with knowledge on the legal environment governing credit practice and operations of companies.
- (b) Enable the candidate apply the principles of financial management, marketing and public relations in practice.
- (c) Provide a basis for further progression to CCP Part III.

### **2.2.4 Aims of CCP Part III Examination**

The aims of CPA Part III examination include to:

- (a) Produce a professional with a high level of understanding and expertise on credit management and practice and related areas including debt recovery and corporate lending.
- (b) Produce a professional with ability to apply the legal principles and regulations governing credit and banking practices.
- (c) Ensure the professional is competent to be registered as a Certified Credit Professional with high regard to professional values and ethics.



## 3.0 EXAMINATION RULES AND REGULATIONS

### 3.1 Registration Requirements

A person seeking to be registered as a student for the CCP 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 plus (C+).
- 3.1.2 kasneb technician, diploma or professional examination certificate.
- 3.1.3 A degree from a recognised university.
- 3.1.4 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

Exemptions may, on application, be granted to registered students who are holders of certain degrees and diplomas recognised by kasneb. Exemptions will be granted on a paper by paper basis.

### 3.3 Retention of Credits

There are six sections in the CCP examination. Each section has three papers. Papers taken and passed in a section 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 section unless the candidate is exempted from some papers in the section or has earned credits in previous attempts.
- 3.3.2 A candidate who is awarded one or two credits in a section must enter and pass the failed paper(s) in the section within two and a half (2<sup>1/2</sup>) years or five (5) consecutive sittings failure to which the candidate will be required to resit all the papers in the section.

### 3.4. Progression Rule

- 3.4.1 A candidate must attempt and pass the CCP Part I examination before proceeding to the CCP Part II examination.
- 3.4.2 A candidate must attempt and pass the CCP Part II examination before proceeding to the CCP Part III examination.
- 3.4.3 A candidate will not be allowed to enter a higher section in a part before completing the lower section unless the candidate has been referred in the higher section or has entered the two sections simultaneously.

### 3.5. Duration of Registration as a Student of kasneb

- 3.5.1 A registered student of the CCP examination will be required to complete the examination within a period of nine years provided that the candidate shall complete:
- 3.5.1.1 The CCP Part I examination by the end of the third year since registration.
  - 3.5.1.2 The CCP Part II examination by the end of the sixth year since registration.
  - 3.5.1.3 The CCP Part III examination by the end of the ninth year since registration.
- 3.5.2 kasneb reserves the right to cancel the registration of a student who fails to complete the 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 the 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 examinations 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, 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 examination 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 CERTIFIED CREDIT PROFESSIONAL (CCP) EXAMINATION SYLLABUS**

**Part I**

**Section 1**

Paper No. 1	Credit Management
Paper No. 2	Commercial Law
Paper No. 3	Entrepreneurship and Communication

**Section 2**

Paper No. 4	Economics
Paper No. 5	Principles of Accounting
Paper No. 6	Public Finance and Taxation

**Part II**

**Section 3**

Paper No. 7	Company Law
Paper No. 8	Financial Management
Paper No. 9	Marketing and Public Relations

**Section 4**

Paper No. 10	Law Governing Credit Practice
Paper No. 11	Management Information Systems
Paper No. 12	Quantitative Analysis

**Part III**

**Section 5**

Paper No. 13	Strategy, Governance and Ethics
Paper No. 14	Banking Law and Practice
Paper No. 15	Credit Management in the Financial Sector

**Section 6**

Paper No. 16	Debt Recovery
Paper No. 17	Corporate Lending
Paper No. 18	Credit Practice

# PART I

## SECTION 1

### PAPER NO. 1 CREDIT MANAGEMENT

#### GENERAL OBJECTIVE

This paper is intended to equip the candidate with the knowledge, skills and attitude for the application of the concepts and techniques of credit management.

#### 1.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply the principles of credit in a business environment
- Analyse the effects of cost of credit to the business and economy as a whole
- Perform debt collections activities
- Organise and supervise a credit department.

#### CONTENT

##### 1.1 Introduction to credit

- Definition of credit
- History of credit
- Reason for and benefits of extending credit
- Effect of credit to the business
- Categories of credit (consumer; trade and export credit)

##### 1.2 Credit department structure and responsibilities

- Organisational structure of a credit department
- Role of the credit department within an organisation
- Reporting lines of a credit department within an organisation
- Reporting performance of a credit department
- Credit department staff recruitment and retention
- Promoting relationship (between credit department with other departments within the organisation)

##### 1.3 The credit policy

- Definition of a credit policy
- Objectives of a credit policy
- Types of credit policy
- Features of a credit policy
- Advantages of a credit policy
- Contents of a credit policy
- Formulation and implementation of a credit policy
- Operating principles of a credit policy
- Factors to consider when developing a credit policy

##### 1.4 Credit risk management

- Credit risk defined
- Forms of credit risk
- Distinction between credit management and risk management
- Common causes of credit risk situations
- Objectives of credit risk management
- Role of senior management and Board of directors in risk management
- Best practices in credit risk management
  - Credit scoring
  - Methods against credit risk hedging
  - Credit culture

- 1.5 **Credit assessment**
- Definition of credit assessment
  - The credit appraisal process
  - Sources of information used in credit appraisal
  - Use of financial statements in credit appraisal and evaluation
  - Qualitative information used in credit assessment
  - Techniques and models used in credit assessment
  - Market risk assessment in granting credit
  - Individual and company credit application assessment
- 1.6 **Sales ledger administration**
- Definition of sales ledger
  - Sales ledger format and contents
  - Statements and reports
  - Sales ledger control
  - Importance and interpretation of a sales ledger
- 1.7 **Credit terms**
- Definition of credit terms
  - Factors affecting determination of credit terms
  - Types of credit terms
  - Effects of credit terms on working capital management
- 1.8 **Payment methods**
- Definition of payment method
  - Factors to consider in choosing payment method
  - Types of payment methods
  - Advantages and disadvantages of various payment methods
- 1.9 **Collection management**
- Overview of collections
  - Establishing targets
  - Collection planning
  - Collection cycle
  - 80/20 principle application in collections
  - Collection tools and methods
  - Computer as an aid to collection
  - Communication with defaulters
  - Tracing gone away debtors
  - Restructuring of debts
  - Rules for effective collection practices
  - Mistakes made during collection
  - Reasons for delays in payments
  - Third party collectors
  - Collection through alternative dispute resolutions(ADR)
  - Legal process for debt recovery
- 1.10 **Credit insurance**
- Definition of credit insurance
  - Characteristics of a good credit insurance cover
  - Basic principles of domestic credit insurance
  - Financing of credit insurance premiums
  - Benefits of credit insurance to an organisation
  - Types of credit insurance policies
  - Advantages and disadvantages of credit insurance



**1.11 Automation of credit function**

- Process of automating of credit function
- Benefits of automating credit operations
- Types of credit management information software
- Customer master file
- Online credit management
- Billing management system

**1.12 Emerging issues and trends**

## **PAPER NO. 2 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 business law in various 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 business law in practice.

### **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 doctrines 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 resolutions (ADR)
- General principles of ADR
- Mediation
- Negotiation
- Conciliation

- 2.2 Law of persons**
- Natural persons
  - Nationality, citizenship and domicile
  - Artificial person
  - Unincorporated associations
  - Incorporate 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 partnerships 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 intends 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 entrepreneurial knowledge in response to the emerging business trends.

