



**CPA
Certified Public Accountants
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- (a) The Accountants Act, No. 15 of 2008 (which repealed the Accountants Act, Cap 531 of 1977).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 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.

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

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

1.3.3 **Registration of Certified Public Secretaries Board (RCPSB)**

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

1.3.4 **Institute of Certified Investment and Financial Analysts (ICIFA)**

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

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

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

1.4 **Functions of kasneb**

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

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

2.0 EXAMINATIONS OF kasneb

kasneb offers the following examinations:

- 2.0.1 Certificate in Accounting and Management Skills (CAMS) Examination;** for persons who wish to qualify and work as entry level accounting and management personnel in small and medium enterprises, non-governmental organisations (NGOs), public sector entities and related areas.
- 2.0.2 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.
- 2.0.3 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.
- 2.0.4 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.
- 2.0.5 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.
- 2.0.6 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.
- 2.0.7 Accounting Technicians Diploma (ATD) Examination;** for persons who wish to qualify and work as middle level accountants providing technical support to professional accountants, auditors, tax practitioners and related areas.
- 2.0.8 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.
- 2.0.9 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.
- 2.0.10 Examination for holders of foreign accountancy qualifications (FAQs)**
In consultation with the Council of ICPAK under Section 26 Sub-Sections (2) and (3) of the Accountants Act, 2008, kasneb examines holders of foreign accountancy qualifications who have applied for registration as Certified Public Accountants (CPAs) of Kenya and they are required to demonstrate their knowledge of local law and practice.

2.0.11 Examination for holders of foreign secretaries qualifications (FSQs)

In consultation with the Council of ICS under Section 20 Sub-Sections (2) and (3) of the Certified Public Secretaries of Kenya Act, Cap 534, kasneb examines holders of foreign secretaries qualifications who have applied for registration as Certified Secretaries (CSs) of Kenya and they are required to demonstrate their knowledge of local law and practice.

2.0.12 Examination for holders of foreign investment and financial analysts qualifications (FIFAQs)

In consultation with the Council of ICIFA under Section 16 Sub-Sections (2) and (3) of the Investment and Financial Analysts Act, No. 13 of 2015, kasneb examines holders of foreign qualifications who have applied for registration as Certified Investment and Financial Analysts (CIFA) and they are required to demonstrate their knowledge of local law and practice.

2.1 Aims and Objectives of the Examinations of kasneb

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

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

2.2 The Certified Public Accountants (CPA) Examination

The CPA 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 CPA examination in a period not exceeding three years.

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The CPA examination is benchmarked on the international standards promulgated by International Accounting Education Standards Board (IAESB), International Accounting Standards Board (IASB), International Auditing and Assurance Standards Board (IAASB) and International Public Sector Accounting Standards Board (IPSASB). The CPA examination therefore meets the requirements of International Education Standards (IESs), International Financial Reporting Standards (IFRSs), International Standards on Auditing (ISAs) and International Public Sector Accounting Standards (IPSASs).

The IESs prescribe requirements relating to entry, professional training and practice as required by International Federation of Accountants (IFAC) for the qualification programme for professional accountants.

2.2.1 The Trainee Accountants Practical Experience Framework (TAPEF)

The TAPEF is a joint kasneb-ICPAK initiative for compliance with the requirements of IES 5 on practical experience requirements for trainee (student) accountants. Students taking the CPA examination are required to acquiring practical experience so that they can match progress in examination with competence in performance of duties in the work environment. IES 5 requires practical experience to be part of the pre-qualification programme. The minimum period of experience required is three years. The practical experience may be gained during or after the qualification process.

All CPA students are therefore required to register for TAPEF through the ICPAK website www.icpak.com. Upon completing the CPA examination and obtaining the requisite practical experience, the graduates are eligible to register with the Institute of Certified Public Accountants of Kenya (ICPAK) as full members in order to be recognised as professional accountants and use the CPA designation. CPA graduates without the requisite experience are eligible to be registered with ICPAK as associate members pending their acquisition of experience and registration as full members.

Further details on the TAPEF are available on the kasneb and ICPAK websites.

2.2.2 Aims of CPA Examination

The aims of CPA Examination include to:

- (a) Produce a professional accountant with up-to-date and advanced knowledge in the areas of accounting, taxation, auditing and assurance and financial management as applicable in both the public and private sectors.
- (b) Impart professional values and ethics, communication skills, creativity, innovation and ability to generate new ideas.
- (c) Provide a basis for the application of advanced knowledge in accounting and cognate subjects to different situations.

2.2.3 Aims of CPA Part I Examination

The aims of CPA Part I examination include to:

- (a) Produce an accountant who understands the principles relating to financial and management accounting, commercial law, economics, public finance and taxation.
- (b) Provide a basis for the accountant to apply the acquired knowledge to undertake the following, among other responsibilities:
 - Prepare and analyse basic financial statements
 - Analyse costs and variances
 - Compute tax for non-complex entities
 - Apply general principles of commercial law
 - Manage non-complex public financial management issues
- (c) Provide a basis for the accountant to advance to the next level of the CPA examination.

