



**DCM**  
**Diploma in Credit Management**  
**Examination Syllabus**

**August 2018**

## TABLE OF CONTENTS

	Page
1.0 Background Information about kasneb	i
2.0 Examinations of kasneb	iii
3.0 Examination Rules and Regulations	vi
4.0 Summary of the DCM Examination Syllabus	xi

### LEVEL I

Paper No. 1	Fundamentals of Credit Management	1
Paper No. 2	Principles of Business Law	4
Paper No. 3	Entrepreneurship and Communication	7
Paper No. 4	Information Communication Technology	10

### LEVEL II

Paper No. 5	Credit Management	13
Paper No. 6	Principles of Management	15
Paper No. 7	Business Mathematics and Statistics	17
Paper No. 8	Law Governing Credit Practice	19

### LEVEL III

Paper No. 9	Marketing and Customer Relations	21
Paper No. 10	Foundations of Accounting	23
Paper No. 11	Principles of Public Finance and Taxation	25
Paper No.12	Practice of Credit Management	28

## 1.0 **BACKGROUND INFORMATION ABOUT kasneb**

### 1.1 **Historical Background of kasneb**

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

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

### 1.2 **Legal Foundation and Status of kasneb**

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

- (a) The Accountants Act, No. 15 of 2008 (which repealed the Accountants Act, Cap 531 of 1977).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

### 1.3 **Partner Institutions**

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

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

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

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

#### 1.3.3 **Institute of Certified Secretaries (ICS)**

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

#### 1.3.4 **Registration of Certified Public Secretaries Board (RCPSB)**

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

#### 1.3.5 **Institute of Certified Investment and Financial Analysts (ICIFA)**

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

### 1.4 **Functions of kasneb**

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

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

## 2.0 EXAMINATIONS OF kasneb

kasneb offers the following examinations:

- 2.0.1 **Certificate in Accounting and Management Skills (CAMS) Examination;** for persons who wish to qualify and work as entry level accounting and management personnel in small and medium enterprises, non-governmental organisations (NGOs), public sector entities and related areas.
- 2.0.2 **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.
- 2.0.3 **Accounting Technicians Diploma (ATD) Examination;** for persons who wish to qualify and work as middle level accountants providing technical support to professional accountants, auditors, tax practitioners and related specialisations.
- 2.0.4 **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.
- 2.0.5 **Certified Public Accountants (CPA) Examination;** for persons who wish to qualify and work or practice as professional accountants, auditors, finance managers, tax managers and consultants in related areas in both public and private sectors.
- 2.0.6 **Certified Secretaries (CS) Examination;** for persons who wish to qualify and work or practice as corporate secretaries, administrators at county and national levels and consultants in governance, compliance, business management and related areas in both public and private sectors.
- 2.0.7 **Certified Information Communication Technologists (CICT) Examination;** for persons who wish to qualify and work or practice as information and communication technology (ICT) professionals in various areas including systems development, programming, database management, network administration, mobile applications and software engineering.
- 2.0.8 **Certified Investment and Financial Analysts (CIFA) Examination;** for persons who wish to qualify and work or practice as investment and securities analysts, financial analysts, portfolio managers, investment bankers, fund managers and related specialisations.
- 2.0.9 **Certified Credit Professionals (CCP) Examination;** for persons who wish to qualify and work or practice in various fields of credit management including credit analysis, debt management and recovery, corporate lending and related areas in both formal and informal sectors.
- 2.0.10 **Examination for holders of foreign accountancy qualifications (FAQs)**  
In consultation with the Council of ICPAK under Section 26 Sub-Sections (2) and (3) of the Accountants Act, 2008, kasneb examines holders of foreign accountancy qualifications who have applied for registration as Certified Public Accountants (CPAs) of Kenya and they are required to demonstrate their knowledge of local law and practice.

