# ACADEMIC PROGRAMMES

<table>
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<tr>
<th>MINIMUM ENTRY REQUIREMENTS</th>
<th>TUITION FEE PER SEMESTER</th>
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<tr>
<td>- Bachelor of Science in Hospitality Management</td>
<td>Kshs.50,000 (Full-time)</td>
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<tr>
<td>- Bachelor of Science in Computer Science</td>
<td>Kshs.50,000 (Distance Learning)</td>
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<tr>
<td>- Bachelor of Arts in Community Development</td>
<td>Kshs.55,000 (Full-time)</td>
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</table>

**Diplomas and Certificates:**
- KCSE C+ (plus)
- Holders of relevant KNEC Diplomas join in 2nd year of study
- Holders of relevant KNEC higher Diplomas join in 3rd year; provided credit transfers granted do not exceed 49% of credits offered in the respective degree programme

| DIPLOMA AND CERTIFICATE PROGRAMMES IN: |
| Health Sciences: Community Health, Community Nutrition & Dietetics, Environmental Health, Health Records & Information Technology. |
| Hospitality & Tourism: Food & Beverage Management, Food Production, Hotel & Restaurant Management, Travel & Tourism Management. |
| Library and Information Sciences: Library & Information Science, Records & Information Management. |

**Bachelor of Commerce (BCom)**
- Note: The BCom programme allows students to take extra courses and graduate with double major or major/minor combinations such as Bcom (Double Major, Accounting and Finance) or Bcom (Finance Major, Accounting Minor) Bcom (Marketing Major, Finance Minor) thus saving time and money.
- Exemptions at no charge for ATD, DCM or part II CPA/CS/CCP/CIFA to join in 2nd year while part III CPA/CS/CCP/CIFA join in 3rd year.

**Bachelor of Education (Arts)**

**Bachelor of Science in Hospitality Management**

**MINIMUM ENTRY REQUIREMENTS**
- KCSE C+ (plus) or equivalent with at least C+ (plus) in two teaching subjects

**TUITION FEE PER SEMESTER**
- Kshs.51,000 (Full-time, Evenings & Weekends)
- Kshs.45,000 (Distance Learning)
- Kshs.50,000 (Full-time, Evenings & Weekends)
- Kshs.45,000 (Distance Learning)

**Diplomas:**
- Kshs.25,000 (Full-time, Evenings & Weekends)
- Kshs.22,000 (Distance Learning)

**Certificates:**
- Kshs.25,000 (Full-time, Evenings & Weekends)
- Kshs.22,000 (Distance Learning)

**INTAKES IN:**
- JANUARY
- MAY
- SEPTEMBER SEMESTERS

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We all interact with our physical environment, which includes the air, land and water that surround us. Simply put, we derive our livelihood as individuals and organisations from the environment. It therefore behoves us to care and sustain the environment through responsible interaction to avoid its depletion or degradation.

Organisations are required, in public interest, to report on what they are doing to protect and grow the environment. This forms the genesis of environmental accounting or reporting, which entails the production and dissemination of a report that provides a status on various environmental issues and activities in a given period. The report is a public disclosure on environmental performance, similar to a financial performance report.

The above introduction forms the base for the lead article in this edition of the kasneb Newsline. The article provides insight on key terminologies used in the context of environmental accounting before delving into the process of preparing environmental reports. In addition, the article covers the various regulations governing environmental protection in Kenya.

The second article focuses on budgetary control and provides readers with information on the budget process and the various types of budgets in use. The writer goes further to shed light on various approaches to budgeting and their application in practice, including zero-based budgeting, activity-based budgeting and programme budgeting.

The third article highlights on blockchain technology, a recent technological breakthrough hyped by many as “the next big thing” in digital transaction systems. This is the technology that has facilitated transactions in crypto currencies such as the Bitcoin, Ethereum, Ripple, Litecoin and Nurucoin. The writer harps on the blockchain technology as heralding a virtual currency evolution with a string of benefits including reduced transaction time and costs and less prone to fraud. The writer however urges some caution on the use of this new technology due to its uncertain regulatory status and the high initial capital costs.

The above and other features in this edition have been carefully selected to provide a blended mix of educative, informative, entertaining and empowering readings.

Welcome.

It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.

Charles Darwin
The main interest is information about the environmental performance of the companies. These stakeholders have focused attention on the verification of environmental performance. Environmental accounting started developing steadily through the 1980s and early 1990s.

Key terms

(1) Environment

Environment refers to the natural physical surroundings and includes air, water, land, flora, fauna and non-renewable resources such as fossil fuels and minerals.

(2) Environmental expenditure

Environmental expenditure includes the costs of steps taken by an undertaking or on its behalf by others to prevent, reduce or repair damage to the environment, which results from its operating activities. These costs include amongst others, the disposal and avoidance of waste, the protection of soil, surface water and groundwater, the protection...
of clean air and climate, noise reduction and the protection of biodiversity and landscape.

(3) **Natural assets**
Natural resources discovered and developed over a number of periods by an entity that has control over such resources after extracting them. Natural assets are one type of environmental assets, which represents a natural capital stock of organisations, governments or sectors. It may represent a renewable asset such as soil or non-renewable asset such as petroleum.

(4) **Environmental assets**
Assets possessed by an organisation as a result of environmental protection, regulations and/ or according to environmentally voluntary activities. Such assets are part of man-made assets such as environmental protection equipment, pollution bond, and so on.

(5) **Environmental liability**
Accounting institutions define liability as a probable future sacrifice of economic benefits arising from present obligations to transfer assets or provide services in the future as a result of past transactions or events.

Environmental liability is a probable outflow of resources embodying economic benefits, which will result from the settlement of a present obligation of an environmental nature that arose from past events, and the amount at which the settlement will take place can be measured reliably.

**Environmental awareness**
Evidence of environmental awareness and social pressure is common all over the world.

(1) In 1993, Pacific Gas and Electric (PG&E) of USA faced a lawsuit for allegedly polluting the water supply of Hinkley, California. Erin Brockovich, a legal assistant who lined up around 650 plaintiffs and filed the lawsuit against the business conglomerate alleged that PG&E was releasing a rust inhibitor, Chromium VI into Hinkley’s water supply. The suit blamed the chemical for dozens of symptoms, ranging from nosebleeds to breast cancer, Hodgkin’s disease, miscarriages and spinal deterioration in the population of Hinkley. In 1996, PG&E had to settle the case for $333 million, the largest settlement ever paid in a direct-action lawsuit in US history. Erin Brockovich became an overnight celebrity in US. In 2000, a Hollywood movie based on her life was released and she became famous throughout the world.

(2) Stuart McCrery (2000) observes that a number of issues have been brought to society’s attention in the recent past including:
- Global warming.
- Protection of the atmosphere including ozone layers.
- Pollution including aerial (acid rain), marine (sewage and industrial waste disposal);
- The use of sustainable resource energy from fossil fuels as opposed to renewable resources including solar energy.
- Sustainable forest management.
- Risks associated with nuclear power and its storage and disposal.
(3) In 1992, Price Waterhouse USA observed that ‘The lack of reliable and accepted means of quantifying environmental costs for a company is no longer an excuse for their omission’. They reported that as the base of knowledge grows concerning environmental problems and associated remediation, provision for environmental costs is becoming increasingly common, and the inability of a company to estimate costs associated with environmental issues is becoming harder to accept as justification for not recording a liability. The importance of environmental accounting cannot be overemphasised. Importance of environmental concern is being recognised in the board decision making of many companies.