2.2.4 Aims of CPA Part II Examination

The aims of CPA Part II examination include to:

- (a) Produce an accountant who understands financial reporting, financial management, auditing and related disciplines.
- (b) Provide a basis for the accountant to apply the acquired knowledge to undertake the following, among other responsibilities:
 - Prepare group accounts
 - Evaluate various investment decision scenarios
 - Comply with legal principles governing companies
 - Execute an audit assignment
 - Apply operation research techniques in decision making
- (c) Provide a basis for the accountant to advance to the next level of the CPA examination.

2.2.5 Aims of CPA Part III Examination

The aims of CPA Part III examination include to:

- (a) Produce a high calibre professional accountant with an in-depth understanding of advanced financial reporting, advanced financial management, advanced taxation, advanced auditing and assurance and related disciplines.
- (b) Provide a basis for the accountant to apply the acquired knowledge to undertake the following, among other responsibilities:
 - Account for complex accounting transactions
 - Undertake forensic audits
 - Compute tax for complex aspects of companies and specialised entities
 - Design an optimal capital structure for an organisation

- Apply financial and non-financial indicators to measure organisational performance
 - Practice the tenets and principles of good governance
- (c) Ensure the professional is competent to be registered as a Certified Public Accountant of Kenya with high regard to professional values and ethics demanded of a professional accountant.

3.0 **EXAMINATION RULES AND REGULATIONS**

3.1 **Registration Requirements**

A person seeking to be registered as a student for the CPA 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 CPA 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 (2¹/₂) 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 CPA Part I examination before proceeding to the CPA Part II examination.
- 3.4.2 A candidate must attempt and pass the CPA Part II examination before proceeding to the CPA 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 CPA 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 CPA Part I examination by the end of the third year since registration.
 - 3.5.1.2 The CPA Part II examination by the end of the sixth year since registration.
 - 3.5.1.3 The CPA 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 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 PUBLIC ACCOUNTANTS (CPA) EXAMINATION SYLLABUS**

Part I

Section 1

Paper No. 1	Financial Accounting
Paper No. 2	Business Law
Paper No. 3	Entrepreneurship and Communication

Section 2

Paper No. 4	Economics
Paper No. 5	Management 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	Financial Reporting

Section 4

Paper No. 10	Auditing and Assurance
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	Advanced Management Accounting
Paper No. 15	Advanced Financial Management

Section 6

Paper No. 16	Advanced Public Finance and Taxation
Paper No. 17	Advanced Auditing and Assurance
Paper No. 18	Advanced Financial Reporting

PART I

SECTION 1

PAPER NO.1 FINANCIAL ACCOUNTING

GENERAL OBJECTIVE

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

1.0 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, 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

1.1 Introduction to accounting

- The nature and purpose of accounting
- Objectives of accounting
- Users of accounting information and their respective needs
- The accounting equation
- Regulatory framework of accounting (regulatory bodies such as ICPAK, IFAC, IASB, IPSASB, IAESB)
- Accounting standards (IASs/IFRSs) (importance and limitations)
- Professional ethics
- Accounting concepts/principles
- Qualities of useful accounting information

1.2 Recording transactions

- Source documents: quotations, purchase orders, statement of account, remittance advice, receipts, petty cash vouchers, sales and purchase invoice, credit notes and debit notes, bank statements
- Books of original entry: sales journal, purchases journal, returns inwards journal, returns outward journal, cash book, petty cash book and general journal
- Double entry and the ledger; use of T- accounts and double entry aspects (debit and credit), sales ledger and purchases ledger
- The trial balance
- Computerised accounting systems - role of computers, application and accounting softwares in the accounting process, benefits and challenges of operating computerised accounting systems

1.3 **Accounting for assets and liabilities**

1.3.1 **Assets**

- Property, plant and equipment – recognition, capital and revenue expenditure, measurement (depreciation and revaluation), disposal and disclosures, property, plant and equipment schedule
- Intangible assets – recognition, measurement (amortisation, impairment and revaluation), disposals and disclosures
- Financial assets – examples and risks only
- Inventory – recognition, measurement and valuation using specific cost method, FIFO and weighted average cost only
- Trade receivables – bad debts and allowance for doubtful debts and receivables control accounts
- Accrued income and prepaid expenses
- Cash at bank – cash book and bank reconciliation statement
- Cash in hand – cash book and petty cash books

1.3.2 **Liabilities**

- Bank overdraft – cash book and bank reconciliation statement
- Trade payables – control accounts
- Loans – accounting treatment of repayment of principal and interest
- Prepaid incomes and accrued expenses