### 2.0.11 Examination for holders of foreign secretaries qualifications (FSQs)

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

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

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

## 2.1 Aims and Objectives of the Examinations of kasneb

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

- (a) Competent professionals who are able to make sound decisions in credit management in both formal and informal sectors.
- (b) Qualified accountants, auditors and tax practitioners with competency to present, analyse and interpret financial information for both public and private sector entities in oral and written forms.
- (c) Qualified corporate secretaries capable of advising on matters relating to corporate secretarial practice, governance, ethics, compliance and administration including at national and county levels.
- (d) Information communication technology professionals who are capable of designing, developing, implementing, maintaining and safeguarding modern information systems.
- (e) Competent professionals with the ability to analyse and advise on matters relating to investments, securities and other areas of finance.
- (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 Diploma in Credit Management (DCM) Examination

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

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

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

#### **2.2.1 Aim of DCM Examination**

To equip the candidate with the competencies required to manage credit functions in a range of business environment and to provide the candidate with a basis for further progression in the credit profession.

#### **2.2.2 Aims of DCM Level I Examination**

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

- (a) Undertake basic credit management operations.
- (b) Comply with the regulations governing business operations.
- (c) Communicate effectively in the workplace.
- (d) Provide a basis for further progression to DCM Level II.

#### **2.2.3 Aims of DCM Level II Examination**

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

- (a) Undertake credit assessments on individuals and businesses.
- (b) Comply with the regulations governing credit practice.
- (c) Apply the principles of management in credit management.
- (d) Provide a basis for further progression to DCM Level II.

#### **2.2.4 Aims of DCM Level III Examination**

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

- (a) Prepare financial statements for non-complex entities.
- (b) Apply the principles of public finance and taxation in practice.
- (c) Apply the principles of credit management in practical scenarios.
- (d) Provide a basis for entry into the professional examinations.

## 3.0 EXAMINATION RULES AND REGULATIONS

### 3.1 Registration Requirements

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

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

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

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

### 3.2 Exemptions

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

### 3.3 Retention of Credits

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

- 3.3.1 The candidate must enter and attempt all the papers in a level unless the candidate is exempted from some papers in the level or has earned credits in previous attempts.
- 3.3.2 A candidate who is awarded one or more credits in a level must enter and pass the failed paper(s) in the level within two and a half (2<sup>1</sup>/<sub>2</sub>) years or five (5) consecutive sittings failure to which the candidate will be required to resit all the papers in the level.

### 3.4 Progression Rule

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

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

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



- 3.5.1.1 The DCM Level I examination by the end of the second year since registration.
  - 3.5.1.2 The DCM Level II examination by the end of the fourth year since registration.
  - 3.5.1.3 The DCM Level III examination by the end of the sixth year since registration.
- 3.5.2 kasneb reserves the right to cancel the registration of a student who fails to complete the DCM 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, No.15 of 2008 under Section 17 (1)(e) to investigate and determine cases involving indiscipline by students registered with kasneb. Section 42 of the Act further defines examination offences that are punishable under the law and the applicable penalties.
- 3.9.2 Disciplinary action will be taken against candidates who breach the examination rules and regulations of kasneb. A breach of the examination rules and regulations of kasneb shall include but is not limited to the following:
- (a) Deficiency in identification.
  - (b) Impersonation.
  - (c) Collusion.
  - (d) Possession of a mobile phone in the examinations room.
  - (e) Possession of notes in the examination room.
  - (f) Taking away answer booklets.
  - (g) Writing of names on the scripts.
  - (h) Possession of mobile phones in the examination room.
  - (i) Carrying the examination question papers from the examination room.
- 3.9.3 The action for breach of the examination rules and regulations of kasneb shall include but not limited to the following:
- (a) De-registration as a student of kasneb.
  - (b) Cancellation of registration number.
  - (c) Nullification of candidate's results.
  - (d) Prohibition from taking examinations of kasneb.
  - (e) Written reprimand and warning.
- 3.9.4 Certain breaches of the rules and regulations amount to breaches of the law. In such cases, candidates will be handed over to the police for investigations and appropriate legal action.