### **CONTENT**

#### **3.1 Entrepreneurial mindset**

- Definition of entrepreneurship
- Historical development of entrepreneurship
- Characteristics of entrepreneurs
- Types of entrepreneurs
- Distinction between entrepreneurs and small business owners
- Approaches to entrepreneurship
- Importance of entrepreneurs to development

#### **3.2 Entrepreneurship and innovation**

- Creativity and innovation
- Corporate entrepreneurship and innovation
- Qualities of entrepreneurial firms
- Social enterprises and sustainability
- Entrepreneurial ethics, responsibility and leadership
- Case study on corporate entrepreneurship

#### **3.3 Opportunity identification and development**

- Methods of generating ideas
- Sources of innovative ideas
- Qualities of viable business opportunities
- Evaluating business opportunities
- Challenges of starting new ventures
- Why new ventures fail
- Business incubation
- Role of government in promoting entrepreneurship

#### **3.4 Creating and starting a new venture**

- Approaches to creating new ventures
- Acquiring an established business venture
- Business planning
- Overview of the business plan
- Scope and value of a business plan
- Practical experience in writing of a business plan

#### **3.5 Business growth strategies**

- Penetration, market and product development strategy
- Public and private placements
- Joint ventures
- Diversification

- Loans and equity financing
  - Venture capitalists
  - Informal risk capitalists
  - Crowd funding and crowding sourcing
- 3.6 Entrepreneurship and technology**
- Internet and e-commerce
  - The enterprise website
  - Impact of globalisation
  - Global entrepreneurs
  - Business process outsourcing
  - Electronic and mobile money transfers
  - Business networking
- 3.7 Nature of business communication**
- Meaning of communication
  - Purposes of business communication
  - Internal and external communication
  - The communication process
  - Methods of communication
  - Communication systems and networks
  - Principles of effective communication
  - Barriers to effective communication
- 3.8 Written communication**
- Rules of effective writing
  - Business correspondence
  - Reports
  - Memorandum
  - Proposal writing
  - Forms and questionnaire design
  - Circulars and newsletters
  - Notices and advertisements
  - Publicity materials
  - Press releases
  - Graphic communication
- 3.9 Oral and non-verbal communication**
- Oral communication in business
  - Effective listening
  - Interviews
  - Non-verbal communication
  - Interpersonal relationships
  - Presentations skills
- 3.10 Meetings**
- Notice
  - Agenda
  - Role of the chairperson
  - Role of the secretary
  - Role of participants
  - Conduct of meetings
  - Minutes of meetings
- 3.11 Information technology and communication**
- The internet
  - Teleconferencing
  - Wireless technologies
  - Electronic postal services
  - Use of E-mails

**3.12 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

**3.13 Emerging issues and trends**

## SECTION 2

### PAPER NO. 4 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.

#### 4.0 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
- Apply knowledge of economics in international trade and finance
- Apply economic principles in the development and implementation of policies in agriculture and industry.

#### CONTENT

##### 4.1 Microeconomics

###### 4.1.1 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, mixed economy, consumers' sovereignty.

###### 4.1.2 Demand, supply and determination of equilibrium

###### 4.1.2.1 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

###### 4.1.2.2 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



#### 4.1.2.3 **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

#### 4.1.3 **The theory of consumer behaviour**

- Approaches to the theory of the consumer - cardinal versus ordinal approach
- Utility analysis, marginal utility (MU), law of diminishing marginal utility (DMU)
- Limitations of cardinal approach
- Indifference curve analysis; Indifference curve and budget line
- 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

#### 4.1.4 **The theory of a firm**

##### 4.1.4.1 **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

##### 4.1.4.2 **The theory of 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 diseconomies of scale

#### 4.1.5 **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

## 4.2 Macroeconomics

### 4.2.1 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

### 4.2.2 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

### 4.2.3 Money and banking

#### 4.2.3.1 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

#### 4.2.3.2 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 role 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

### 4.2.4 Inflation and unemployment

#### 4.2.4.1 Inflation

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

#### 4.2.4.2 Unemployment

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

#### 4.2.5 International trade and finance

- Definition of International trade
- Theory of absolute advantage and comparative advantage
- World trade organization (WTO) and concerns of developing countries
- Protection in international trade
- Regional integration organizations, 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

### 4.3 Emerging issues and trends

## **PAPER NO. 5 PRINCIPLES OF ACCOUNTING**

### **GENERAL OBJECTIVE**

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to prepare and interpret 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 nature and purpose of accounting
- Users of accounting information and their respective needs
- Accounting Standards and their purposes
- Regulatory framework (ICPAK, IASB, IAESB, IPSASB)
- Professional ethics
- Principles; concepts and conventions underlying the preparation of accounting statements

#### **5.2 Accounting procedures and techniques**

- Double entry book-keeping
- The cash book; two and three column including cash journal
- The ledger and their role in recording and summarising, classifying accounting data
- Books of original entry
- Petty cash book
- Balancing accounts and preparing the trial balance
- Introduction to simple statements of financial performance
- Statements of financial position

##### **5.2.1 Computerised accounting**

- Different accounting packages
- Rationale for computerised accounting system
- Components of a computerised accounting system
- Selecting a good computerised accounting system
- Challenges of a computerised accounting system
- Current trends in computerised accounting software

#### **5.3 Preparation of financial statements and year-end adjustments**

- Depreciation of non-current assets including their disposal (by part exchange; ordinary sale; accident)
- Methods and reasons of providing for depreciation
- Preparation of movement of property, plant equipment (as per International Financial Reporting Standards)
- Trade receivables, bad debts write-offs and provision for bad and doubtful debts
- Accruals, prepayments, reserves and provisions
- Necessary adjustments in statements of financial performance to record increase and decrease in provision for bad and doubtful debts

- 5.4 Confirming and correcting mechanism**
- Bank reconciliation statements
  - Control accounts
- 5.5 Errors and correction of errors**
- Errors affecting and not affecting the agreement of the trial balance
  - Use of the suspense accounts
  - The effect of errors on statement of financial performance and statement of financial position
- 5.6 Sole traders accounts**
- Income statements
  - Statements of financial position
- 5.7 Partnership accounts**
- Basic contents of a partnership agreement
  - Provisions of the Partnership Act
  - Partnership statement of financial performance and appropriation account
  - Partners current account and statement of financial position
  - Financial statements to reflect elementary changes in partnership such as admission, retirement and dissolution
- 5.8 Introduction to simple company accounts**
- Share capital and reserve
  - Issue of shares at par; premium; discount
  - Over and under subscriptions
  - Allotment and calls on shares, forfeiture of shares
  - Preparation of statements of financial performance and appropriation account and the statement of financial position
  - Published accounts: Components of a complete set of published financial statements only
- 5.9 Manufacturing accounts**
- Elements of cost and cost behaviour
  - Preparation of manufacturing accounts, statement of financial performance and statement of financial position
  - Accounting treatment of manufacturing profit or loss and unrealised profit on closing stock
- 5.10 Financial statements of a not-for-profit organisation**
- What non-profit making organisations are
  - Receipts and payments accounts
  - Income and expenditure accounts and statement of financial position
- 5.11 Incomplete records and single entry book keeping**
- Why incomplete records
  - Preparation of statement of affairs
  - Preparation of financial statements
- 5.12 Analysis of financial statements**
- Introduction to accounting ratios**
- Profitability ratios
  - Revenue ratios
  - Liquidity ratios
- Preparation of cash flow statements (International Accounting Standard 7)**

**5.13 Public sector accounting**

- Features of public sector entities (as compared to private sector)
- Structure of the public sector and examples of entities in public sector
- Objectives of public sector financial statements
- Users of public sector financial statements and officers (treasury, accounting officers, public accounts committee, auditor general)
- IPSAS on inventory, property, plant and equipment and intangible assets (the ledger accounts of central and county governments are not examinable)
- Accounting techniques in public sector (budgeting, cash, accrual, commitment and fund)

**5.14 Emerging issues and trends**

## **PAPER NO. 6 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 comply with and implement public financial management regulations and compute taxes for various entities.