(4) David Colins (2000) observes that:

The accountancy profession has to be aware of developments in the environmental field and to be prepared to extend its activities, especially with regard to environmental issues facing companies. In addition to other responsibilities, every accountant should be able to evaluate the consequences of environmental issues in relation to normal accounting and auditing practices in the financial statements audit. This will require changes in the education and training of accountants, including such areas as the treatment of environmental costs and risks in financial statements. Specialised forms of education should be available to members of the accountancy profession in order to have experts available in the area of environmental accounting and auditing. The professional accountancy bodies should set the necessary guidelines to ensure the quality of such education and encourage research in the environmental field.

Definition of environmental accounting

Environmental accounting is taken to be the identification and reporting of environmental specific costs, such as liability costs (like fines) or waste disposal costs. It is accounting for any costs and benefits that arise from changes to a firm’s products or processes, where the change also involves a change in environmental impacts. It is a mechanism for quantitatively analysing environmental conservation activities. Environmental accounting aims at achieving sustainable development, maintaining a favourable relationship with the community, and pursuing effective and efficient environmental conservation activities. These accounting procedures allow a company to identify the cost of environmental conservation during the normal course of business, identify benefits gained from such activities, provide the best possible means of quantitative measurement (in monetary value or physical units) and support the communication of its results. Environmental reporting must be seen as the process of communicating the environmental effects of an organisation’s economic actions through an annual report. Information may also be communicated by a separate stand-alone publicly available environmental report.

Types of environmental accounting

(i) Environmental financial accounting

This refers to the way in which environmental issues impact on the financial statements of companies and the accounting ‘rules’ which govern the recognition and disclosure of these in the balance sheet, income statement and related aspects of the annual financial report. Examples include environmental liabilities, provisions for rehabilitation and capital expenditure on the environment. It aims at ensuring the true disclosure in the financial statements at the end of the period. That is, include environmental dimension in the published financial statements.

(ii) Environmental management accounting

Environmental management accounting typically involves life cycle costing, benefits assessment and strategic planning for environmental management. Environmental management accounting refers to the way in which internal accounting systems can

Effects: Drought, floods and melting of polar ice
be designed to ensure that management receives timely and relevant information on environmental costs and liabilities, as a support to financial and environmental planning and decision making. Examples include detailed environmental cost breakdowns and estimates for contingent liabilities relating to environment impacts or controls.

(iii) Environmental cost accounting
This deals with environmental costs in order to reach the full cost accounting. It includes: the identification, evaluation and allocation of conventional costs, environmental costs and social costs to processes, products, activities or budgets. According to the “polluter pays principle” (PPP)(2), each polluter has to pay for the costs for dealing with the pollution resulting from his operation. Failure to bear these costs by the polluter will mean that some other party (a third party) will have to shoulder them - external environmental costs. The term environmental cost has at least two major dimensions:

- It can refer solely to environmental costs that directly impact on the entity (private costs);
- It also can include the costs to individuals, society and the environment for which a company is not accountable (social costs).

(iv) Ecological accounting
Ecological accounting is a type of environmental accounting (a dedicated type of natural resource accounting at local administration level). In this respect, ecological accounting is mainly used to prepare an asset management plan at local administration level. Such plans provide a tool to evaluate the condition and life cycle of any particular physical asset.

(v) Natural resource accounting
The term natural resource accounting involves the inclusion of environmental aspects into the system of national accounts.

(vi) National environmental accounting
This refers to national measures that factor in the state of the environment, either by adjusting traditional national accounting indicators, such as Gross Domestic Product or by generating measures of national environmental resources and pollution emissions. Examples include the Index for Sustainable Economic Welfare, the Genuine Progress Indicator and the Environmental index.

Users of corporate environmental information

Investors
Environmental performances have a significant influence over financial performance and financial risk assessment. In the traditional investment analysis, investors in risk capital probably obtain most of the information they need from audited financial statements (such as on environmental provisions, liabilities, contingencies, expenditures, risk exposures and other financial implications).
Employees
Anything that can have an economic impact on their employers is of interest to the employees. The growing public environmental awareness will make employees increasingly request information purely to help them understand the enterprise’s environmental status. Employees may take an interest in whether their employer is seen by local community groups and the wider group of stakeholder as a responsible company. They will also need to see their employer’s business as a going concern, recognising that environmental performance may have some influence on this.

Lenders
Environmental reports are of particular interest to lenders if there are direct financial implications or risks associated with environmental issues. Lenders will need to understand inter-alia, about the quality of an entity’s assets, its environmental management systems, its compliance record, its technological status and its market place positioning as all of these may be influenced by environmental factors.

Customers
Customers have become increasingly sensitive to their environment. They will support products that are environmentally friendly. Moreover where environmental liabilities and regulatory compliance issues are relevant, customers will have an interest in information concerning the going concern status of a supplier.

Governments
The government is the guardian to all public affairs including the environment. Government departments like the National Environmental Management Authority (Kenya), with the responsibility for environmental legislation and the relevant regulatory enforcement bodies, have an interest in corporate information that gives an indication or assurance of good environmental management. This may help them in making regulatory decisions, which in turn may affect the level and cost of monitoring and inspection. One public affairs management tool is taxation. The government may design tax rules and rates that are intended to discourage or encourage certain environmental activities. Government’s responsibility for making the public policy decisions includes such areas as policies that reflect society’s response to calls for more sustainable methods of corporate production.

Suppliers
The information needs of suppliers are similar to those of investors and lenders. An understanding of their customers’ environmental issues may present the suppliers with a market opportunity to protect or to expand their business through product support and because of their own (superior) environmental performance.

The general public
An enterprise is a member of the local community, customers, employees or shareholders. Any enterprise relates to the general public in one way or the other. Members of the public are increasingly concerned with the question whether enterprises are behaving as good neighbours in the local community, from both a compliance perspective and longer-term sustainability.
Framework for environmental reporting

Environmental reporting, as has been presented by various companies across the world follows diverse patterns. This is probably inevitable because of the different regulatory requirements prevalent in the different countries and different local needs, which will bring in reporting harmonisation, as it is in case of accounting standards. The proposed elements of a complete documentation include the following areas:

1. Environmental Policy and Management System
   (a) A proper documented policy on environment and its publication.
   (b) Establishment of environmental goals and objectives consistent with the environmental policy of the company and the regulations of the country and state concerned.
   (c) Set up proper procedures for continuous review of environmental aspects and impacts of products, activities and services.
   (d) Establish an environment management system with proper segregation of duties.
   (e) Identify any non-conformances to the system of environment management with proper reporting and corrective measures taken.
   (f) Development and monitoring of environmental management systems.
   (g) Periodic external environmental management systems audit assessment of sustainability.
   (h) Involvement with environmental impact assessments.

2. Accounting for material use and management
   (a) Total materials use (excluding water), by plant, site, location and country.
   (b) Hazardous pollutants and waste generated, quantified both in physical and monetary terms and measures for their reduction-plant wise and sidewise. A trend is to be shown over the years.
   (c) Total amount of waste disposed, both quantified and qualified.
   (d) Waste materials used as a total percentage of materials used.
   (e) Whether pollution-incident coverage is taken from insurance companies.
   (f) Waste reduction and other environmental programs undertaken in the past and to be undertaken in the future.
   (g) Extent of recycling of used products done.