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

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

4.0 **SUMMARY OF THE DIPLOMA IN CREDIT MANAGEMENT (DCM) EXAMINATION SYLLABUS**

**LEVEL I**

Paper No. 1	Fundamentals of Credit Management
Paper No. 2	Principles of Business Law
Paper No. 3	Entrepreneurship and Communication
Paper No. 4	Information Communication Technology

**LEVEL II**

Paper No. 5	Credit Management
Paper No. 6	Principles of Management
Paper No. 7	Business Mathematics and Statistics
Paper No. 8	Law Governing Credit Practice

**LEVEL III**

Paper No. 9	Marketing and Customer Relations
Paper No. 10	Foundations of Accounting
Paper No.11	Principles of Public Finance and Taxation
Paper No.12	Practice of Credit Management

## LEVEL I

### PAPER NO. 1 FUNDAMENTALS OF CREDIT MANAGEMENT

#### GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes required to apply the basic principles of credit management in business.

#### 1.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Have a general understanding of credit business
- Apply the basic principles of credit management in a business environment
- Analyse the effects of cost of granting credit to a business
- Provide basic advice on various aspects of credit management
- Perform basic debt collection activities.

#### CONTENT

##### 1.1 Introduction to credit

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

##### 1.2 Types of credit customers

- Individuals
- Sole traders
- Partnerships
- Limited companies
- Government bodies
- Unincorporated associations
- Trusts/ Foundations/NGOs

##### 1.3 Credit management function

- Structure and organisation of the credit department
- Roles of a credit department
- Role of a credit officer
- Qualities of a credit officer
- Promoting between credit department with other departments within the organisation

##### 1.4 Cost of granting credit

- Definition of cost of credit
- Types of cost of credit
- Determination of cost of credit
- Effects of credit on profits, cash flow and liquidity

##### 1.5 Overview of credit agreements/products

- Hire purchase
- Credit sale
- Conditional sale
- Optional account

*Diploma in Credit Management (DCM) Examination Syllabus - July 2018*

- Factoring
- LPO financing
- Invoice discounting
- Charge account
- Budget account
- Personal loan
- Mortgage
- Rental agreement
- Leasing

**1.6 Documents, records and reports**

- Credit application form
- Customer files
- LPOs/LSOs
- Sales order
- Invoice
- Delivery notes
- Credit note
- Debit note
- Statements of account
- Query records
- Aged analysis
- Telephone call records

**1.7 Payment terms**

- Monthly account
- Net days' terms (7, 15, 30, others)
- Stage payments
- Load overload
- Contra accounts
- Cash with order
- Cash on delivery
- Journey terms
- Settlement discounts

**1.8 Payment methods**

- Cash
- Cheques
- Banker's cheque
- Bank transfers (EFT, RTGS)
- Bills of exchange
- Promissory notes
- Letters of credit
- Credit cards
- Mobile money transfer
- Payment reports

**1.9 Collections**

- Overview of collections
- Establishing targets
- Collection planning
- Collection cycle
- 80/20 principle

- Collection tools and methods
- Computer as an aid to collection
- Identification and measures taken on an initial default
- Making contact with defaulters
- Negotiation and structuring of offers
- Rules for effective collection practices
- Mistakes made during collection
- Reasons for delay in payment
- Third party debt collectors