#### **6.0 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
- Manage non-complex public financial management issues in public entities.

### **CONTENT**

#### **6.1 Introduction to public financial management**

- Nature and scope of public finance
- General overview of public financial management as envisaged by the Constitution
- Role of the national and county treasuries
- Overview of the Public Financial Management Act
- Financial regulations
- Treasury circulars; meaning and application
- Process of developing national and county government finance bills
- Role of budget officers in budget preparation and execution
- Responsibilities of the national and county treasuries in relation to budget preparation
- Budget process for both national, county and public entities

#### **6.2 Establishment of public funds in the public sector**

- Provision of establishing public funds
- Rationale of creation of public funds
- The Consolidated Fund
- The establishment and administration of contingency funds
- The establishment and administration of equalisation funds
- County revenue sources

#### **6.3 Supply chain management in public entities**

- Definitions and terminologies
- General overview of Public Procurement and Disposal (PPD) Act
- Procurement guidelines as envisaged by PPD Act
- Committees responsible for procurement
- Procurement process by National, County and other public entities
- Tendering process and selection of suppliers in public sector
- Concept of e-procurement

#### **6.4 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

## 6.5 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
- The Revenue Authority; history, structure and mandate

## 6.6 Taxation of income of persons

- Taxable and non-taxable persons
- Sources of taxable incomes
- **Employment income:**
  - Taxable and non-taxable benefits
  - Allowable and non-allowable deductions
  - Tax credits (withholding tax, personal and insurance relief, others)
  - Incomes from past employment
- **Business income:**
  - Sole proprietorship
  - Partnerships (excluding conversions)
  - Incorporated entities (excluding specialised institutions)
  - Turnover tax/resumptive tax
- Income from use of property- rent and royalties
- Farming income
- Investment income
- **Miscellaneous taxes and other revenues**
  - Stamp duty
  - Catering levy
  - Motor vehicle advance tax
  - Capital gains tax

## 6.7 Capital deductions

- Rationale for capital deductions
- Investment deductions: ordinary manufacturers
- Industrial building deductions
- Wear and tear allowances
- Farm works deductions
- Shipping investment deduction
- Other deductions

## 6.8 Administration of income tax

- Registration and deregistration of tax payers
- Assessments and returns
- Operations of PAYE systems: Preparation of PAYE returns, categories of employees
- Statutory deductions (NSSF and NHIF)
- Notices, objections, appeals and relief for mistakes
- Tax decisions; objections and appeals
- Collection, recovery and refund of taxes
- Administrative penalties and offences
- Application of ICT in taxation: iTax



### 6.9 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

### 6.10 Customs taxes and excise taxes

- Customs procedure
- Import and export duties
- Prohibitions and restriction measures
- Transit goods and bond securities
- Purposes of customs and excise duties
- Goods subject to customs control
- Import declaration form, pre-shipment inspection, clean report of findings
- Excisable goods and services
- Application for excise duty (licensing)
- Use of excise stamps
- Offences and penalties
- Excisable goods management system

### 6.11 Emerging issues and trends

## PART II

### SECTION 3

#### PAPER NO.7 COMPANY LAW

##### GENERAL OBJECTIVES

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply and comply with the provisions of company law in relevant circumstances and environments.

##### 7.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply legal principles relating to formation of companies
- Evaluate the rights and obligations of members and shareholders
- Comply with the legal principles governing liquidation of corporates and restructuring
- Comply with the legal principles relating to companies incorporated outside Kenya
- Ensure books of account are prepared in compliance with the law.

##### CONTENT

##### 7.1 Nature and classification of companies

- Nature and characteristics of a company
- Types of companies
- Principle of legal personality and veil of incorporation
- Distinction between companies and other forms of business associations, sole proprietorships, partnerships and cooperative societies.

##### 7.2 Formation of companies

- Promoters and pre-incorporation contracts
- Process of forming a company
- Memorandum and articles of association
- Certificate of incorporation
- Effects of incorporation

##### 7.3 Membership of a company

- Acquisition of membership
- Register of members
- Rights and liabilities of members
- Cessation of membership

##### 7.4 Shares

- Classes of shares
- Variation of class rights
- Share certificates
- Issue and allotment
- Transfer and transmission
- Transfer of shares under central depository system
- Mortgaging and charging of shares

##### 7.5 Share capital

- Meaning and types of share capital
- Raising of share capital
- Prospectus/information memorandum
- Maintenance of capital
- Alteration of capital
- Dividends

- 7.6 **Debt capital**
- Borrowing powers of a company
  - Debentures
  - Charges
  - Registration of charges
  - Remedies for debenture holders
- 7.7 **Company meetings**
- Nature and classification of company meetings
  - Essentials of a valid meeting
  - Voting
  - Resolutions
- 7.8 **Directors**
- Qualifications, appointment and disqualification
  - Powers and duties of directors
  - Removal and vacation of office
  - Register of directors
  - Remuneration of directors
  - Loans to directors
  - Compensation for loss of office
  - Disclosure of director's interest in contracts
  - The rule in Turquand's case/Indoor Management rule
  - Insider dealing
- 7.9 **The company secretary**
- Qualification, appointment and removal
  - Powers and duties of the company secretary
  - Liability of the company secretary
  - Register of secretaries
- 7.10 **Auditors**
- Qualification, appointment and removal
  - Remuneration of auditors
  - Powers and duties
  - Rights and liabilities
- 7.11 **Company accounts, audit and investigation**
- Books of accounts
  - Form and content of accounts
  - Group accounts
  - Director's report
  - Auditor's report
  - Annual returns
  - Investigation of company affairs
  - Appointment and powers of inspectors
  - Inspector's report
- 7.12 **Corporate restructuring**
- Need for restructuring
  - Mergers,
  - Post merger reorganisation
  - Takeovers and acquisitions
  - Schemes of arrangement and compromises
  - Reconstruction

**7.13 Receivership and liquidation of companies**

- Meaning of receivership
- Appointment and vacation of office
- Powers and duties of a receiver
- Termination of receivership
- Meaning of liquidation
- Types of liquidation
- Appointment, powers and duties of liquidators
- Discharge of liquidators
- Distribution of assets and dissolution of companies

**7.14 Companies incorporated outside the country**

- Process of registering a company
- Certificate of registration
- Power to hold land
- Registration of charges
- Accounts of foreign companies
- Service of process and notices on foreign companies
- Returns
- Penalties
- Cessation of business

**7.15 Emerging issues and trends**

## **PAPER NO.8 FINANCIAL MANAGEMENT**

### **GENERAL OBJECTIVE**

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

#### **8.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

- Analyse the sources of finance for an organisation and evaluate various financing options
- Evaluate various investment decision scenarios available to an organisation
- Evaluate the performance of a firm using financial tools
- Make appropriate capital structure decisions for a firm
- Value financial assets and firms
- Make appropriate liquidity and dividend decisions for a firm
- Evaluate current developments in business financing strategies.