1.4 Correction of errors and suspense account

1.5 **Financial statements of a sole trader**

- Income statement
- Statement of financial position

1.6 **Financial statements of a partnership**

- Partnership agreement
- Introduction to partnership accounts
- Distinction between current and fixed capital
- Income statement
- Statement of financial position
- Changes in partnership – admission of a new partner, retirement, death and change in profit sharing ratio

1.7 **Financial statements of a company**

- Types of share capital – ordinary shares and preference shares
- Issue of shares (exclude issue by instalment and forfeiture)
- Types of reserves – share premium, revaluation reserve, general reserves and retained profits
- Income tax - accounting treatment and presentation (exclude computation)
- Financial statements – income statement and statement of financial position
- Published financial statements (describe a complete set of published financial statements but not preparation)

- 1.8 Financial statements of a manufacturing entity**
- Features of a manufacturing entity
 - Classification and apportioning costs between manufacturing, selling and administration
 - Financial statements – manufacturing account, income statement and statement of financial position
- 1.9 Accounts from incomplete records**
- Features
 - Types of incomplete records (pure single entry, simple single entry, quasi single entry)
 - Ascertainment of profit by capital comparison
 - Preparation of statement of affairs and profit determination
 - Techniques of obtaining complete accounting information
- 1.10 Financial statements of a not for profit organisation**
- Distinction between not for profit making organisation and profit making organisation
 - Nature of receipts and payments account
 - Accounting treatment of some special items
 - Income and expenditure account
 - Statement of financial position
- 1.11 Analysing financial statements**
- Statement of cash flows (categories of cash, methods of preparing statement of cash flows and the importance)
 - Financial ratios – definition, categories, analysis and interpretation, application and limitations
- 1.12 Introduction to Public Sector Accounting**
- Features of public sector entities (as compared to private sector)
 - Structure of the public sector (National and county governments, state corporations and other agencies)
 - Regulatory structures and oversight [IPSASB, PSASB (establishment, mandate and functions), Director of Accounting Services, National Treasury, Parliamentary Committees, Accounting Officers at national and county levels]
 - Objectives of public sector financial statements
 - Objectives of IPSAS
 - Accounting techniques in public sector (budgeting, cash, accrual, commitment and fund)
(Preparation of financial statements excluded)
- 1.13 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

Certified Public Accountants (CPA) Examination Syllabus – July 2018

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 MANAGEMENT ACCOUNTING

GENERAL OBJECTIVE

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

5.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

5.1 Nature and purpose of cost and management accounting

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

5.2 Cost classification

- Definition and purpose of cost classification
- Methods of cost classification: by nature/elements of manufacturing costs; functional classification; behavioural classification; controllability; time; financial accounting; identification with inventory; for decision making

5.3 Cost estimation

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

5.4 Accounting, for material, labour and overheads

- Accounting for materials and inventory; material cost records, purchasing procedures, receipt and issues of material, methods of valuing material issues, inventory control procedures; economic order quantity (EOQ) and economic batch quantity(EBQ) models and back flush
- Accounting for labour: Methods of labour remuneration, labour control procedures, maintenance of labour records
- Accounting for overheads: Types of overheads, manufacturing, distribution and administration, service departmental cost allocation and apportionment, overheads analysis, overhead absorption rates, over or under absorption

5.5 **Cost bookkeeping**

- The flow of costs in a business enterprise
- Cost bookkeeping- interlocking and integrated ledger systems

5.6 **Costing methods**

- Job order costing
- Batch costing
- Process costing (including work in progress; joint and by-products)
- Service costing
- Unit costing

5.7 **Marginal and absorption costing**

- Distinction between marginal and absorption costing
- Valuation of products under marginal and absorption costing
- Preparation of marginal and absorption statements; cost of production and profit determination
- Applications of marginal costing: break-even analysis and charts (single product)
- Simplified decision problems; accept or reject, special order, dropping a product, make or buy
- Operating statements

5.8 **Activity based costing**

- Meaning of ABC
- Types of activities
- Overhead absorption rates
- Incomes statement

5.9 **Budgeting and budgetary control**

- Nature and purposes of budgets
- Preparation of budgets; master budgets, functional (department budgets, cash budgets), proforma financial reports (income statements and balance sheets)
- Purpose of budgetary control; operation of a budgetary control system, organisation and coordination of the budgeting function
- Distinction between budgeting and budgetary control in the private and public sectors

5.10 **Standard costing**

- Types of standards
- Principles of setting standards
- Standard cost card
- Behavioural aspects of standard costing
- Generation of standard cost information
- Materials, labour and overheads variances; price ,efficiency mix and yield variances

5.11 **Cost management**

- Value chain-research and development; design; production; marketing distribution; customer care
- Just in time (JIT)
- Use of computers in costing; job costing, inventory management, labour costing, cost centre analysis, coding, budgeting and decision making

5.12 **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/presumptive 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 financing
- Types 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 FINANCIAL REPORTING

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to prepare financial statements for various entities and account for specialised transactions in both the public and private sectors.