3. Energy use and energy management
   (a) Indicate the direct and indirect energy use-segregated by fossil fuels, hydroelectric and non-conventional energy.
   (b) Identifying areas for reduction-in energy and other resource consumption.

4. Water use and water management
   (a) Total water use - plant wise and site wise.
   (b) Significant discharges to water - their poisonous contents.
   (c) Total recycling and reuse of water.
   (d) Significant spills to be recorded.
   (e) Impacts on bio-diversity - loss of plant life and animal life, depletion of flora and fauna.
   (f) Environmental impacts of products and services - the use of eco-products and...
non-renewable resources as raw materials and their quantity is to be stated.

(g) Investment and investment appraisal.

(5) Management of Greenhouse Effect
Where applicable, set up a system for evaluating and reporting on greenhouse gas emissions - segregated into various poisonous gas emissions reporting as may be required by the respective authorities.

(6) Expenditure disclosures
(a) Environmental incidents and fines paid, reasons thereof and the efforts taken to safeguard against such incidents.
(b) Contingent liabilities, remediation and provisions.
(c) Asset (such as land and inventory) valuation.
(d) Environmental spending and commitments.
(e) Statutory audit implications.
(f) Environmental reporting in financial statements.
(g) Separate environmental reporting.

(7) Others
(a) Budgeting and performance appraisal.
(b) Research and development, forecasting and design.
(c) Involvement with life-cycle assessment.

To be effective, all reporting types should have transparency, inclusiveness, auditability, completeness, relevance, sustainability context accuracy, neutrality, compatibility, clarity and timeliness.

Fundamental assumptions of environmental reporting

The Federation of European Accountants discussion paper (1999) identified the following assumptions in relation to environmental reports.

The entity assumption

The objective of the entity principle is to draw distinction between the business as a separate being from its owners or managers and other entities. It is designed to define the reporting entity. In financial reporting, identification of the legal status and boundaries of the reporting unit are vital in determining accountability. Similarly, environmental reporting must identify the boundaries of the reporting entity. It must not encourage nor permit the originator of, or contributor to, environmental impacts to shelter within formal legal boundaries.

The accruals basis of accounting

The conventional accruals concept requires that the results or impacts of activities be disclosed in the period in which those activities occur. This basis is driven by recognition of the ‘critical event’ usually at the point of
sale. In the case of environmental reporting, accruals approach will be based on the point of production, if not earlier. This is driven by the need for prompt reporting. For instance, in the case of impacts from air emissions and raw material extraction it will be necessary to recognise the environmental costs at the point where the activity is carried out. The International Accounting Standard IAS 37 (Provisions and Contingencies Liabilities), indicates that for financial reporting purposes, environmental liabilities will be provided for in full at current values at the time the environmental damage is caused, before being discounted at an appropriate rate.

The going concern assumption

The conventional financial accounts are drawn up on the basis of the assumption that the enterprise will continue in operational existence in the foreseeable future. The result of this principle is that assets are carried at current or historical cost rather than at liquidation values. According to IAS 37 (‘Provisions and Contingencies Liabilities), environmental costs (such as land remediation) will need to be recognised in the financial statements under the going concern concept, as long as there is either a legal or constructive obligation present. As a consequence, the environmental report should provide a clear indication of whether the enterprise is capable of funding necessary remediation/clean-up procedures.

The precautionary principle

Prevention is better than cure, so goes the old adage. Pollution prevention is always a preferred alternative to post-contamination rendition or clean up. As such, another assumption known as the ‘precautionary principle’ - has developed to address the environmental reporting fields. This is a principle often cited by policy makers and green lobby groups as a defence against the introduction of new or insufficiently proven technologies and procedures.

It would be useful if environmental reports include information to users as to whether or not the precautionary principle is embedded in the environmental policies,
Environmental regulation in Kenya


The materiality principle

Information is only relevant to a user if it is material in financial terms, that is, if its presence or absence influences the user’s decision. For financial reporting purposes, accountants and auditors usually assess materiality in strictly financial terms, as a (commonly accepted) percentage of some accounting number like turnover, operating income, net assets employed, and so on. The application of the materiality concept in environmental reporting situations is bound to be more complex than in financial reporting. What is considered as material by one user group, may be different from the view of another group. The environmental report should assess materiality based on the results of reasonable study and analysis of user needs and related decisions or uses of information that is empirically researched and scientifically supportable environmental impact/user-driven perspective.
Environment Programme (UNEP) was established with its headquarters in Nairobi to oversee global environmental issues. In 1974, the Kenya Government established the National Environment Secretariat (NES) as the lead environmental agency to coordinate, promote and oversee environmental activities in the country. However, in the 1980s, with the environmental institutions in place in many countries, social and economic development was largely viewed as separate processes from environmental conservation and preservation. In 1999 Kenya established the Environmental Protection Act. The Act covers virtually all-diverse environmental issues, which require a holistic and coordinated approach towards its protection and preservation for the present generation without compromising the interests of the future generations to enjoy the same. Consequently, the Act provides for the legal regime to regulate, manage, protect and conserve biological diversity resources and access to genetic resources, wetlands, forests, marine and freshwater resources and the ozone layer to name a few. To safeguard against any future environmental pollution caused by industries, programmes and projects, the law requires the proponent of any such activity to undertake systematic examination, through a participatory process, of all stakeholders, to determine whether or not the activity will have any adverse impacts on the environment.

It further provides for systematic, documented, continuous, periodic and objective evaluation on how well the environment is managed, conserved or preserved. Actual or potential effects of any activity on the environment must be determined through the process of environmental audit and monitoring. In helping Kenya’s population to live in a clean and healthy environment, the Act provides for environmental quality standards on water, air, chemicals, and wastes, noise and noxious smells, for example. An enforcement review committee is established under the Act to ensure that standards spell out in the framework law and/or under sectoral regulations are strictly adhered to. Environmental inspectors with powers to prosecute offenders will be appointed. An environmental tribunal with its full-time members dealing with environmental offences will also be established. To manage the environment in a holistic manner, the Act establishes two administrative bodies:

1. The National Environment Council (NEC) which will have the responsibility of formulating policies, setting national goals and promote cooperation among stakeholders.

2. The National Environment Management Authority (NEMA) will supervise and coordinate overall matters relating to the environment and will be the principal instrument for implementation of all policies relating to the environment.

**National Environmental Management Authority (NEMA)**

The National Environmental Management Authority (NEMA) is an authority established under the Environmental Act and created in 1999 to undertake and coordinate efforts in:

- Protection and conservation of the environment.
- Environmental impact assessment.
- Environmental audit and monitoring.
- Environmental quality standards.
- Environmental Restoration Orders, Environmental Conservation Orders and Environmental Easements.
- Inspection and analysis of records.
- International treaties, conventions and agreements.

**Conclusion**

As the global human population balloons and the impact of manufacturing and other activities on the environment becomes more evident, the need for concerted efforts to conserve and protect the environment has become even more critical. It is clear that without these urgent steps, the future of humanity and indeed all life on planet Earth may not be guaranteed. All entities both in public and private sectors have a responsibility to protect the environment in which they operate.