### **CONTENT**

#### **8.1 Overview of financial management**

- Nature and scope of finance
- Finance functions
- Goals of a firm; financial and non-financial objectives, overlaps and conflicts among the objectives
- Agency theory, stakeholder's theory and corporate governance
- Measuring managerial performance, compensation and incentives
- Ethical issues in financial management
- Corporate social responsibility (CSR) and financial management.

#### **8.2 The financing decision**

- Nature and objectives of the financing decision
- Factors to consider when making financing decisions
- Sources of finances for enterprises; internally generated funds and the externally generated funds, long term sources, medium term and short term sources of finance
- Evaluation of financing options
- Methods of issuing ordinary shares - Public issue, private placement, bonus issue, employee stock option plans (ESOPS) and rights issues

#### **8.3 Financial institutions and markets**

- Nature and role of financial markets
- Classification of financial markets: primary and secondary securities market, money and the capital markets, over-the counter and organised market, derivatives market, mortgage market, forex market
- The security exchange listing and cross border listing
- Market efficiency - efficient market hypothesis
- Stock market indices
- The financial institutions and intermediaries: commercial banks, savings and loans associations and co-operative societies, foreign exchange bureaus, Unit trusts and mutual funds, insurance companies and pension firms, insurance agencies and brokerage firms, investment companies, investment banks and stock brokerage firms, micro-finance institutions and small and medium enterprises (SMEs)
- The role of regulators in financial markets
- Central depository system and automated trading system
- Timing of investment at the securities exchange - Dow theory and Hatch system of timing

#### 8.4 Time-value of money

- Concept of time value of money
- Relevance of the concept of time value of money
- Time value of money versus time preference of money
- Compounding techniques
- Discounting techniques

#### 8.5 Valuation models

- Concept of value; book value, going concern value, substitution value, replacement value, conversion value, liquidation value, intrinsic value and market value
- Reasons for valuing financial assets/business
- Theories on valuation of financial assets; fundamental theory, technical theory, random walk theory and the efficient market hypothesis
- Valuation of redeemable, irredeemable and convertible debentures and corporate bonds
- Valuation of redeemable, Irredeemable and convertible preference shares
- Valuation of ordinary shares; net asset basis, price earnings ratio basis, capitalisation of earnings basis, Gordon's model, finite earnings growth model, Super-profit model, Marakon model, Walter's model, Discounted free cash flow, residual income model
- Use of relative measures such as Economic Value added (EVA) and Market Value Added (MVA)
- Valuation of unit trusts and mutual funds
- Valuation of private companies: income and market based approaches

#### 8.6 Cost of capital

- Firms capital structure and factors influencing capital structure decisions
- Factors influencing firms cost of capital
- Relevance of cost of capital
- Component costs of capital
- The firm's overall cost of capital
- Weighted average cost of capital (WACC)
- Weighted marginal cost of capital (WMCC)
- Introduction to break-points in weighted marginal cost of capital schedule
- Operating and financial leverage - degree of operating leverage and operating risk; degree of financial leverage and financial risk
- Combined leverage - degree of combined leverage and total risk

#### 8.7 Capital budgeting decisions

- The nature and importance of capital investment decisions
- Capital investment's cash flows - initial cash outlay, terminal cash flows and annual net operating cash flows, incremental approach to cash flow estimation
- Capital investment appraisal techniques
- Non-discounted cash flow methods - payback period and accounting rate of return
- Discounted cash flow methods - net-present value, internal rate of return, profitability index, discounted payback period and modified internal rate of return (MIRR)
- Strengths and weaknesses of the investment appraisal techniques
- Expected relations among an investment's NPV, company value and share price
- Capital rationing - evaluation of capital projects and determination of optimal capital budget in situations of capital rationing for a single period rationing
- Capital investment options - timing option, strategic investment option, replacement option and abandonment option
- Problems/difficulties encountered when making capital investment decisions in reality

### 8.8 Financial analysis and forecasting

- Users of financial statements and their information needs
- Ratio analysis; nature of financial ratios, classification and calculation of financial ratios and limitation of financial ratios
- Common size statements - Vertical and horizontal analysis
- Financial forecasting; cash budgeting and percentage of sales method of forecasting

### 8.9 Working capital management

- Introduction and concepts of working capital
- Working capital versus working capital management
- Factors influencing working capital requirements of a firm
- Importance and objectives of working capital management
- Working capital operating cycle; the importance and computation of the working capital operating cycle
- Working capital financing policies aggressive, conservative and matching financing policy
- Management of stock, cash, debtors and creditors

### 8.10 Dividend decision

- Forms of dividend
- How to pay dividends and when to pay dividends
- How much dividend to pay
- Firms dividend policy and factors influencing dividend decision
- Why pay dividends
- Dividend relevance theories; Bird in hand, Clientele effect, Information signaling theory, Walter's model, Tax differential theory, Modigliani and Miller dividend irrelevance theory

### 8.11 Introduction to risk and return

- Risk-return trade off/relationship
- Distinction between risk free and risky assets
- Expected return of an asset
- Total risk of an asset
- Relative risk of an asset
- Expected return of a 2 asset-portfolio
- The actual total risk of a 2-asset portfolio

### 8.12 Islamic finance

- Justification for Islamic Finance; history of Islamic finance; capitalism; halal; haram; riba; gharar; usury
- Principles underlying Islamic finance: principle of not paying or charging interest, principle of not investing in forbidden items such as alcohol, pork, gambling or pornography; ethical investing; moral purchases
- The concept of interest (riba) and how returns are made by Islamic financial securities
- Sources of finance in Islamic financingTypes of Islamic financial products:- sharia-compliant products: Islamic investment funds; takaful the Islamic version of insurance Islamic mortgage, murabahah,; Leasing - ijara; safekeeping - Wadiah; sukuk - islamic bonds and securitisation; sovereign - sukuk; Islamic investment funds; Joint venture - Musharaka, Islamic banking, Islamic contracts, Islamic treasury products and hedging products, Islamic equity funds; Islamic derivatives
- International standardisation/regulations of Islamic Finance: case for standardisation using religious and prudential guidance, National regulators, Islamic Financial Services Board

### 8.13 Emerging issues and trends

## **PAPER NO. 9 MARKETING AND PUBLIC RELATIONS**

### **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 marketing and public relations in credit management.

#### **9.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

- Demonstrate marketing principles in public relations
- Analyse the relationship between marketing and credit management
- Apply marketing skills to generate sales
- Apply marketing and public relations principles
- Demonstrate ethical codes and legal principles in marketing and public relations

### **CONTENT**

#### **9.1 Introduction to marketing**

- Definition of marketing
- Importance of marketing
- Core concepts of marketing
- Marketing philosophies
- Elements of marketing
- Marketing environment

#### **9.2 Marketing segmentation targeting and positioning strategies**

- Purpose of segmentation
- Types of segmentation
- Targeting strategies
- Positioning strategies

#### **9.3 Marketing mix**

##### **Product**

- Product classifications
- Levels of products
- New products development
- Product life cycle

##### **Pricing**

- Pricing objectives
- Pricing methods
- Pricing strategies
- Buyer and competitors reactions

##### **Place**

- Types of marketing channels
- Physical distribution
- Functions of marketing
- Marketing channels decision
- Channel management

##### **Promotion**

- Promotion objective
- Elements of promotion mix
- Development promotion strategies
- Integrated marketing communication.