1.10 **Automation of the credit function**

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

1.11 **Emerging issues and trends**



## **PAPER NO. 2 PRINCIPLES OF BUSINESS LAW**

### **GENERAL OBJECTIVE**

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

### **2.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

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

### **CONTENT**

#### **2.1 Elements of the legal system**

##### **2.1.1 Nature, purpose and classification of law**

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

##### **2.1.2 Sources of law**

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

##### **2.1.3 Administrative law**

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

##### **2.1.4 The court system**

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

**2.1.5 Alternative dispute resolutions**

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

**2.2 Law of persons**

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

**2.3 Law of tort**

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

**2.4 Law of contract**

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

**2.5 Sale of goods**

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

**2.6 Hire purchase contracts**

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

- 2.7 **Agency**
- Meaning and nature of the agency contract
  - Types of agents
  - Creation of agency
  - Authority of an agent
  - Rights and duties of the parties
  - Termination of agency
- 2.8 **Partnerships**
- Nature of partnership
  - Types of partnerships
  - Rights, duties and liabilities of existing, incoming and minor partners
  - Management of partnerships
  - Dissolution of a partnership and its consequences
- 2.9 **Indemnity and guarantees**
- Nature of the contracts
  - Rights and duties of the parties
  - Termination of the contract
  - Remedies for breach of contract
- 2.10 **Insurance**
- Nature of the contract
  - Formalities of the contract
  - Principles of insurance
  - Types of insurance
  - Termination of the contract
- 2.11 **Negotiable instruments**
- Nature and characteristics
  - Negotiability of the instrument
  - Types: cheques, promissory notes, bills of exchange
  - Obligations of the parties
- 2.12 **The law of property**
- Definition of property
  - Classification of property (real and personal, movable and immovable, tangible and intangible)
  - Property in land: private, public and community land
  - Interests in land: estates, servitudes and encumbrances
  - Intellectual property: plant breeder's patents, trademarks, copyrights and industrial designs
- 2.13 **Emerging issues and trends**

## **PAPER NO.3 ENTREPRENEURSHIP AND COMMUNICATION**

### **GENERAL OBJECTIVE**

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

#### **3.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

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

### **CONTENT**

#### **3.1 Introduction**

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

#### **3.2 Developing individual innovation**

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

#### **3.3 Assessing entrepreneurial opportunities**

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

#### **3.4 Entrepreneurs and market research**

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

- 3.5 **Creating a new venture**
- Forms of business ownership
  - Buying an existing business
  - Franchising
  - Sources of finance for a new venture
  - The venture capital market
- 3.6 **Entrepreneurial growth and technology**
- Life-cycle of an enterprise
  - The success and failure factors at every stage of growth
  - Decision making and growth
  - Business networking
  - Use of internet and E-commerce
  - Electronic and mobile money transfers
- 3.7 **Business communication basics**
- Meaning of communication
  - Benefits of effective communication
  - Internal and external communication
  - Choosing the channel of communication
  - Stages in the communication cycle
  - Barriers to effective communication
  - Steps to effective communication
- 3.8 **Written communication**
- Rules of effective writing
  - Writing business letters
  - Application letters
  - Memorandum
  - Reports
  - Electronic mail
- 3.9 **Oral and visual presentation**
- Meaning of a presentation
  - Knowing the audience
  - Location and size of audience
  - Designing the presentation
  - Use of visual aids
  - Methods of presentation
- 3.10 **Meetings**
- Types of meetings
  - Attending meetings
  - Notice and Agenda
  - Role of the chairperson
  - Role of the secretary
  - Role of participants
  - Conduct of meetings
  - Minutes of meetings