One way of monitoring the discharge of this responsibility is by requiring such institutions to prepare environmental reports including details on how their activities impacted on the environment and the mitigating measures they took to protect the environment.
Budgetary control refers to how well managers utilise budgets to monitor and control costs and operations in a given accounting period. In other words, budgetary control is a process for managers to align financial and performance goals with budgets, compare the actual results and adjust performance.

ISAAC T. MAINA (CPA), Lecturer, Excel Institute of Professionals, Thika

Nature and purpose of a budget

A budget is a quantitative and qualitative statement which shows both short term and long term plans which are to be implemented by an organisation to achieve set objectives. It is a formal written statement of management’s plan for a specified future time period expressed in financial terms.

Budgeting refers to the process of quantifying the plans of the organisation so as to enable it achieve its objectives in a defined period.

Benefits of budgeting

The primary benefits of budgeting are that it:

1. Provides variable means of controlling income and expenditure.
2. Provides a tool by which managerial policies are periodically evaluated.
3. Helps in capital and other resource allocation.
4. Co-ordinates and harmonises all the activities that help the organisation to decentralise its responsibilities.
5. Provides a yardstick for measuring the performance of the department and individuals working in the department.
7. Provides a systematic discipline approach to the solutions of problems in the organisation.
Limitations of budgeting

1. Too much reliance on budgets may create resistance to new ideas and projects.
2. It may demotivate staff where targets are not achieved due to external factors.
3. Budgeting requires extra work, thus it may be time consuming.

Objectives of budget planning

1. Co-ordination: budgetary control helps coordination of activities within the organisation where different departmental activities are harmonised.
2. Communication: the whole process of budgeting involves discussions and liaison among all levels of the management where it encourages both vertical and horizontal communication.
3. Control: this is the process of comparing actual results with budgeted results and reporting any variances. Budgets set a control gauge which helps the organisation to accomplish the plans set within agreed expenditure limits.
4. Motivation: Budgeting may be seen as a bargaining process in which managers compete with each other for scarce resources. Where budgetary targets are tightly set, some individuals may not be motivated to achieve them.
5. Definition of responsibilities and authority: the budgeting process helps the organisation to define responsibilities for achievement of targets.
6. Performance evaluation: managers' performance is usually judged by their ability to meet the targets in the budget.

BUDGETARY CONTROL PROCESS

One function of management is to control operations. One way of achieving this is the use of budget reports to compare actual results with planned results and taking corrective action.

Conditions for successful budgeting

1. Involvement and support of top management.
2. There should be clear classification of long term and short term corporate objectives within the budgetary system.
3. There should be genuine and full involvement of line managers in all aspects of budgeting.
4. The appropriate accounting and information system should be utilised when budgeting.
5. Regular checks of budgets and targets.
6. The budget should be administered in a flexible manner.

Motivation aspect of the budgeting system

Budgets are used as a tool to influence the human behaviour through the following:

1. Use of the budget as a target; budget figures should be used to encourage managers to work hard so that they can achieve their goals. High targets may sometimes demotivate managers where the targets are not achievable. The targets set in the budget should be achievable.
2. Performance evaluation; this can be simply a comparison of actual with budgeted performance or alternatively it can be a more elaborate comparison of actual performance with a flexed budget performance.
### Budget setting styles

1. **Imposed budget style:** In this approach, the top management prepares the budget and imposes it on other levels.
   **Advantages:**
   - It increases the probability that the organisation’s strategic plans are incorporated in planned activities.
   - The senior management are aware of the total resources available therefore they can set reasonable budget targets.
   - It reduces the possibility of budgetary slack.
   **Disadvantages:**
   - Dissatisfaction and low morale among employees.
   - The organisation’s team spirit may disappear.
   - The possibility of achieving the targets is reduced.

2. **Participative budget style:** The budgets are developed by low level managers together with subordinates who then submit the budget to their superiors.

### Preparation of budgets

In budget preparation, managers should:

1. **Set the plan** - This involves establishment of objectives, formulation, evaluation of policies and strategies to achieve a given plan.
2. **Set the budget period** - This is the period for which a budget is prepared and used. The period can be further divided into smaller control periods depending on the objectives of the period. In most cases, a budget is divided into months or quarters.
3. **Prepare a budget manual** - This is the document of instructions and responsibilities governing the preparation of the budget, the procedures followed, forms and records relating to preparation and use of budgetary data. It is a guide on the budget preparation process.
4. **Set up budgetary committee** - This is a coordinating body in preparation and administration of budgets. It constitutes different units within the organisation. The functions of the committee include:
   - Coordination of budget preparation.
   - Issuance of budget preparation timetables.
   - Allocation of responsibilities for budget preparation.
   - Provision of information to assist the budget’s preparation.
   - Communication of the final budget to appropriate managers.
   - Compilation of actual data and carrying out a comparison between actual data and the budget with an aim of investigating variances.
   - Continuous assessment of budgeting and planning systems in order to improve the planning and control functions.
5. **Appoint a budget officer** - This is the person who assists in the budgeting process from a financial perspective.
6. **Identify the principle budget factor** - Before preparation of the budget, the principle budget factor (limiting factor) should be identified. This is a factor or a resource that limits the activities of an organisation in achieving the budget.

*A budget is a means and budgetary control is the end result* - J.Batty
Types of budget

Operating budget
It is also called a functional budget and is concerned with different functions that are used to generate income for the organisation.

Financial budget
It is concerned with income and outflow of cash. It shows the budgeted financial net worth position.

Sales budget
It gives the budgeted volume of sales. The sales budget is derived from sales forecasts and it represents the management’s best estimate of sales.

Production budget
It gives the budgeted production level required to meet the budgeted sales. The production budget takes the following format:

<table>
<thead>
<tr>
<th>Type of product</th>
<th>A</th>
<th>B</th>
</tr>
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<tbody>
<tr>
<td>Sales(units)</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Add closing stock</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Less opening stock</td>
<td>(XX)</td>
<td>(XX)</td>
</tr>
<tr>
<td>Production units</td>
<td>XX</td>
<td>XX</td>
</tr>
</tbody>
</table>

Material usage budget
It shows the estimated quantity of materials required for the budgeted production as well as the cost of materials required.

Direct material purchases budget
This ensures materials are purchased as required after considering the desired closing stock level.

Labour budget
It represents the forecast of the labour cost required to meet the production level. It shows the labour hours required for each product, rate of payment per hour and the total cost of labour.

Factory overhead budget
It represents the forecast of all the production (fixed and variable) overheads to be incurred during the production period. The total budget will depend on the behaviour of the cost of individual items in relation to budgeted level of production.

Budgeted income statement
When the functional budget has been prepared, a comprehensive income statement with the budgeted profit is extracted.
Budgeted cash flow statement

It records the cash inflows and outflows which are expected to be realised in respect of each functional budget area. A cash budget is important because it:

- Ensures that there is sufficient cash when it is required.
- Shows whether capital projects can be financed internally.
- Indicates cash needed for the current operating activities.
- Reveals the availability of cash for short term investments.
- Forms the basis of evaluating cash management performance of the responsible managers.

The traditional budgeting process has various shortcomings, including the following:

- It assumes that the basic structure of the budget remains the same.
- It focuses on existing use of resources rather than considering all strategies for future budget periods.
- It focuses on short term periods.
- Past data is used to forecast the future.
- It does not focus on improvements in efficiency.