- 9.4 **Marketing ethics**
- Social responsibility and marketing tool
  - Legal framework in marketing ethics
  - Ethical issues in marketing
- 9.5 **Introduction to public relations**
- Meaning of public relations
  - History of public relations
  - Definition of public (internal and external)
  - Role of public relations in an organisation
  - Tools of public relations
  - Advantages of public relations
  - Distinction between public relations and marketing
- 9.6 **Public relations tools**
- Definition of public relation tool
  - Objectives of employee communication
  - Communication crisis management
  - Surveys
  - Sponsorships
  - Press releases
  - Print media
- 9.7 **Public relations skills**
- Writing
  - Designing
  - Negotiation
  - Photography
  - Video recording
- 9.8 **Managing employee relations**
- Internal public tools
  - Objectives of employee communication
  - Dealing with employee communication crisis
- 9.9 **Public relations planning**
- Definition of public relations planning
  - Objective of public relations planning
  - Situational analysis and research
  - Objective of public relations
  - Strategic perspectives in public relations
  - Financial and investor relations
  - Charging and budgeting in public relations budget
- 9.10 **Public relations consultancy**
- Introduction to public relations consultancy
  - Types of consultancy
  - Services offered by consultancies public relations consultancies
- 9.11 **Media and public relations**
- Meaning and role of media relations
  - Creating good media relations
  - Psychological perspectives on corporate advertising
  - Writing a press release
  - Media interview

**9.12 Legal framework of public relations**

- Meaning of legal framework in public relations practice
- Role of public relations practice
- Professional bodies in public relations practice
- Government activities and lobbying from public relations perspective

**9.13 Ethics and corporate social investment**

- Introduction of ethics
- The roles of ethics in public relations
- Why ethics is becoming more important in public relations
- Conduct of public relations
- Ethical implications: short and long term
- Environment responsibilities
- Ethics in soliciting for clients and advertising.

**9.14 Emerging issues and trends**

## SECTION 4

### PAPER NO.10 LAW GOVERNING CREDIT PRACTICE

#### GENERAL OBJECTIVE

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

#### 10.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Identify the securities available in lending
- Comply with the procedures and methods of creation of securities
- Identify the rights and duties of lenders and borrowers
- Demonstrate knowledge of Bankruptcy and Insolvency Law.

#### CONTENT

##### 10.1 Introduction to securities

- Meaning of a security
- Types of securities
- Advantages and disadvantages of collateral
- Formation of the contract
- Qualities of a good security
- Enforcement and perfection of securities

##### 10.2 Land as security

- Meaning of land
- Land tenure: freehold and leasehold
- Advantages and disadvantages of land as security
- Creation of charges and mortgages
- Procedure for perfecting title to land as security
- Rights and duties of the parties to a charge and mortgage
- Remedies
- Release of security

##### 10.3 Intellectual property as collateral

- Meaning of intellectual property
- Types of intellectual property
- Procedures for perfecting a security interest in intellectual property
- Advantages and disadvantages of using intellectual property as collateral.
- Rights and duties of the parties
- Remedies
- Discharge of security

##### 10.4 Chattel securities

- Meaning of a chattel
- Creation of chattel mortgages
- Parties to a contract of chattel mortgage
- Rights and duties of the parties
- Remedies
- Discharge

- 10.5 **Guarantees and Indemnities**
- Meaning and characteristics
  - Formation
  - Rights and duties of the parties
  - Common clauses in guarantee and indemnity
  - Termination of guarantees and indemnity
  - Advantages and disadvantages of guarantees and indemnities
- 10.6 **Bailment, pledge and lien**
- Meaning and characteristics
  - Formation, rights and duties of the parties
  - Remedies for breach, termination
- 10.7 **Corporate securities**
- Meaning and characteristics
  - Debentures
  - Charges
  - Remedies of a debenture holder
  - Shares and corporate bonds
  - Common clauses in corporate bonds
- 10.8 **Government borrowing**
- Treasury bills
  - Treasury bonds
  - Borrowing by County Government
- 10.9 **Regulatory Framework for lending institutions (excluding banks)**
- Co-operative societies
  - Savings and credit cooperative societies (Sacco's)
  - Micro finance institutions
  - Mobile money transfer services industry
  - Prudential Guidelines for lending Institutions
- 10.10 **Corporate governance**
- Meaning of corporate governance
  - Importance of corporate governance
  - Principles of corporate governance
  - Best practice in corporate governance
  - Role of Stakeholders (Shareholders, Board of Directors, Government)
  - Conflict of interest
  - Investor education and protection of shareholders
- 10.11 **Consumer Protection in Credit Agreements**
- Credit card agreement
  - Disclosure
  - Unauthorised charges
  - Insurance
  - Correcting of errors
  - Deferral of payments
  - Default charges
  - Prepayment
- 10.12 **Emerging issues and trends**

## **PAPER NO.11 MANAGEMENT INFORMATION SYSTEMS**

### **GENERAL OBJECTIVE**

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply information systems effectively in solving business problems and decision making.

#### **11.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

- Investigate on existing technologies about software and hardware to solve problems
- Display proficiency in decision making using contemporary Information systems tools
- Apply the principles of information systems development
- Use various information systems in an organisation
- Apply the knowledge of information systems for competitive advantage
- Use data communication networks, the Internet and e-commerce in optimising business opportunities
- Implement information systems' governance and risk management principles in business
- Implement information systems legal, ethical and social issues

### **CONTENT**

#### **11.1 Introduction to information communication technology (ICT)**

- Overview of ICT
- Introduction to computer systems
- Computer hardware
- Computer software
- Programming languages and tools
- Information systems personnel and hierarchy
- Role of ICT in business environments
- Information centres
- Impact of ICT in business

#### **11.2 ICT governance**

- Corporate governance and ICT governance
- Policies and procedures
- ICT management practices
- Monitoring of controls and risks
- Impact on ICT compliance with professional standards and codes

#### **11.3 Systems development**

- General systems theory
- Role of management in systems development
- Systems development approaches
- Systems development life cycle (SDLC)
- Rapid Applications Development (RAD)
- Systems development constraints

#### **11.4 Information systems in an enterprise**

- Overview of Information Systems
- Components of an information system
- Types and characteristics of information systems
- Systems in a functional perspective
- Enterprise applications and the business process integration
- Management information systems resources