9.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Account for various assets and liabilities
- Prepare financial statements including published financial statements for various types of organisations
- Account for specialised transactions
- Prepare group financial statements
- Analyze and interpret financial statements
- Apply International Financial Reporting Standards (IFRSs) and International Public Sector Accounting Standards (IPSASs) in preparing non-complex financial statements.

CONTENT

9.1 Assets of financial statements

- Assets and liabilities covered in Paper No. 1: Financial Accounting still examinable (in the context of published financial statements)
- Inventories
- Borrowing costs
- Investment property
- Financial Instruments (presentation, recognition, classes, measurement, de-recognition and disclosures) (excluding impairment, hedging and embedded derivatives)
- Leases (all aspects including dealers and sale and leaseback)

9.2 Liabilities of financial statements

- Employee benefits
- Provisions, contingent liabilities and contingent assets
- Income tax (current and deferred tax but not deferred tax in the case of groups)
- Events after reporting date

9.3 Further aspects of partnerships

- Dissolutions (including piece-meal)
- Amalgamation Conversion and sale of partnership firms

9.4 Special transactions

- Revenue recognition
- Contracts with customers
- Hire purchase and installment sales transactions (split of hire purchase profit into interest and gross profit and using actuarial method and sum of digits to account for interest); sale of goods, construction contracts and real estate, provision of services
- Government grants

9.5 **Financial statements for various types of businesses**

- Inventory and biological assets in agriculture
- Insurance
- Banks
- Professional firms (lawyers and accountants)
- Accounting for branches including foreign branches
- Co-operative societies

9.6 **Published financial statements**

- Presentation of financial statements (income statement, statement of comprehensive incomes, statement of changes in equity, statement of financial position and the notes to financial statements)
- Accounting policies, changes in accounting estimates and errors (prior period errors)
- Fair value measurement

9.7 **Consolidated financial statements**

- Accounting for one subsidiary (consolidated income statement, consolidated statement of financial position and a statement of cash flows – group financial statements); consolidated statement of cash flows also covers associate companies and jointly controlled entities but excludes acquisition and disposal of subsidiaries during the year
- Investments in associates and joint ventures

9.8 **Financial statements under IPSASs**

[Provisions of the following IPSASs (emphasis on distinctions with equivalent IASs/IFRSs)]

- Presentation of financial statements
- Accounting policies, changes in accounting estimates and errors
- Borrowing costs
- Consolidated and separate financial statements
- Investments in associates
- Interests in joint ventures
- Events after the reporting date
- Construction contracts, leases and inventories
- Provisions, contingent liabilities and contingent assets

9.9 **Emerging issues and trends**

SECTION 4

PAPER NO.10 AUDITING AND ASSURANCE

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to conduct the audit of an entity.

10.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Describe the nature and purpose of auditing
- Describe the regulatory framework governing the external audit of financial statements, including an understanding of International Standards of Auditing where appropriate and Professional Ethics and codes of conduct
- Describe the rights, duties and professional obligations of an auditor
- Explain the process of planning an audit and the necessity for an appropriate audit programme taking into account audit evidence and audit risk (excluding group accounts)
- Explain the risk based approach to audit of limited companies; describe the audit evidence required in specified situations
- Describe the audit work required at the final review and report stage of an audit
- Explain the role of internal audit.

CONTENT

10.1 Assurance and non- assurance engagements

- Definition and objectives
- Elements of an assurance engagement
- Types of assurance engagements
- Levels of assurance and reports
- Non-assurance engagements

10.2 Nature and purpose of an audit

- Nature and objectives
- Audit as an assurance engagement
- Development of audit (early audit and modern audit)
- Types of audit and limitations

10.3 Audit legal and professional framework

- Regulatory framework within which external audits take place
- Statutory regulations; auditors' liability, appointment, removal, remuneration, resignation, rights and duties of auditors
- International standards on auditing and other regulations
- Professional ethics/code of ethics for professional accountants
- Fundamental principles, threats and safeguards; other professional guidelines on audit fees, conflict of interest, advertising and opinion shopping

10.4 **Planning and risk assessment**

- Obtaining ,accepting and retention of an audit engagement
- Assessing audit risks
- Understanding the entity and its environment
- Audit planning, audit strategy, audit programmes and documentation
- Assessing audit risks
- Fraud, laws and regulation

10.5 **Overview of forensic accounting**

- Nature, purpose and scope of forensic accounting
- Types of forensic investigations: corruption, asset misappropriation, financial statement fraud, others
- Fraud prevention and deterrence

10.6 **Internal control systems**

- Internal controls theory and practice
- The use and evaluation of internal control systems by auditors
- Tests of controls on specific control environment
- Communication on internal control systems (management letter)
- Information technology threats and control

10.7 **Audit evidence**

- Financial statement assertions and audit evidence
- Audit evidence procedures/techniques
- Audit sampling and other means of testing
- The audit of specific items (income/expenses/assets/liabilities)
- Using the work of others (internal audit and experts)
- Computer assisted audit techniques