In an attempt to overcome the above shortcomings, the following alternative budgeting methods can be applied:

1. Zero based budgeting.
2. Rolling budgeting - continuously updated.
3. Program planning and budgeting.
4. Activity based budgeting.
5. Fixed and flexible budgeting.

These alternatives are discussed below.

Zero-based budgeting

Zero based budgeting follows the following steps:

- Define the decision packages - these are organised specific activities which the management can use to evaluate current priorities. There are two types of decision packages:
  - (i) Mutually exclusive decision packages; these contain alternatives or choices where one is to be adopted and budgeted for the period.
  - (ii) Incremental decision packages; these refer to packages with incremental work and are selected based on value addition.

The advantages of zero-based budgeting include that it:

- Helps in identification and removal of obsolete operations.
- Forces the employees to avoid wasteful expenditure.
- Increases motivation.
- Incorporates the changes in the business environment.
- Challenges the status quo.
- Results in more efficient allocation of resources.
The disadvantages of zero-based budgeting include:

- It involves a lot of paperwork.
- Short term benefits may be emphasised hence ignoring long term benefits.
- Lack of management skills where a manager may not have the knowledge on implementation of zero based budgeting.

<table>
<thead>
<tr>
<th>Targeted cost cutting</th>
<th>Zero-based budgeting</th>
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<tbody>
<tr>
<td>Justifying what to remove</td>
<td>Justifying what to keep</td>
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<tr>
<td>Focusing scope on narrower set of costs or cost reduction tools</td>
<td>Leaving “no stone unturned” by examining every cost area with broadest possible set of cost reduction tools</td>
</tr>
<tr>
<td>Improving how activities should be performed (such as efficiency and effectiveness)</td>
<td>Considering both what activities should be performed (e.g. doing less) and how they should be performed</td>
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<tr>
<td>Creating focused initiative planning and execution</td>
<td>Developing detailed and comprehensive initiative design, planning and execution</td>
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</table>

**Rolling budget**

This is a budget that is continuously updated by having a further accounting period. These budgets are updated by adding a subsequent period and dropping an earlier period.

Advantages:

- Managers can reassess the budget regularly and produce up to date budget plans.
- Plans and controls will be based on recent activities.
- It reduces the element of uncertainty because it concentrates on short term periods.
- Budgets are likely to be more realistic.

Disadvantages

- It involves a lot of effort and money making budgeting process to be time consuming and expensive.
- Managers may not directly see the value of the budgetary process.

**Programme planning and budgetary system (PPBS)**

It is widely used in non profit making organisation such as local authorities, public schools and NGOs. It is an integrated management system that places emphasis on the use of analysis for programme decision making. The purpose is to provide management with better analytical skills for making programme decisions and for putting such decisions into operations through an integration of the planning, programming and budgeting functions.

The PPBS is primarily concerned with budgeting at each project level. Each programme is targeted as a project with its own self-sustaining budget.

The major objectives of PPBS are to unify planning, programming and budgeting functions at project/ programme level. The PPBS constitutes 5 basic elements as follows:

- Project structure.
- Approved project documents with projections for the future.
- A decision making process.
- The use of analysis for decision making purposes.
- An information system adopted to meet the needs of PPBS.

**VISUAL DEPICTION OF THE ROLLING FORECAST**

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Activity-based budgeting (ABB)

It is the use of cost drivers when budgeting for each period. This is a method of budgeting based on activity frameworks and utilising cost driver data in budgeting and feedback mechanisms.

It recognises the following:

(a) It is the activity which drives the cost and the aim is to control the cost driver.
(b) Not all activities add value so it is essential to examine all activities for value adding potentials.
(c) The majority of activities in a department are driven by cost drivers therefore decisions should be based on cost drivers.

Key features of activity based budgeting:
- A clear link between strategic objectives and strategic planning.
- Use of activity analysis, cost and cost drivers.
- Identification of cost improvement opportunities.
- Cost drivers determination is through a participative approach which involves all levels of management.

Stages of activity based budgeting:
(1) Estimate the production and sales volume by individual products.
(2) Identify key activities required to meet the organisation’s objectives.
(3) Determine the resources that are required to perform the activities.
(4) Estimate for each resource the quantity that must be supplied to meet the demand.
(5) Take action to adjust the capacity of the resource to match the supply.

Benefits of activity based budgeting:
(1) It ensures that overall strategies are taken into account when determining value adding activities.
(2) It focuses on the entire activities therefore it is more likely that the budget will be implemented accurately.
(3) Traditional budgeting focuses on nature of the cost while ABB emphasises on cost drivers.

Limitations of activity based budgeting:
(1) It is time consuming.
(2) It may require a lot of resources and personnel.
(3) It involves a lot of paperwork.

Fixed and flexible budgeting

Fixed budgeting refers to the preparation of budgets which are based on one level or activity. They are not adjusted to reflect actual activity levels when changes occur. A fixed budget has the following limitations:

(1) It provides little assistance at the planning stage, that is, it does not give implications or various alternative strategies that management may be considering.
(2) It fails to provide relevant and reliable bases for comparing actual performance with what has been budgeted.
(3) It has little motivation to managers because it is static (not flexible).
Flexible budgeting is the preparation of a budget reflecting changes in the level of activity. It involves budgeting at various levels in anticipation of changes. The original budget is flexed to reflect actual conditions in which performance was done. A flexible budget is more useful than a fixed budget because:

1. It provides a range of information at the planning stage which assists in short term planning.

2. Control is possible since performance can be evaluated by adjusting the budget to fix actual performance.

3. Motivation - a flexed budget is more likely to be accepted by management because the control data can be adjusted to conform with current activity levels.

Conclusion

The budgeting process is critical for forward planning purposes. Given that there are different approaches to budgeting, an organisation should select the best approach considering its unique operational circumstances. Nevertheless, budgeting is only beneficial if it is used to improve organisational performance.

**QUOTE**

That which gets measured gets done
- Tom Peters
When trading today, each business must keep a set of records or a ledger of all transactions between all the parties that the business interacts with. This way of operating has some major disadvantages.

First, it costs more per transaction. This is because intermediaries within the chain must add costs for their services.

Secondly, there is a widespread duplication of effort, as each participant repeats almost exactly the same steps to generate an appropriate record.

Also, the risk of records being corrupted by crooks along the way is real. Blockchain changes all this.

So, what is blockchain?

Blockchain is a fully public distributed and automated ledger of monetary transactions, continuously updated by multiple users, and which is considered by many to be impossible to corrupt. It is a list of continuous documents in blocks. Contracts, transaction documentation and historical records all move through one common ledger. Updates are done chronologically and sealed cryptographically to eliminate tampering.

The technology permits parties to transact as strangers but in a very transparent manner. There is no intermediary in between the transacting parties and the entire process is more smooth and cheaper. This concept can be used in the entire digital world, securing any kind of exchange/transactions.
The blockchain network consists of nodes, that is, distributed servers. All these can take and process the transactions. They also share information about the active transactions.

Blockchain has already been used extensively to mine bitcoins. In fact, it is the network of computers around the world running bitcoin software that manages performance and maintains the blockchain network.

Recently, blockchain technology has grown in popularity amongst large banks, developers and entrepreneurs. Santander Bank, the world’s 10th largest bank, is already investigating blockchain technology. Other reputable banks like Citi and JPMorgan have also been keenly following the blockchain technology.