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- 11.5 **Enterprise Data Management**
- Nature and types of information
  - Attributes of information
  - Files and file structure
  - File organisation methods
  - Database management systems
  - Characteristics, importance and limitations of database systems
  - Data warehousing
  - Transaction processing phases in business systems
  - File processing modes
  - Role of data professionals in an organisation
  - Business Intelligence and analytics
- 11.6 **Data communication and computer networks**
- Principles of data communication and computer networks
  - Data communication devices
  - Data transmission characteristics
  - Types of networks
  - Network topologies
  - Network/internet architecture protocols
  - Benefits and challenges of networks in an organisation
  - Limitations of networks in an organisation
  - Network security
  - Cloud computing concepts, features and models
  - Internet of things (IoT)
- 11.7 **e-Commerce**
- e-commerce concepts and features
  - Models of e-commerce
  - Impact of the internet on business
  - E-commerce enabling software
  - Business opportunities in e-commerce
  - E-commerce infrastructure and platforms
  - E-commerce payments methods
  - Challenges of e-commerce
  - Securing e-commerce transactions
  - M-commerce and applications
  - Digital marketing methods
- 11.8 **Information systems strategy**
- Overview of business strategy hierarchy
  - The strategic process and information systems planning
  - Development of information systems strategy
  - Aligning information systems to the organisation's corporate strategy
  - Managing information systems strategy
  - Information systems for competitive advantage
  - Measuring organisational information systems performance
  - Business process reengineering
- 11.9 **Information systems risk and security management**
- Risk management overview
  - Risk assessment and analysis methodologies
  - Controls and countermeasures
  - Risk monitoring and communication
  - Disaster recovery and business continuity planning
  - Information systems security management

**11.10 Legal, ethical and social issues in management information systems**

- Management information systems ethical and social concerns
- The moral dimension of management information systems
- The legal issues in management information systems

**11.11 Emerging issues and trends**

## PAPER NO.12 QUANTITATIVE ANALYSIS

### GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to use quantitative analysis tools in business operations and decision making.

#### 12.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Use mathematical techniques in solving business problems
- Apply set theory in business decision making
- Apply operation research techniques in decision making
- Apply simulation techniques in analysing business situations.

### CONTENT

#### 12.1 Mathematical techniques

##### 12.1.1 Functions

- Functions, equations and graphs: Linear, quadratic, cubic, exponential and logarithmic
- Application of mathematical functions in solving business problems

##### 12.1.2 Matrix algebra

- Types and operations (addition, subtraction, multiplication, transposition and inversion)
- Application of matrices: statistical modelling, Markov analysis, input-output analysis and general applications

##### 12.1.3 Calculus

###### Differentiation

- Rules of differentiation (general rule, chain, product, quotient)
- Differentiation of exponential and logarithmic functions
- Higher order derivatives: turning points (maxima and minima)
- Ordinary derivatives and their applications
- Partial derivatives and their applications
- Constrained optimisation; Lagrangian multipliers

###### Integration

- Rules of integration
- Applications of integration to business problems

#### 12.2 Probability

##### 12.2.1 Set theory

- Types of sets
- Set description: enumeration and descriptive properties of sets
- Operations of sets: union, intersection, complement and difference
- Venn diagrams

##### 12.2.2 Probability theory and distribution

###### Probability theory

- Definitions: event, outcome, experiment, sample space
- Types of events: elementary, compound, dependent, independent, mutually exclusive, exhaustive, mutually inclusive
- Laws of probability: additive and multiplicative rules
- Baye's Theorem
- Probability trees
- Expected value, variance, standard deviation and coefficient of variation using frequency and probability



### **Probability distributions**

- Discrete and continuous probability distributions (uniform, normal, binomial, poisson and exponential)
- Application of probability to business problems

### **12.3 Hypothesis testing and estimation**

- Hypothesis tests on the mean (when population standard deviation is unknown)
- Hypothesis tests on proportions
- Hypothesis tests on the difference between means (independent samples)
- Hypothesis tests on the difference between means (matched pairs)
- Hypothesis tests on the difference between two proportions

### **12.4 Correlation and regression analysis**

#### **Correlation analysis**

- Scatter diagrams
- Measures of correlation –product moment and rank correlation coefficients (Pearson and Spearman)
- Regression analysis
- Simple and multiple linear regression analysis
- Assumptions of linear regression analysis
- Coefficient of determination, standard error of the estimate, standard error of the slope, t and F statistics
- Computer output of linear regression
- T-ratios and confidence interval of the coefficients
- Analysis of Variances (ANOVA)

### **12.5 Time series**

- Definition of time series
- Components of time series (circular, seasonal, cyclical, irregular/ random, trend)
- Application of time series
- Methods of fitting trend: free hand, semi-averages, moving averages, least squares methods
- Models - additive and multiplicative models
- Measurement of seasonal variation using additive and multiplicative models
- Forecasting time series value using moving averages, ordinary least squares method and exponential smoothing
- Comparison and application of forecasts for different techniques
- Trend projection methods: linear, quadratic and exponential

### **12.6 Linear programming**

- Definition of decision variables, objective function and constraints
- Assumptions of linear programming
- Solving linear programming using graphical method
- Solving linear programming using simplex method
- Sensitivity analysis and economic meaning of shadow prices in business situations
- Interpretation of computer assisted solutions
- Transportation and assignment problems

### **12.7 Decision theory**

- Decision making process
- Decision making environment: deterministic situation (certainty)
- Decision making under risk - expected monetary value, expected opportunity loss, risk using coefficient of variation, expected value of perfect information
- Decision trees - sequential decision, expected value of sample information
- Decision making under uncertainty - maximin, maximax, minimax regret, Hurwicz decision rule, Laplace decision rule

## 12.8 **Game theory**

- Assumptions of game theory
- Zero sum games
- Pure strategy games (saddle point)
- Mixed strategy games (joint probability approach)
- Dominance, graphical reduction of a game
- Value of the game
- Non-zero sum games
- Limitations of game theory

## 12.9 **Network planning and analysis**

- Basic concepts – network, activity, event
- Activity sequencing and network diagram
- Critical path analysis (CPA)
- Float and its importance
- Crashing of activity/project completion time
- Project evaluation and review technique (PERT)
- Resource scheduling (leveling) and Gantt charts
- Advantages and limitations of CPA and PERT

## 12.10 **Queuing theory**

- Components/elements of a queue: arrival rate, service rate, departure, customer behaviour, service discipline, finite and infinite queues, traffic intensity
- Elementary single server queuing systems
- Finite capacity queuing systems
- Multiple server queues

## 12.11 **Simulation**

- Types of simulation
- Variables in a simulation model
- Construction of a simulation model
- Monte Carlo simulation
- Random numbers selection
- Simple queuing simulation: single server, single channel “first come first served” (FCFS) model
- Application of simulation models

## 12.12 **Emerging issues and trends**

## PART III

### SECTION 5

#### PAPER NO.13 STRATEGY, GOVERNANCE AND ETHICS

##### GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to formulate and implement strategies and demonstrate good governance and ethical practices.