**3.11 Ethics and integrity in business communication**

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

**3.12 Emerging issues and trends**

## **PAPER NO. 4 INFORMATION COMMUNICATION TECHNOLOGY**

### **GENERAL OBJECTIVE**

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

#### **4.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

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

### **CONTENT**

#### **4.1 Introduction to ICT**

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

#### **4.2 Computer systems**

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

#### **4.3 Computer hardware**

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

#### **4.4 Computer software**

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

- 4.5 **Introduction to operating systems**
- Overview of an operating system
  - Functions of an operating system
  - Types of operating systems
  - Computer booting
  - Selection and acquisition of operating systems
- 4.6 **Computer files**
- Elements of a computer file
  - Types of computer files
  - Basic file design and storage
  - File organisation
  - File access methods
  - File security
- 4.7 **Overview of application packages**
- Word processing
    - Features of a word processor
    - Formatting and editing text
    - Creating and formatting tables
  - Spreadsheets
    - Features of a spreadsheet program
    - Formatting and editing spreadsheet
    - Formulas and functions
    - Charts and graphs
  - Presentation software
    - Features of a presentation program
    - Typing and formatting text in slide
    - Slide show
  - Computerised accounting software
    - Features of accounting software
    - Capturing data
- 4.8 **Overview of information systems**
- Systems overview
  - Information systems
  - Components of an information system
  - Role of information systems in an organisation
  - Classification of information systems
  - Types of information systems
  - Overview of information systems security and controls
- 4.9 **Computer networks**
- Computer networks concepts
  - Computer network hardware and software
  - Data transmission media
  - Types of computer networks
  - Benefits and challenges of networking



#### 4.10 **The Internet**

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

#### 4.11 **Emerging issues and trends**

## LEVEL II

### PAPER NO. 5 CREDIT MANAGEMENT

#### GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes required for the application of credit management principles in various lending financial institutions.

#### 5.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Formulate a credit policy for an organisation
- Identify all credit providers in the market
- Undertake credit assessment on individuals and businesses
- Monitor credit portfolios
- Analyse the impact of extending credit in promoting business.

#### CONTENT

##### 5.1 Overview of credit providers

- Banks
- Cooperative societies
- Microfinance institutions (MFIS)
- Finance houses
- Shylocks
- Table banks
- Online credit providers

##### 5.2 Overview of credit policy

- Definition of a credit policy
- Types of credit policies
- Contents of a credit policy
- Operating principles of a credit policy
- Advantages of a credit policy

##### 5.3 Overview of credit assessment

- Customer identity - know your customer (KYC)
- Sources of information used in credit assessment
- Credit risk analysis tools and techniques
- Credit assessment (Consumer credit, trade credit and export credit)
- Reassessment of existing customers

##### 5.4 Introduction to bank credit

- Types of bank credit facilities
- Overview of bank credit process
- Characteristics of bank credit products
- Principles of bank lending
- Monitoring and control of bank credit facilities

##### 5.5 Credit cards

- Parties to credit card transactions
- Types of credit cards
- Features of credit cards

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- Importance of credit cards
  - Assessment and appraisal of credit card applications
  - Managing credit card frauds and other risks
  - Credit cards delinquency management
- 5.6 Microfinance Institutions (MFIS)**
- Introduction to microfinance institutions
  - Types of microfinance products
  - Recruitment and retention of customers
  - The process of saving and lending in MFIS
  - Portfolio management
  - Risk management in MFIs
  - Delinquency management in MFIs
- 5.7 Cooperatives**
- Nature of cooperatives
  - Principles and practices of cooperatives
  - Products offered by cooperatives
  - Structure & management of cooperatives
  - The process of saving and lending in cooperatives
  - Risk management in Cooperatives
  - Delinquency management in cooperatives
  - Role of regulatory authorities
- 5.8 Lease and asset finance**
- Definition of lease
  - Types of leases
  - The leasing process
  - Assessment and appraisal of lease applications
  - Marketing and leasing
  - Advantages and disadvantages of leasing
  - Overview of asset finance
  - Types of asset finance
  - Choosing the right type of finance
  - Risk management in asset finance
- 5.9 Hire purchase**
- Nature of hire purchase
  - Formation of a hire purchase agreement
  - Duties, rights and obligations of the parties
  - Advertising for hire purchase
  - Termination of a hire purchase agreement
  - Risk management in hire purchase
- 5.10 Mortgages**
- Introduction to mortgages
  - Parties to a mortgage transaction
  - Types of mortgages
  - Products offered under mortgage
  - Target customers and mortgage financiers
  - Documentation and registration process
  - Risk management in Mortgage Lending
- 5.11 Emerging issues and trends**