Public, private and hybrid blockchain concepts

1. Public (unpermissioned) blockchain
   A public blockchain is open to all. Anyone can read or write to the platform, anonymously. This blockchain is considered to be fully decentralised.

   Examples:
   - Ethereum - provides a decentralised framework and software language that facilitates execution of smart contracts and allows builders to publish distributed softwares.
   - Factom - provides records management services for businesses and governments.
   - Blockstream - provides sidechain technology which focuses on expanding the capabilities of bitcoin.

2. Private (permissioned) blockchain
   This allows only approved participants to have access and interact with the ledger. This is close to the existing infrastructure wherein the owner (a centralised authority) would have the power to change the rules, revert transactions and so on based on the need. This concept has attracted huge interest from financial institutions and large companies due to its potential. It is believed that it can be used to build custom systems and reduce the costs whilst increasing their efficiency.

   Examples:
   - Eris Industries - targets providing shared software database that is based on the blockchain technology.
   - Blockstack - has a vision of building a platform that runs financial institutions back offices, inclusive of clearing and settlement on a private blockchain.
   - Multichain - has established an open source decentralised database for financial entries.
   - Chain Inc - provides blockchain application programming interfaces (APIs). They have collaborated with Nasdaq OMX Group Inc., to create a platform that allows trading of private company shares using the blockchain.

3. Hybrid blockchain concept
   This blockchain is a mix of both the public and private blockchains with the ability to transact being extended to a certain number of people/nodes. This could be used by groups of organisations/firms, collaborating to develop different business models. They gain a blockchain with controlled access, build their solutions and retain the intellectual property rights within the consortium.

<table>
<thead>
<tr>
<th>PUBLIC BLOCKCHAIN</th>
<th>PRIVATE BLOCKCHAIN</th>
</tr>
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<tbody>
<tr>
<td>A public blockchain is a network where anyone can read or write data from or to the ledger, as long as they are running the appropriate software.</td>
<td>A private blockchain is a network where participants are already known and only those approved have permission to update the ledger.</td>
</tr>
<tr>
<td>Bitcoin is an example of a public blockchain.</td>
<td>Private blockchains can be created for an organisation (for example, access to employees of a company), an association of organisations or an industry (of approved participating businesses). Although processing is private and restricted to select participants, the blockchain can open up use to consumers.</td>
</tr>
</tbody>
</table>
Blockchain use cases

The original blockchain technology has been principally used on bitcoin. It is generally agreed that the underlying technology can be scaled to other areas with awesome results. Thus, researchers have been aggressively pursuing new blockchains at least to allow faster settlement times, larger transaction sizes, additional consensus methods, varying degrees of anonymity, advanced functionality, adjustable permissions and other constraints of the old blockchain. This has led to the emergence of some new applications both in the financial and non-financial sectors. Below is a quick explanation of each of the use cases:

1. Development of apps: most apps are built by teams. Blockchain can be used to verify ownership of the different modules in apps development.

2. Digital content: authors, musicians and videographers can use blockchain to enforce payment, to confirm ownership of digitally stored content and in controlling the onwards distribution of such content to other parties.

3. Ride-sharing: blockchain purists view Uber and Lyft as taxi-apps motivated by commercial interests. However, “real-time” ride-sharing should be such that people find cars on the go, with no prior planning.
The “sharing” part means that drivers aren’t doing it as part of a commercial enterprise, a la Über which is essentially a middleman. La’zooz is working on a model that pioneers such a ride sharing system based on blockchain. This should eventually create smart transport which is about maximising already-existing infrastructure and resources rather than adding new ones.

(4) Digital security trading: ownership and transfer of shares and related securities can vastly be improved if third party intermediaries are eliminated and the process of transfer made more seamless. For example, if blockchain holds the registration details of each transaction, there would no longer be a need to distinguish between custodian, CDS and registrar. Such a trading exchange is only made possible by adopting blockchain.

(5) Digitisation of documents/contracts: a smart contract is a self-executing contractual state, held on the blockchain, and which nobody controls thus trusted by anyone. Smart contracts are able to minimise risk via non-discriminatory execution. This absence of a central counterparty agency enables such contracts to serve markets with improved efficiency.
(6) Decentralised storage: currently, cloud storage services are centralised with cloud providers controlling all our online assets. But with blockchain, storage becomes decentralised improving security and decreasing dependency. Plus, one can rent out their spare storage capacity, Airbnb-style, creating new markets. This is made possible by building storage on a network of computers on blockchain.

(7) Company incorporations: if blockchain is applied in building digitised company incorporation systems, change of equity, governance and the entire company registration process would really become smooth thus encouraging entrepreneurship and regulatory compliance.

(8) Decentralised Internet and computing resources: with blockchain, internet provision will no longer be controlled by a few individual entities. Blockchain will lead to the emergence of multiple players, leading to decentralisation of internet and related computing resources to cover more homes and businesses.

**HOW BLOCKCHAIN WORKS**

1. A wants to send money to B
2. The transaction is represented online as a “block”
3. The block is broadcast to every party in the network
4. Those in the network approve the transaction
5. The block then can be added to the chain, which provides an indelible and transparent record of transactions.
6. The money moves from A to B
(9) Home automation: blockchain offers a platform to link the home network and electrical devices to the cloud in a bid to automate more home services such as security surveillance systems and access control among others.

(10) Digital identity: blockchain technologies make tracking and managing digital identities both secure and efficient, resulting in seamless sign-on, improved consumer privacy and reduced fraud. Possible digital identity aspects covered by blockchain includes passports, e-residency, birth certificates, wedding certificates, national identity cards (IDs), single online account login and so on.

(11) Escrow/custodian service: blockchain can be used to create an escrow/custodian service for the gaming industry; loan servicing and e-commerce. This would greatly improve trade in the subsectors.

(12) IT portal: use blockchain to build a smart contract IT portal to facilitate fulfilling of orders in eCommerce and manufacturing industries.

(13) Patient records: healthcare institutions are unable to share patient and other data across platforms. Blockchain technologies are being used to build a decentralised records management system expected to improve efficiency in the healthcare ecosystem.

(14) Digitising assets: blockchain technologies can be applied in building anti-counterfeit systems for digital properties such as ebooks, songs, podcasts, videos and so on.

(15) Reputation management: blockchain technologies can be applied in creating systems that help users engage, share reputation and collect genuine feedback from companies and brands.

(16) Prediction platform: blockchain technologies can be applied in creating systems decentralised prediction platforms for the share markets, elections, gambling industries and so on.

(17) Enabling authenticity of a review: in human resource, blockchain technologies can be used to build better systems which enable collection of authentic reviews and trustworthy endorsements during employee peer to peer assessments.

(18) Marketplace for sales and purchases of digital assets: the most popular use of blockchain systems has been in creating a free market for exchange of digital assets. In such systems, blockchain plays a critical role in validation of ownership of such assets.

(19) Currency exchange: expensive money transfer costs, limited online money exchange methods, lack of trust and so on are some of the key challenges in financial services. Initiatives like BitPesa seek to bring uniformity and certainty in money exchange.

(20) Internet of Things (IoT): blockchain technology provides a way to trace unique history of each device, through maintaining a ledger of data movement between it and other devices in IoT, the web and people. Filament, for example, is building a decentralized IoT system for ensuring gadgets communicate safely.