##### 13.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Analyse the environment and its impact on strategic decision making
- Formulate and implement a strategic plan
- Practice the tenets and principles of good governance
- Comply with ethical principles in an organisation

##### CONTENT

##### 13.1 Overview of management

- Importance of management
- Principles of management
- Management as a science, an art or a profession
- Functions and roles of management
- Levels of management and managerial skills
- Management and administration
- Overview of management functions

##### 13.2 Development of management thought

- Pre-industrial revolution management theories
- Classical theories, neo-classical theories
- Contemporary theories

##### 13.3 Overview of corporate strategy, governance and ethics

- Meaning of strategy, management and strategic management
- Scope of strategic management
- Levels of strategic management
- Benefits of strategic management
- Limitations of strategic management
- Meaning of Governance and Ethics
- Importance of Governance and Ethics
- Principles of good governance
- Overview of theories in governance and ethics

##### 13.4 Strategy formulation

- Environmental analysis
- Organisational vision and mission
- Organisational goals and objectives
- Development of corporate strategy and business strategy
- Strategic options
- Strategy formulation constraints
- Competitive advantage

##### 13.5 Strategy implementation

- Organisational structure
- Resource allocation
- Organisational culture
- Role of leadership on strategy implementation

- Innovation and knowledge management
  - Constraints to strategy implementation
  - Management of strategic change
- 13.6 Strategic monitoring and evaluation**
- Purpose and role of strategic monitoring and evaluation
  - Process of strategic monitoring and evaluation
  - Tools of strategic monitoring and evaluation
  - Role of management information systems
  - Performance measurement; balance scorecard and benchmarking
  - Features of good strategic monitoring and evaluation systems
  - Review and feedback
  - Continuous improvement
- 13.7 The Board of Directors**
- Appointment, composition and size
  - Role and functions
  - Executive, non-executive and independent directors
  - Committees of the Board
  - Board meetings
  - Board work plan
  - Board induction and continuous skills development
  - Board manual and charter
  - Board performance evaluation
  - Board remuneration
  - Term limits for non-executive Board members
  - Succession planning
  - Liability and insurance indemnity
  - Appointment of the Chief Executive Officer
  - Appointment of the Certified Secretary
  - Separation of roles
  - Role of the board in performance management
  - Role of the Board in stakeholders management
- 13.8 Accountability, risk management and internal control**
- Financial reporting
  - Integrated reporting
  - Strategies and processes in enterprise risk management
  - Board's role in enterprise risk management
  - Internal controls
  - Internal auditor
  - Audit Committee
  - External auditor
  - Internal Audit Charter and work plan
  - Role of the Board in the procurement process
- 13.9 Sustainability and social investment**
- Sustainability goals and strategy
  - Triple bottom line
  - Social responsibility investments
  - Corporate social responsibility
  - Environmental management
  - Ethical issues in CSR
  - Strategies and policies on CSR
  - Creating and registering foundations to manage CSR
  - The impact of CSR on shareholder value
  - Social audit
  - Corporate reputation and image

### 13.10 **Ethics and corporate disclosures**

- Ethical norms, morality, values and ethical culture
- Role of the board in promotion of ethical conduct
- Professional judgement
- Code of ethics
- Standards of conduct and personal integrity
- Ethical dilemmas
- Ethics committee
- Ethics training
- Conflict of interests and related party transactions
- Insider trading
- Policy and guidelines on payments and gifts
- Corporate disclosure policy and strategy
- Benefits of disclosures and transparency
- Disclosure barriers
- Financial and non-financial disclosures
- Whistle blowing
- OECD Strategy on fight against corruption

### 13.11 **Case studies in strategy, governance and ethics**

### 13.12 **Emerging issues and trends**

## **PAPER NO: 14 BANKING LAW AND PRACTICE**

### **GENERAL OBJECTIVE**

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

#### **14.0 LEARNING OUTCOME**

A candidate who passes this paper should be able to:

- Apply regulations and guidelines in the banking sector in credit
- Assess compliance with licensing requirements for banks
- Provide relevant information for inspection in the context of credit in banks
- Evaluate the impact of global financial issues on credit management

### **CONTENT**

#### **14.1 Regulation in the banking sector**

- Meaning of banking business
- The role of regulatory models
- Regulation models and strategies
- Regulatory authorities
- Forms of control
- Supervision and regulation of banks

#### **14.2 The Central Bank**

- Establishment of bank and its legal status legal status
- Central Bank independence
- Principal object of the bank
- Other objects of the bank
- Monetary policy advisory committee
- Monetary policy statements
- Consultations on monetary policy credit
- Lender of last resort

#### **14.3 Licensing of institutions**

- Licensing of institutions
- Application for licensing
- Revocation of licence
- Minimum capital requirement
- Location of places of business
- Branches and subsidiary
- Amalgamations and transfer of assets and liabilities
- Requirements for directors, chief executive officers and significant shareholders
- Prohibited business
- Basel 11 and 111: Bank Capital adequacy
- Regulations of large and complex financial institutions

#### **14.4 Reserves, dividends, accounts and audit**

- Ratio between core capital and assets
- Ratio between capital and assets
- Minimum liquid assets
- Restrictions on dividends
- Forms of accounts
- Accounts to be exhibited

- Submission of accounts to the central bank
  - Appointment of auditors
  - Change of auditors
  - Auditor's duty of confidence
- 14.5 Inspection and control of institutions**
- Inspection of institutions
  - Vetting of officials
  - Powers of central bank to advice and direct
  - Powers upon audit or inspection reports
  - Examination and control of groups
  - Powers of central bank to intervene in management
  - Role of central bank in voluntary liquidation
  - Liquidation of institutions by central bank
- 14.6 The bank and credit**
- Different types of bank credit products
  - Credit facilities for different customers and their requirements
  - Different credit facilities for different customer needs
  - Different types of security and the perfection procedures
  - 5c's, CCCPARTS and PARSER
  - Monitoring and control of credit facilities
  - Recovery procedures
- 14.7 Consumer protection**
- Consumer protection
  - Access to financial services sector
  - Banker/customer relationship and duties
  - Prudent controls
  - Deposit protection fund
- 14.8 Global issues in financial sector financial market issues**
- Protection and control of money laundering
  - Know your customer principle
  - Prevention of terrorism financing
- 14.9 Emerging issues and trends**

## PAPER NO. 15 CREDIT MANAGEMENT IN THE FINANCIAL SECTOR

### GENERAL OBJECTIVE

This paper is intended to equip the candidate with the knowledge, skills and attitudes required for the administration for credit in the financial sector.

#### 15.0 LEARNING OUTCOMES:

A candidate who passes this paper should be able to:

- Undertake credit administration duties and responsibilities in financial institutions
- Align credit assessments in conformity to laid down policies, procedures and practices
- Assess the impact of lending in promoting business enterprises in the economy.

### CONTENT

#### 15.1 Introduction to credit administration

- Identifying the credit opportunity
- The credit process
  - Identifying the credit opportunity
  - Credit evaluation
  - Credit decision making
  - Credit monitoring
- The credit analysis process
- The five Cs of credit
- The credit analysis path

#### 15.2 Securities

- Definitions
- Secured and unsecured debts
- Features of a good security
- Types of securities
- Taking and perfection of securities
- Documentation of securities
- Lodging and discharging of securities

#### 15.3 Credit facilities

- Introduction
- Funded and non-funded securities
- Management of overdrafts
- Structuring of credit facilities (Loans and advances)

#### 15.4 Credit cards

- Definitions (credit and debit cards)
- Importance of credit cards
- Parties to credit card transactions
- Main features of credit cards
- Types of credit cards
- Assessment and appraisal of credit card applications
- Managing credit cards' fraud
- Credit cards' risk management
- Delinquency management

#### 15.5 Asset finance and leasing

- Overview of asset finance
- Types of asset finance
- Assessment and management of asset finance risks