10.8 **Overall audit review**

- Subsequent events review
- Going concern review
- Contingencies and commitments
- Management representations
- Quality control and reviews
- Audit investigations

10.9 **Audit reports**

- Legal provisions on audit reports
- Basic elements and key audit matters
- Types of audit reports and different aspect of reporting
- Features of audit reports

10.10 **Auditing in the public sector**

- Introduction to auditing in the public sector; regulatory provisions
- Framework of public sector audit
- Objective and scope of public sector audit
- Categories of public sector audit (compliance audit, performance, financial)

- Audit report of the auditor general
- Role of internal audit function in public entities
- Relationship between external and internal auditors in the public sector
- International Standards on Supreme Auditing Institutions

10.11 **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

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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

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 ADVANCED MANAGEMENT ACCOUNTING

GENERAL OBJECTIVE

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

14.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Use cost estimation data in decision making
- Apply inventory management techniques to decision making
- Use financial and non-financial indicators to measure organisational performance
- Apply environmental management accounting concepts in practice.

CONTENT

14.1 Nature of management accounting

- Introduction to advanced management accounting
- Scope of management accounting
- Limitations of management accounting
- Ethical standards of management accountants

14.2 Decision theory

- Decision process
- Decision making environment – certainty, risk, uncertainty and competition
- Decision making under uncertainty - maximin, maximax, minimax regret, Hurwicz decision rule, Laplace decision rule
- Decision making under risk - expected monetary value, expected opportunity loss, minimising risk using coefficient of variation, expected value of perfect information
- Decision trees - sequential decision, expected value of sample information
- Limitations of expected monetary value criteria

14.3 Cost estimation and forecasting

- An overview of the methods of cost estimation and prediction; engineering, simulation and statistical methods, simple and multiple regressions, the statistical properties of regression
- Interpretation of ANOVA tables
- Learning curve and its application

14.4 Inventory control decisions

- Cost of holding and ordering inventory
- Stochastic inventory models
- Inventory models for perishable items
- Application of simulation models in inventory control

14.5 Pricing decisions

- External pricing methods
- Internal pricing methods (transfer pricing)
- Target costing
- Life cycle costing

14.6 Short-term planning and decision-making

- Overview of single product and multiple product cost-volume-profit analysis under conditions of certainty
- Single product and multiple product cost-volume-profit analysis under conditions of uncertainty
- Risk assessment
- Application of marginal costing: product mix decisions, special orders, make or buy decision, pricing decisions and other similar short-run decisions, relevant information in decision making

14.7 Budgetary control and advanced variance analysis

- Flexible and static budget, purpose of budgetary control; operation of a budgetary control system, organisation and coordination of the budgeting function
- Human aspects (motivational aspects) of budgeting, emerging trends in budgetary control; ERPS, ABB, ZBB, program budgeting
- Advanced variance analysis and performance evaluation; expost variances and opportunity costs in variances
- Variance investigation models

14.8 Performance measurement and evaluation

- Linkage between performance measurement and organisational vision
- Responsibility accounting and responsibility centres, segmented reporting
- Distinction between financial performance measures and non-financial performance measures
- Cost of information
- Methods of evaluating responsibility centre performance such as return on investment (ROI), residual income (RI) and economic value added (EVA) (importance and limitations of the methods)
- Other financial/non-financial performance measures: balanced scorecard, performance pyramid, Fitzgerald and Moon's building block model, performance prism
- Managerial incentive schemes
- Performance contracting
- Performance measures in the service industry

14.9 Environmental management accounting

- Role of accountants in environmental management accounting
- Using environmental management accounting to manage costs
- Opportunities for environmental awareness in management accounting

14.10 Emerging issues and trends

PAPER NO.15 ADVANCED FINANCIAL MANAGEMENT

GENERAL OBJECTIVE

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

15.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Evaluate advanced capital budgeting decisions
- Design an optimal capital structure for an organisation
- Predict corporate failure
- Apply derivatives in financial risk management
- Apply financial management skills in the public sector
- Understand concepts of corporate restructuring and re-organisation
- Apply valuation techniques in real estate finance

CONTENT

15.1 Advanced capital budgeting decision

- Incorporating risk/uncertainty in capital investment decisions
- Nature and measurement of risk and uncertainty
- Techniques of handling risk: sensitivity analysis, scenario analysis, decision trees, simulation analysis, utility analysis, risk adjusted discounting rate(radr) and certainty equivalent method
- Incorporating capital rationing in capital investment appraisal
- Incorporating inflation in capital investment appraisal
- Evaluation of projects of unequal lives
- The real options-strategic investment option, timing option, abandonment option and the replacement option
- Common capital budgeting pitfalls