Other mooted use cases

(i) Digital voting
The greatest obstacle for online voting, according to its detractors, is security. However, by using blockchain, a voter can confirm that his/her vote has been successfully remitted while maintaining anonymity. For example, in the year 2014, Liberal Alliance, a party in Denmark, used blockchain to vote. For America, voter turnout
SMART CONTRACT ON BLOCKCHAIN ILLUSTRATED

Case example: Credit Default Swap (CDS) contract

Alice purchases 500 bonds from Agrobiz

But Alice worries that certain weather conditions could harm Agrobiz’s ability to fulfill the bonds

Alice turns to Bob, a credit default swap issuer who will insure these bonds for her against an event where Agrobiz is unable to fulfill the bond.

Alice and Bob store the CDS agreement (a smart contract agreement) on a blockchain.

Smart contracts help to manage payments in both directions, whether business as usual or credit event situations.

Alice turns to Bob, a credit default swap issuer who will insure these bonds for her against an event where Agrobiz is unable to fulfill the bond.

Blockchain also eases regulatory compliance and due diligence.

Benefits of blockchain

Businesses adopting blockchain benefit from:

- **Reduced transaction costs**
  With blockchain, parties are able to make an exchange without oversight from an intermediary thereby eliminating all third parties and agents in the channel plus associated transaction fees. This significantly reduces overall trading costs. For example, Santander Bank has already identified 20 to 25 use cases for blockchain which could probably reduce the infrastructure cost for banks by up to $20 billion a year.

- **Less fraud**
  A key feature of blockchain is that transactions have to be updated through consensus by the majority of the parties. This provides an inherent safeguard, reducing the risk of theft and enhancing transparency and integrity in the whole process.

over the years has been shockingly low. Probably, implementing a distributed digital voting may motivate disenfranchised voters to participate.

(ii) Supply chain communications and proof-of-provenance
Most of the goods we buy are made by multiple entities who vend their components to companies that assemble and distribute the final products. If a component failed, it is the brand that faces a backlash since it holds the greatest responsibility in the supply chain. Hence, if a company would actively avail digital, audible records showing stakeholders and different states of each product at each stage, it could eliminate potential system failures and build the brand through improved reliability. This is what startups such SkuChain are doing.

**PS:** Blockchain technology is still evolving. Currently, it is not possible to exhaust all use cases.
In addition, once a specific block in the chain has been sealed, it’s no longer possible to alter or delete, therefore creating immutability.

- **Speedy transactions**
  Previously, institutions would have to wait longer for approval of transactions through the system; blockchain shortens this process to minutes, with some transactions clearing in almost real time.

- **Quality reporting**
  Blockchain data is more complete, persistent, timely, solid and widely available. Consolidated and consistent data significantly reduces reporting errors and subsequently boosts decision making.

- **Durability and reliability**
  Blockchain networks are decentralised in nature; hence have no central point of failure. Blockchain infrastructure also has better inbuilt ability to withstand cyber attacks.

- **Disintermediation and trustless exchange**
  Two parties are able to make an exchange without the oversight or intermediation of a third party, eliminating the counterparty risk.

- **Empowered users**
  Users are in control of all their information and transactions.

- **Ecosystem simplification**
  With all transactions being added to a single public ledger, it reduces the clutter and complications of multiple ledgers.

**HOW SMART CONTRACT WORKS**

**WHY YOU CAN’T CHEAT AT BITCOIN**

1. Say everybody is working on block 91.
2. But one miner wants to alter a transaction in block 74.
3. He'd have to make his changes and redo all the computations for blocks 74–90 and do block 91. That’s 18 blocks of expensive computing.
4. What’s worse, he’d have to do it all before everybody else in the Bitcoin network finished just the one block (number 91) that they're working on.
Challenges with blockchain

1. Nascent technology
   Resolving challenges such as transaction speed, the verification process and data limits will be crucial in making blockchain widely applicable.

2. Uncertain regulatory status
   Because modern currencies have always been created and regulated by national governments, blockchain and Bitcoin face a hurdle in widespread adoption by pre-existing financial institutions if its government regulation status remains unsettled.

3. Large energy consumption
   The Bitcoin blockchain network’s miners are attempting 450 thousand trillion solutions per second in efforts to validate transactions, using substantial amounts of computer power.

4. Control, security and privacy
   While some solutions exist, including private or permissioned blockchains, there are still cybersecurity concerns.

5. Integration concerns
   Blockchain applications offer solutions that require significant changes to, or complete replacement of, existing systems. In order to make the switch, companies must strategise the transition.

6. Cultural adoption
   Blockchain represents a complete shift to a decentralised network which requires the buy-in of its users and operators.

7. Cost
   Blockchain offers tremendous savings in transaction costs and time but the high initial capital costs could be a deterrent.

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**How Blockchain Can Prevent Fraud of Assets of Value**

Everledger is a London-based digital global platform that uses blockchain to track features such as diamond cut and quality, as well as monitoring diamonds from war zones. Entries on the digital record include dozens of attributes for each diamond, including the colour, carat and certificate number, which can be inscribed by laser on the crown or girdle of the stone. Everledger has placed more than 1.6 million diamonds on a blockchain.

Everledger was created to minimise fraud, being a “digital global ledger that tracks and protects items of value.” The team has built a platform that brought greater transparency to the open market places and global supply chain—by ensuring that the authenticity of the asset is secured and stored among all industry participants.
Conclusion

As blockchain permits for a highly efficient, cost-effective and secure way of transacting digitally, institutions seeking to push their business to the next level must start committing to this game-changing technology. The range of blockchain capabilities are mind boggling - from compliance, reporting, establishment of a mammoth assets exchange to data management, the potential is huge.

Similar to the rise of the internet, blockchain has the ability to truly disrupt.

Interest in bitcoin has been rising steadily. Since 2013, with Google reporting a 1900% increase in the number of searches about “bitcoin” on its search engine. Traders, startups, investors, global institutions and governments have collectively identified blockchain as a powerful technology, that will change our world. Don’t be surprised if blockchain ends up running our economic, legal and even political systems.

MORE USE CASES OF BLOCKCHAIN TECHNOLOGY

Mobile money came and disrupted the way business is done in Kenya. Could digital currency be the next frontier of disruption?
In January 2015, the International Accounting and Auditing Standards Board (IAASB) issued ISA 701, Communicating Key Audit Matters (KAM) in the Independent Auditor’s Report. This standard is required to be applied to the audit of all listed entities. The objectives of ISA 701 are for the auditor to:

- Determine those matters which are to be regarded as KAM; and
- Communicate those matters in the auditor’s report. ISA 701 requires external auditors to communicate key audit matters which provide additional information to users of financial statements to assist them in understanding those matters, that, in the auditor’s professional judgement were of most significance in the audit of financial statements of the current period.

The standard defines key audit matters, that in the auditor’s professional judgement, were of most significance in the audit of financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.

Communicating key audit matters assist users of financial statements in:

(i) Understanding the entity and areas of significant management judgement in the audited financial statements, as such matters are of focus in performing the audit.