- Choosing the right type of asset finance
  - Definition of leasing
  - Types of lease
  - Merits and demerits of lease
  - The leasing process
  - Assessment and appraisal of leasing applications
  - Marketing and leasing
  - Leasing risks management
- 15.6 Hire Purchase**
- Overview of hire purchase
  - Formation of a hire purchase contract
  - Duties and rights of parties to a hire purchase contract
  - Termination of hire purchase contracts
  - Advertising for hire purchase
  - Hire purchase risk management
- 15.7 Types and products of mortgage**
- Introduction to mortgage
  - Types of mortgages
  - Parties to a mortgage transaction
  - Products offered under mortgage
  - Target customers and mortgage financiers
  - Analysing mortgage application propositions
  - Types of documents and registration process
  - Risk management and recovery
- 15.8 Microfinance institutions (MFIs)**
- Introduction to microfinance
  - Distinction between microfinance and microcredit
  - Formulation of policies and procedures
  - Recruitment and retention of clients
  - The process of savings and lending in MFI(s)
  - Loan portfolio management
  - Risk management in MFIs
  - Role of regulatory authorities in MFI(s)
- 15.9 Cooperative societies**
- Types of cooperatives
  - Cooperative principles and practice of cooperatives
  - Products offered by cooperatives
  - Structures and management of cooperatives
  - The process of saving and lending in cooperatives
  - Risk management
  - Delinquency management
  - The future of cooperatives
  - Role of regulatory authorities
- 15.10 Emerging issues and trends**

## SECTION 6

### PAPER NO.16 DEBT RECOVERY

#### GENERAL OBJECTIVE

This paper is intended to equip the candidate with the knowledge, skills and attitudes that will enable him/her to undertake debt recovery procedures in accordance with the law.

#### 16.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Evaluate the viability of recovering debts through legal proceedings
- Comply with the procedures for recovery of debts through legal proceeding
- Analyze the alternative models of debt recovery
- Apply knowledge of insolvency law in an international perspective.

#### CONTENT

##### 16.1 Debt and borrowing

- Meaning of debt
- Types of debt
- Importance of borrowing
- Debt instruments
- Creditors and debtors rights
- Debt collection options

##### 16.2 Debt protection

- Meaning of debt protection
- Alternatives to debt protection
- Debt protection insurance
- Distinction between debt protection insurance and credit insurance

##### 16.3 Debt management

- Meaning of debt management
- Types of debt management
- Rescheduling debt
- Extension of time
- Foreclosure
- Conversion of debt to equity
- Payment of interest first
- Suspended payments
- Surrender of securities
- Receivership

##### 16.4 Preliminary considerations before initiating or defending debt

- Recovery suits
- Letters of demand
- Capacity to sue
- Mediation
- Acknowledgement of debt
- Evidence of indebtedness
- Statute barred debts
- Viability of debt recovery
- Availability of the debtor
- Enforcement and execution

- 16.5 **Debt recovery through legal suits**
- 16.5.1 **Institution of suit**
- Locus standi
  - Jurisdiction
  - Pleadings
  - Service of summons
- 16.5.2 **Hearings**
- Summary judgment
  - Attachment before judgment
  - Presentation of evidence
- 16.5.3 **Judgement and decree**
- Extraction of decree
  - Execution of decree
  - Attachment and sale of property
  - Attachment of debts
  - Garnishee orders
  - Committal to civil jail
- 16.6 **Alternative dispute resolution mechanisms**
- Negotiation
  - Conciliation
  - Meditation
  - Arbitration
- 16.7 **Bankruptcy**
- Meaning
  - Nature of bankruptcy
  - Alternatives to bankruptcy
  - Bankruptcy proceedings
  - Rights of creditors
  - Consequences of bankruptcy
  - Discharge of a bankrupt
- 16.8 **Dissolution of partnership**
- Break-up of a partnership
  - Effects of break-up
  - Restriction of ceasing to be a partner on or after break-up
  - Protection of property acquired after break-up
  - Winding up by partners
  - Distribution of partners assets on winding up
  - Dissolution of a partnership which has broken up
  - Power of court to appoint administrator
  - Order appointing provisional liquidator
  - Power of court to fix remuneration of receivers and managers
  - Appointment of a receiver as liquidator
  - Provisions relating to receiver or manager appointed
- 16.9 **Insolvency law**
- Meaning of insolvency
  - Receivership
  - Types of liquidation
  - Official receiver/liquidator
  - Committee inspection
  - Distribution of assets

- United Nations Commission on International Trade Law (UNCITRAL) legislative guide on insolvency law
- United Nations Commission on International Trade Law (UNCITRAL) model law on cross border insolvency
- World Bank principles and guidelines for effective insolvency and creditors rights system.

#### 16.10 **Emerging issues and trends**

## **PAPER NO.17 CORPORATE LENDING**

### **GENERAL OBJECTIVE**

This paper is intended to equip the candidate with the knowledge, skills and attitudes required for management of the corporate lending function.

#### **17.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

- Assess the creditworthiness of corporate customers
- Identify various risks associated with collateral
- Assess and manage credit risk
- Apply canons of lending in evaluating corporate customers
- Monitor and control lending
- Comply with professional ethics applicable in corporate lending

### **CONTENT**

#### **17.1 Types of corporate customers**

- Companies and groups of companies
- Multinational companies
- Partnerships
- Registered groups
- Trusts
- Not-for-profit organisations
- Parastatals and governments agencies
- County governments
- NGOs

#### **17.2 Corporate strategy and lending**

- Analytical models
- Analysis of corporate strategy in relation to lending
  - Financial strategy
  - Business strategy
  - Corporate goals
  - Competitive environment
  - Strategic alternatives

#### **17.3 Canons of lending**

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- Attributes of good lending
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- Ratio analysis
- Cash flows analysis
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## PAPER NO.18 CREDIT PRACTICE

### GENERAL OBJECTIVE

This paper is intended to equip the candidate with the knowledge, skills and attitudes required for the application of various credit management concepts in a practical scenario.

#### 18.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate sound technical knowledge in credit management
- Demonstrate diverse knowledge clearly applied in an analytical and practical manner in solving the problems in a case study
- Present appropriate alternate solutions in credit management and make effective judgement in a logical and rational manner
- Communicate effectively with realistic recommendations in a concise and logical manner
- Prepare a comprehensive credit report.

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#### 18.1 Credit portfolio risk management

- Definition of credit portfolio risk management
- Pre and post credit disbursement risks
- Measuring credit portfolio risk
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- Credit enhancement methods
- Credit portfolio segmentation and risk diversification
- Identifying concentrations of risk
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- Concentration management techniques
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- Impact of changes to the Basel Capital Adequacy framework on credit risk
- Key differences between regulatory capital (Under Basel framework) and economic capital
- Uses of economic capital and economic value added concepts in a bank
- Relationship between shareholder, regulatory and economic capital

#### 18.3 Corporate failure and financial distress

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- Indicators and early warning signs of corporate failure
- Reasons of corporate failure
- Use of statistical models in predicting corporate failure
- Comparison of corporate failure prediction models
- Strategies of Mitigating against Financial Distress and Corporate failure
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- Effects of credit terms on working capital management
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- Determination of working capital
- Strategies of improving working capital
- **Illustrative case studies on working capital and credit management**

**18.5 Delinquency management**

- Introduction to delinquency management
- Causes of delinquency management
- Delinquency classification
- Effects of delinquency in credit portfolio
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- Dealing with problem loan accounts: nature of problems and immediate action drill
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- **Case study on automation of receivables management function**

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