## **PAPER NO. 6 PRINCIPLES OF MANAGEMENT**

### **GENERAL OBJECTIVE**

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

#### **6.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

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

### **CONTENT**

#### **6.1 Introduction to Management**

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

#### **6.2 Approaches to Management thought**

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

#### **6.3 Planning function**

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

#### **6.4 Organising function**

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

#### **6.5 Directing function**

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

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**6.6 Staffing function**

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

**6.7 Control function**

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

**6.8 Emerging issues and current trends**

## PAPER NO. 7 BUSINESS MATHEMATICS AND STATISTICS

### GENERAL OBJECTIVE

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

#### 7.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

### CONTENT

#### 7.1 Equations

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

#### 7.2 Sequences and series

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

#### 7.3 Matrices

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

#### 7.4 Commercial mathematics

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

#### 7.5 Introduction to statistics

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

## 7.6 **Presentation of statistical data**

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

## 7.7 **Descriptive statistics**

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

## 7.8 **Set theory**

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

## 7.9 **Basic probability theory**

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

## 7.10 **Index numbers**

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

## 7.11 **Emerging issues and trends**

## **PAPER NO. 8 LAW GOVERNING CREDIT PRACTICE**

### **GENERAL OBJECTIVE**

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

#### **8.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

- Identify the securities available in lending
- Comply with the procedures applicable on securities contracts
- Identify the rights and duties of lenders and borrowers
- Demonstrate knowledge of bankruptcy and insolvency law as it applies to credit management.

### **CONTENT**

#### **8.1 Introduction to securities**

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

#### **8.2 Land as security**

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

#### **8.3 Intellectual property as collateral**

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

#### **8.4 Guarantees and indemnities**

- Meaning and characteristics
- Formation
- Parties
- Rights and duties of the parties
- Termination of contract of guarantee and indemnity
- Advantages and disadvantages of guarantee and indemnity as security



- 8.5 **Bailment, pledge and lien**
- Meaning and characteristics
  - Formation, rights and duties of the parties
  - Remedies for breach termination
- 8.6 **Corporate securities**
- Meaning and characteristics
  - Debentures
  - Remedies of a debenture holder
  - Charges
  - Shares and Corporate bonds
  - Common clauses incorporate bonds
- 8.7 **Government borrowing**
- Treasury Bills
  - Treasury Bonds
  - Borrowing by County Government
  - Debt recovery by litigation
- 8.8 **Bankruptcy**
- Meaning
  - Acts of bankruptcy
  - Bankruptcy proceedings
  - Rights of creditors
  - Consequences of bankruptcy
  - Discharge of a bankrupt
- 8.9 **Insolvency**
- Meaning of Insolvency
  - Receivership
  - Types of liquidation
  - Official Receiver/Liquidator
  - Committee of inspection
  - Distribution of assets
  - United Nations Commission on International Trade Law (UNCITRAL) legislative guide on Insolvency Law
  - United Nations Commission on International Trade Law (UNCITRAL) model law on cross border listing
  - World Bank Principles and Guidelines for Effective Insolvency and Creditor Rights Systems
- 8.10 **Emerging issues and trends**

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

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

#### **9.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

- Apply marketing principles in credit management
- Prepare and implement simple marketing plans
- Link marketing and sales plans to credit policy
- Interpret consumer behaviour.

### **CONTENT**

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

- Marketing process
- Importance of marketing
- Basic process
- Roles of marketing

#### **9.2 Marketing plan**

- Importance of a marketing plan
- Uses of a marketing plan
- Marketing plan process

#### **9.3 Market segmentation**

- Definition of market segmentation
- Importance of market segmentation
- Market segmentation process
- Target marketing
- Market positioning

#### **9.4 Marketing mix**

- Product
- Price
- Place
- Promotion decisions
- People
- Process
- Emerging marketing mix

#### **9.5 Consumer and buyer behaviour**

- Definition of consumer and buyer behaviour
- Consumer buying roles
- Consumer buying decision process
- Types of buying decision behaviour
- Business buyer behaviour
- Buyer decision process for new product
- Institution buying behaviour
- Influences on organisation buying behaviour