15.2 Portfolio theory and analysis:

- The modern portfolio theory: background of the theory; portfolio expected return; the actual and weighted portfolio risk; derivation of efficient sets; the capital market line (CML) model and its applications, the mean variance dominance rule; shortcomings of portfolio theory
- Capital Asset Pricing Model-CAPM : background of the theory; assumptions; beta estimation - beta coefficient of an individual asset and that of a portfolio and the interpretation of the result; security market line(SML) model and its applications; conceptual differences between portfolio theory and capital asset pricing model
- Shortcomings of the capital asset pricing model
- The Arbitrage pricing model (APM) and other multifactor models: background of the theory; conceptual differences between the Capital asset pricing model and the Arbitrage pricing model; application of the Arbitrage pricing model, shortcomings of Arbitrage pricing model; Pastor Stambaugh model
- Evaluation of portfolio performance: Treynor's measure, Sharpe's measure, Jensen's measure, appraisal ratio measure, information ratio, Modigliani and Modigliani (M^2)

15.3 **Advanced financing decision**

- The nature of financing decision, principle objectives of making financing decision
- Overview of cost of capital: meaning and relevance of cost of capital: the firm's overall cost of capital; weighted average cost of capital (WACC) and weighted marginal cost of capital (WMCC) ; analysis of breakpoints in weighted marginal cost of capital schedule
- Capital structure theories: nature of capital structure and factors influencing the firm's capital structure; traditional theories of capital structure - assumptions of the theories, Net income theory and Net operating income theory; Franco Modigliani and Merton Miller's propositions - MM without taxes, MM with corporation taxes, MM with corporation and personal tax rates and MM with taxes and financial distress costs; other theories of capital structure; the pecking order theory and Trade-off theory determination of the firm's optimal capital structure using the Hamada model, CAPM and WACC
- Special topics in financing decision: analysis of operating profit (EBIT)/EPS at point of indifference in firm's earnings; establishing the range of operating profit within which each financing option; leverage and risk; operating leverage and operating risk, financial leverage and financial risk, combined leverage and total risk; quantifying leverage using the degree of operating leverage, degree of financial leverage and degree of combined leverage
- Long term financing decisions; bond refinancing decision, lease-buy evaluation and the rights issues
- Impact of financing on investment decisions - the concept of adjusted present value (APV)

15.4 **Mergers and acquisitions**

- Nature of mergers and acquisitions
- Reasons of mergers and acquisitions
- Acquisition and Mergers verses organic growth
- Valuation of acquisitions and mergers
- Prediction of a takeover target
- Defence tactics against hostile takeovers
- Financing of mergers and acquisitions
- Analysis of combined operating profit (EBIT) and post-acquisition earning per share at the point of indifference in firms earnings under various financing options.
- Determination of range of combined operating profit.
- Regulatory frame work for mergers and acquisitions
- Reasons why there are failed mergers and acquisitions
- Mergers and acquisitions in a global context

15.5 **Corporate restructuring and re-organisation**

- Background on restructuring and re organisation
- Indicators/symptoms of restructuring
- Considerations in designing an appropriate restructuring programme

- Financial reconstruction: forms of financial reconstruction; impact of financial reconstruction on share price; impact of financial reconstruction on the weighted Average cost of capital (WACC)
- Portfolio reconstruction: various ways of unbundling a firm: divestment, de-merger, spin-off, liquidation, sell-offs, equity carve outs, strategic alliances, management buyout, leveraged buyouts and the management buy-ins.
- The relevance of the various forms of portfolio reconstruction
- Organisational reconstruction: The nature and benefits of this form of restructuring; models of predicting corporate failure; Multiple discriminant analysis (Z-Score model), Beaver failure ratio, Argenti model, Taffler's model
- Causes of financial distress
- Forms of financial distress and solutions to financial distress

15.6 Derivatives in financial risk management

- The meaning, nature and importance of derivative instruments: futures, forwards, options and swaps
- Pricing and valuations of derivatives: futures, forwards, options and swaps
- Types of risks: operational risks, political risks, economic risks, fiscal risks, regulatory risks, currency risks and interest rate risks
- Foreign currency risk management: Types of forex risks, hedging currency risks, forward contracts, money market hedge, currency options, currency futures and currency swaps
- Interest rate risks: Term structure of interest rates, forward rate agreement, interest rate futures, interest rate swaps, interest rate options

15.7 International financial management

- International investments
- International financial markets
- International financial institutions
- Methods of financing international trade
- International parity conditions: Interest rate parity, purchasing power parity and International fisher effect
- International arbitrage: locational arbitrage, triangular arbitrage and covered interest arbitrage
- Divided policy for multinationals
- International debt instruments: International bonds (euro bond), certificate of deposits, securitisation of loans, commercial paper
- Availability and timing of remittances
- Transfer pricing: impact on taxes and dividends

15.8 Real estate finance

- Overview of real estate business - nature of real estate business, legal and economic framework and participants in real estate business in Kenya
- Valuation approaches (income, cost and sales comparison approaches)
- REITS: types; advantages and disadvantages; valuation: net asset value per share (NAVPS); use of funds from operations (FFO), adjusted funds from operations (AFFO) in REIT valuation