- 9.6 **Sales plan function**
- Formulation of a sales plan
  - Recruitment and selection of a sales team
  - Management of a sales team
  - Importance of an effective sales team
  - Selling process
- 9.7 **Modern marketing**
- Definition of marketing information
  - Internal records
  - Marketing intelligence
  - Analysing the macro environment
  - Marketing information system
  - Source of market information
- 9.8 **Customer relations management**
- Definition of customer relations
  - Types of customer relations
  - Importance of customer relations
  - Managing customer perception
  - Customer survey
  - Do's and don'ts in customer relations
  - Effective listening
  - Effective use of telephone
  - Customer care training
- 9.9 **Customer relationship strategy**
- Developing a relationship strategy
  - Partnering with customers, decision makers, company support staff and management staff
  - Self-image as a dimension of relationship strategy
  - Verbal and non-verbal strategies that add value to relationships
  - Effect of appearance, voice, manners on relationships
  - Conversational strategies that enhance relationships
  - Strategies for self-improvement
- 9.10 **Current issues in marketing**
- Internet marketing
  - Global marketing
  - Social, ethical and legal issues in marketing
  - Ethical concerns for sales staff
  - Social responsibility of business
  - Sustainability marketing
  - Consumer rights and protection
- 9.11 **Emerging marketing trends**

## **PAPER NO.10 FOUNDATIONS OF ACCOUNTING**

### **GENERAL OBJECTIVE**

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

#### **10.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

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

### **CONTENT**

#### **10.1 Introduction to accounting**

- The nature and purpose of accounting
- Objectives of accounting
- Users of accounting information and their respective information needs
- The accounting equation
- Regulatory framework of accounting, regulatory bodies such as ICPAK, IFAC, IASB, IAESB
- Accounting standards (IAS/IFRS) development, importance and limitation of accounting standards and professional ethics
- Accounting concepts/principles
- Qualities of useful accounting information

#### **10.2 Recording transactions**

- Source documents; quotation, purchases order, 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 cashbook and general journal.
- Double entry and the ledger; Use of T accounts and double entry aspects (debit and credit), sales ledger, purchases ledger and purchases ledger
- The trial balance
- Manual versus computerised accounting systems

#### **10.3 Year-end procedures and adjustments**

##### **10.3.1 Assets**

- Property, plant and equipment – recognition, capital and revenue expenditure, measurement
- Financial assets – examples and risks only
- Inventory – recognition, measurement and valuation using specific cost method, FIFO and weighted average cost
- Accrual accounting; accrued and prepaid incomes, Accrued and prepaid expenses
- Depreciation and amortisation
- Debtors aging schedule, bad debts and allowance for doubtful debts
- Extracting financial statements from adjusted trial balance

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- Cash at bank – cash book and bank reconciliation statement
- Cash in hand – cash book and petty cash books

#### 10.3.2 Liabilities

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

#### 10.4 Correction of errors and suspense account

#### 10.5 Financial statements of a sole trader

- Income statement
- Statement of financial position

#### 10.6 Financial statements of a company

- Types of share capital – ordinary shares and preference shares
- Types of reserves – share premium, revaluation reserve, general reserves and retained profits
- Other liabilities – loan stocks, debenture
- Financial statements – income statement and statement of financial position
- Published financial statements – definition and a description of a complete set of published financial statements but not their preparation

#### 10.7 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

#### 10.8 Financial statements of a manufacturing entity

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

#### 10.9 Analysing financial statements

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

#### 10.10 Emerging issues and trends

## **PAPER NO. 11 PRINCIPLES OF PUBLIC FINANCE AND TAXATION**

### **GENERAL OBJECTIVE**

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

#### **11.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

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

### **CONTENT**

#### **11.1 Introduction to Public Financial Management Legal Framework**

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

#### **11.2 Public budget process for public bodies**

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

#### **11.3 Oversight function in public finance management**

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

#### **11.4 Introduction to taxation**

- History of taxation
- Types of taxation
- Principles of an optimal tax system
- Single versus multiple tax systems
- Classification of tax systems
- Tax shifting
- Factors that determine tax shifting
- Tax evasion and tax avoidance
- Taxable capacity
- Fiscal policies
- Revenue authority –history ,structure and mandate

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### 11.5 **Taxation of income of persons**

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

### 11.6 **Capital deductions**

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

### 11.7 **Administration of income tax**

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

### 11.8 **Administration of value added tax**

- Introduction and development of VAT
- Registration and deregistration of businesses for VAT
- Taxable and non taxable supplies
- Privileged persons and institutions
- VAT rates
- VAT records
- Value for VAT, tax point

- Accounting for VAT
- VAT returns
- Remission, rebate and refund of VAT
- Rights and obligations of VAT registered person
- Changes to be notified to the commissioner
- Offences fines, penalties and interest
- Enforcement
- Objection and appeals: Requirements and procedure

#### 11.9 **Customs taxes and excise taxes**

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

#### 11.10 **Emerging issues and trends**



## **PAPER NO. 12 PRACTICE OF CREDIT MANAGEMENT**

### **GENERAL OBJECTIVE**

This paper is intended to equip the candidate with the knowledge, skills and attitudes required for the application of principles, concepts, techniques and models of credit management in practical scenarios.

#### **12.0 LEARNING OUTCOMES**

A candidate who passes this paper should be able to:

- Demonstrate sound technical knowledge in credit management in various scenarios
- Present appropriate alternate solutions in credit management and make effective judgment in a logical and rational manner
- Communicate effectively with realistic recommendations in a concise and logical manner
- Prepare a credit report.

### **CONTENT**

#### **12.1 Introduction to risk**

- Definition of risk
- Types of risks
- Risk preferences
- Risk management process
- Importance of risk management

#### **12.2 Credit risk**

- Credit risk defined
- Forms of credit risk
- Distinction between credit management and risk management
- Common causes of credit risk situations
- Goals of credit risk management
- Role of senior management and Board of directors in risk management
- Best practices in credit risk management

#### **12.3 Credit policy**

- Definition of credit policy
- Types of credit policies
- Factors considered in developing a credit policy
- Formulation and implementation of a credit policy
- Credit policies for different sectors (SACCOs; MFIs; Government entities, others)
- Illustrative practical development of a credit policy

#### **12.4 Trade credit**

- Definition of trade credit
- Players in trade credit market in Kenya
- Benefits of trade credit
- Trade credit documentation
- Trade credit proposal assessment and evaluation
- Illustrative case studies on trade credit

## 12.5 **Export credit**

- Definition of export credit
- International Commercial Terms (INCOTERMS)
- Export credit documentation
- Export credit assessment and evaluation
- Export credit payment methods
- Risks involved in export credit
- Methods of hedging against export credit risks
- Financing export credit
- Foreign receivables management
- Foreign exchange risk and sovereign risk
- Illustrative case studies on export credit

## 12.6 **Collection management**

- In-house collections strategies
- Factoring and forfaiting
- Outsourcing organisation collection function
- Legal recovery process
- Collection through alternative dispute resolutions (ADR) mechanisms
- Provisioning and write-off of debts
- Collection performance management
- Illustrative case studies on collection management

## 12.7 **Credit information sharing**

- Credit reference bureaus; Regulations and Act
- Role of regulatory authorities
- The structure of information sharing in Kenya
- Players in credit information sharing (CIS)
- Benefits of CIS
- Types of credit reports
- Credit rating and credit scoring
- Using credit reports in credit decision making
- Services provided by credit bureaus

## 12.8 **Case Studies on: Micro Finance; Cooperatives; SME Lending; Banking Sector; Factoring; Invoice discounting; Working Capital Cycle**

## 12.9 **Emerging Issues and trends**