- Instruments of real estate financing - mortgages, lien, title, mortgage requirements and mortgage clauses
- Rights in case of debt - default and its consequence, equity of redemption, foreclosure, statutory redemptions
- Mortgage and financial markets: demand for funds in mortgage market, disintermediation effects, primary and secondary mortgage market, mortgage market and cost of money, role of central bank and the role of government in mortgage markets
- Savings and loan association - classification, state accounts, insurers. Mortgage backed bonds and services

15.9 **Emerging issues and trends**

PAPER NO.16 ADVANCED 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 address advanced public finance and taxation matters in public and private sector entities.

16.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Design a tax policy
- Compute tax for complex aspects of companies and specialised entities
- Apply tax laws in mitigating tax costs for various tax payers
- Analyse the taxation issues associated with international transactions
- Apply advanced public financial management principles in practice

CONTENT

16.1 External resource financing

- Establishment of External Resource Department in the National Treasury
- Role played by External Resource Department in raising of external finances
- Book keeping and management of donor funds
- Regulation of grants administration
- Monitoring of public projects through clients connections and EPROMIS
- Development partners and contractual agreements

16.2 Public Investments

- Establishment of government investment departments
- Mandate of government investment departments
- Establishment of State Corporations (State Corporation Act Cap 446)
- Role of Public Investments Board; KenInvest
- Other players in public investment

16.3 Public Private Partnerships arrangements

- PPP models
- PPP parties, (PPP committee, PPP unit, contracting authority, PPP nodes, transactional advisor)
- Contract/project agreements, guidelines and standards
- Composition and role of PPP petition committee
- Establishment and role of PPP project facilitation fund
- PPP projects in the country- case study

16.4 Public debt management

- Establishment of debt management office
- Objectives of debt management in public sector
- Sources of public debt in Kenya
- Debt management strategy paper
- Relationship between debt management and budget process
- Debt sustainability analysis

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- Comparative study of debt management strategy in East Africa Community
- Management of debts by county governments and other public entities
- Role of Cabinet Secretary of the National Treasury in public debt management

16.5 **Advanced aspects of the taxation of business income**

- Conversion of partnerships into liability companies, and incorporation of incoming and retiring partners during the year
- Limited companies, including holding companies, taxation of related parties
- Charitable institutions
- Leasing entities
- Co-operative societies
- Trade associations and clubs

Taxation of extractive industries

- Banking, insurance, sea and air transport undertakings
- Unit trusts
- Real estate investment trusts (REITS)
- Property developers and contractors
- Application of relevant case law

16.6 **Tax administration and investigations**

Investigations and enforcement department

- Tax fraud
- Events which may trigger an investigation
- Tax investigation
- Back duty and in-depth examinations
- VAT computation, imported services, VAT withholding agents, restriction on input tax claim submission of VAT documents, VAT documentation refunds, false claims and accountant's certificate
- Compensating tax
- Incorrect and fraudulent returns
- Customs and excise investigations
- Negotiation for settlement
- Tax audit
- Appellant bodies and appeal procedures
- Alternative dispute resolution mechanism
- Application of relevant case law

16.7 **Taxation of cross border activities**

- Distinction between trading in and trading with a country; double taxation agreements; theory, design and application
- Regional perspective with reference to the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA)
- Most favoured nation status
- Generalised system of preference and AGOA
- Withholding tax provisions
- Tax havens and treaty shopping
- Tax information exchange agreements OECD
- Transfer pricing
- Application of relevant case law

16.8 Tax planning

- Tax planning for individuals
- Identifying opportunities to alleviate, mitigate or defer the impact of direct or indirect taxation
- Evaluating remuneration packages
- Tax avoidance and anti-avoidance provisions
- Uses of tax incentives
- Disposal of business operations and restructuring of activities
- SEZA
- Tax risks

16.9 Tax systems and policies

- Types of tax systems
- Role of taxation in economic development
- Design of a tax policy
- Criteria for evaluation of a tax system
- Tax reforms and modernisation of tax systems under various Acts
- KRA structure – LTO, MTO

16.10 Professional practice in taxation

- Forms of tax practice and matters relating thereto
- Matters relating to new clients
- Handling of client work
- Disclosures in tax returns, computations and correspondence with the Revenue Authority
- Moral and ethical issues in taxation
- Tax agents, appointment, obligations, professional liability
- Cancellation of tax agents licence
- Role of tax agents in appeals procedure
- Tax health check,

16.11 Emerging issues and trends

PAPER NO. 17 ADVANCED AUDITING AND ASSURANCE

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to undertake advanced audit and assurance engagements in compliance with regulatory frameworks and international auditing standards.

17.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply international standards in auditing and assurance engagements
- Analyse the responsibility of the auditor in audit strategy and audit plan
- Gain the knowledge of audit consideration during the audit of consolidated financial statements
- Know the concept of due diligence, investigation and forensic audit
- Determine and apply knowledge of reporting in professional practice
- Understand and explain the concept of compliance audit, performance audit and comprehensive audit in relation to the Auditor General

CONTENT

17.1 Assurance and non-assurance

- The concept of assurance and non-assurance engagements
- Agreed upon procedures
- Compilation engagements
- Assurance reports

17.2 Audit framework and regulations

- Objective and general principles
- Legal framework
- International, regulatory framework for audit and assurance services
- Auditors' professional liability and legal responsibilities

17.3 Professional and ethical considerations

- Code of ethics for professional accountants
- Fundamental principles, threats and safeguards
- Advertising, publicity, obtaining professional work and fees and money laundering
- Professional skepticism (in the context of errors and fraud)

17.4 Management of audit practice

- Client acceptance and retention
- Tendering for audit services
- Professional appointments
- Planning, materiality and assessing risk of misstatement (audit risk)
- Methods and techniques of auditing high risk areas
- Use and evaluation of internal control system by auditors
- Preparation of audit working papers

17.5 **Audit evaluation and reviews**

- Financial statement assertions and audit procedures
- Subsequent events
- Going concern
- Related parties management representation
- Group audit/joint/component audit
- Analytical review
- The company audit
- Audit of consolidated financial statements
- Audit of banks and non banking financial institutions
- Audit of general insurance companies
- Audit of cooperatives societies
- Audit under taxation laws
- Other special audit assignments

17.6 **Audit related assurance services**

- Prospective financial information,
- Investigations and due diligence
- Special audit assignments (social and environment audit)
- Audit committee and corporate governance
- Operations and internal audit management
- Audit under computerised information systems
- Audit of public sector undertakings

17.7 **Forensic accounting**

- Conduct of forensic investigations: accepting the investigation, planning, evidence gathering, reporting
- Rules of evidence in court proceedings
- Regulations and standards on forensic accounting
- Applicable codes of ethics

17.8 **Audit clearance and reporting**

- Quality control and peer review
- Reports to those charged with governance
- Reporting on compliance and other information (Chairman's statement and directors report)
- Auditors report on financial statements

17.9 **Emerging issues and trends**

PAPER NO. 18 ADVANCED FINANCIAL REPORTING

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her account for complex accounting transactions and prepare advanced financial reports.

18.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Prepare financial statements for subsidiaries, associates and jointly controlled entities in compliance with International Financial Reporting Standards (IFRSs) and International Public Sector Accounting Standards (IPSASs) as applicable
- Analyse financial statements for public and private sector entities
- Account for complex accounting transactions
- Apply ethical standards in accountancy work and practice

CONTENT

18.1 Framework for preparation and presentation of financial statement

- Importance of the accounting framework
- Steps in developing international financial reporting interpretations by IFRIC (excluding detailed IFRICS)
- Ethical and legal issues in financial reporting

18.2 Assets and liabilities

- Inventories
- Non-current assets held for sale and discontinued operations
- Impairment of assets
- Exploration for and evaluation of mineral resources
- Income taxes - including group aspects
- Share based payments
- Employee benefits with emphasis on post-employment benefits

18.3 Preparing financial statements and other reports

- Published financial statements (including group statement of cash flows where a subsidiary is acquired or sold during the year)
- Interim financial statements
- Financial statements of pension schemes/retirement benefit plans
- Operating segment reports
- Earnings per share
- IFRS for small and medium sized entities
- Related parties disclosures
- Effects of inflation and hyper inflationary economies (exclude inflation adjusted financial statements)
- Business combinations and corporate restructuring
- Management commentary (management discussion and analysis)
- Integrated reporting

18.4 **Accounting and reporting of financial instruments**

- Nature and scope of financial instruments
- Equity and financial liabilities
- Recognition and de-recognition of financial instruments
- Hedge accounting
- Other disclosures

18.5 **Consolidated and separate financial statements**

- Accounting for subsidiaries including piece-meal acquisitions, several subsidiaries and sub-subsidiaries
- Investments in associates and jointly controlled arrangements
- Foreign entities (subsidiary, associate and jointly controlled entities)
- Disposal of investment in subsidiary (partial and full disposal)

18.6 **Public sector accounting**

Provisions of the following IPSASs (emphasis on distinctions with equivalent IASs/IFRSs)

- Effects of changes in foreign exchange rates
- Revenue from exchange and non-exchange transactions
- Hyperinflationary economies (ignore inflation adjusted financial statements)
- Segment reports
- Related party disclosures
- Impairment of cash generating and non-cash generating assets
- Disclosure of information about the general government sector

18.7 **Current trends**

- Reporting on corporate social responsibility
- Reporting on environmental matters
- Corporate governance reports (Directors reports and Chairman's statements contents only)
- Sustainability reporting

18.8 **Emerging issues and trends**