(ii) Provide users of financial statements a basis to further engage with management and those charged with governance about certain matters relating to the entity and the audited financial statements.
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For CPA/CS/CCP - KCSE with a mean grade of C+ (plus) and C+ (plus) in English and Mathematics

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- **Evening Classes** ~ 5.45pm - 7.45pm
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Mr. Wafula Wanyonyi  
(MBA, B.Com, CPA(K) PhD. Fellow)

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(MBA, B.Com, CPA)

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Determining Key Audit Matters

ISA 701 states that the auditor shall determine which of the matters communicated with those charged with governance are the key audit matters. In making this determination, the auditor shall take into account areas of significant auditor attention in performing the audit, including:

1. Areas identified as significant risks in accordance with ISA 315 (Revised) or involving significant auditor judgement.
2. Areas in which the auditor encountered significant difficulty during the audit, including with respect to obtaining sufficient appropriate audit evidence.
3. Circumstances that required significant modification of the auditor’s planned approach to the audit, including as a result of the identification of a significant deficiency in internal control.

Other considerations relevant to determining the significance of individual matters

In addition to the factors described above and others that may be indicative of an area of significant auditor attention, other considerations that may be relevant to determining the significance of a matter communicated with those charged with governance and whether such a matter is a key audit matter include:

a) The industry in which the entity operates. There may be areas of complexity in financial reporting that are specific to a particular industry, or accounting policies unique to that industry.

b) Recent significant economic, accounting, regulatory or other developments. For example, significant changes to the economic environment that affected management’s assumptions or judgement, or the auditor’s approach, may cause the auditor to determine that a matter is a key audit matter.

c) Whether the matter involved a number of separate, but related, auditing considerations. For example, long-term contracts may involve significant auditor attention with respect to revenue recognition, litigation or other contingencies, and may have an effect on other accounting estimates.

d) Whether the auditor determined it was necessary to obtain written representation from management to support other audit evidence relevant to the matter or one or more specific assertions in the financial statements relating to the matter. For example, such written representations may include representations about plans or intentions that may affect the carrying value or classification of assets and liabilities.
Communicating Key Audit Matters

The auditor shall communicate the key audit matters in a separate section of the auditor’s report under the heading “Key Audit Matters.” The auditor’s report shall state that:

(i) Key audit matters are those matters that, in the auditor’s professional judgement, were of most significance in the audit of the financial statements (of the current period);

(ii) Key audit matters are selected from matters communicated with [those charged with governance], but are not intended to represent all matters that were discussed with them;

(iii) The auditor’s procedures relating to these matters were designed in the context of the audit of the financial statements as a whole; and

(iv) The auditor’s opinion on the financial statements is not modified with respect to any of the key audit matters and the auditor does not express an opinion on these individual matters.

Circumstances in which the Auditor has determined there are no key audit matters

If the auditor determines that there are no key audit matters to communicate in the auditor’s report, the auditor shall:

(a) Discuss this conclusion with the engagement quality control reviewer, for those engagements where one has been appointed;

(b) Communicate this conclusion with those charged with governance; and

(c) Explain in the auditor’s report that this section of the auditor’s report is intended to describe the matters that the auditor has determined, in the auditor’s professional judgement, were of most significance in the audit of the financial statements and the auditor has determined that there are no matters to report.

The following illustrates the presentation in the auditor’s report if the auditor has determined there are no key audit matters to report:

This section of our report is intended to describe the matters selected that, in our professional judgement, were of most significance in our audit of the financial statements. Except for the matter described in the Basis for Qualified (or Adverse) Opinion section and the material uncertainty described in the Going Concern section, we have determined that there are no such matters to report.

Determination of matters of most significance in the audit - KAM

KAM is determined by the auditor’s consideration of the:

• Nature and extent of communication with TCWG
• Importance to intended user’s understanding of the financial statements
• Nature and extent of audit effort needed to address KAM
• Nature of underlying accounting policy, its complexity or subjectivity
• Nature and materiality, quantitatively or qualitatively, of corrected and accumulated uncorrected misstatements due to fraud or error (if any)
• Severity of any control deficiencies identified relevant to the matter (if any)
• Nature and severity of difficulties in applying audit procedures, evaluating the results of those procedures and obtaining relevant and reliable evidence.

Decision-making framework for determining KAM
Reporting highly sensitive issues

Some matters that are determined to be key audit matters may be viewed as sensitive, because of their nature and the fact that such matters may not be disclosed in the financial statements, for example:

- A fraud risk specifically identified in the context of the entity.
- A significant deficiency in internal control.

ISA 701 further states that in such cases, the auditor may need to consider how best to describe the key audit matter in order to explain why the matter was one of most significance in the audit.

The standard further states that it is appropriate for the auditor to seek to avoid the description of key audit matters on original information about the entity that is the responsibility of the entity’s management and those charged with governance unless, in the auditor’s judgement, the additional information that the auditor may provide is critical to the auditor’s description of the key audit matter and providing such information is not prohibited by law or regulation. In such circumstances, the auditor may encourage management or those charged with governance to make relevant disclosures in the financial statements that include such other information, so that reference can be made to those disclosures within the description of the key audit matters in the auditor’s report, rather than the auditor providing original information.

Relationship between Key Audit Matters and the Auditor’s Opinion

Matters giving rise to a modification of the auditor’s opinion are, by their nature, key audit matters, notwithstanding that such matters are not presented in the Key Audit Matters section of the auditor’s report.

When the auditor is expressing a qualified or adverse opinion, a discussion of any other key audit matters

Expected benefits of the new auditor’s report

- Enhanced communicative value to users
- More robust interactions and communication among users, auditors and those charged with governance (TCWG)
- Increased attention by management and TCWG to the disclosures referred to in the KAM section of the auditor’s report
- Increased professional skepticism in areas where KAM are identified
- Increased audit quality or user’s perception of audit quality

KAM - What they are and what they are not

- The auditor’s perspective on matters of most importance to the audit
- A concise summary of important audit matters versus more detailed and robust discussions with TCWG (such as the audit committee)

- NOT a replacement of or supplement for management’s perspective embodied in the financial statements and disclosures
- NOT a scorecard on management’s performance or the relative aggressiveness or conservatism in management’s accounting policies or judgements
would still be relevant to enhancing users’ understanding of the audit and therefore the requirement in paragraph 8 applies. However, the proposed ISA 705 (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements.

### Placement of the Key Audit Matters Section in the Auditor’s Report

Placement of the Key Audit Matters section in close proximity to the auditor’s opinion is intended to give prominence to such information, and to acknowledge the perceived value of engagement-specific information to users.

The order of presentation of individual matters within the Key Audit Matters section is a matter of professional judgement. Such information may be best organised in order of relative importance, based on the auditor’s judgement, and the requirement in paragraph 10 to include subheadings is intended to further differentiate the matters.

#### Explaining why the auditor considered the matter to be of most significance in the audit

The description of a key audit matter in the auditor’s report is intended to provide insight as to why the matter was determined to be a key audit matter. The description may make reference to the following:

**Factors that may have influenced the auditor’s risk assessment, for example:**

(a) High estimation uncertainty.

(b) Economic conditions that affected the auditor’s ability to obtain audit evidence, for example illiquid markets for certain financial instruments.
(c) New or emerging accounting policies, for example entity-specific or industry-specific matters on which the engagement team consulted within the firm.

(d) Changes in the entity’s strategy or business model that had a material effect on the financial statements.
- The auditor’s approach to the matter, for example whether the auditor used an expert to obtain audit evidence, for example the use of actuaries or other experts to evaluate management’s assumptions.
- Whether the matter involved significant management judgement.
- Key communications with those charged with governance.

Conclusion

The auditor’s report has been significantly changed by the IAASB in response to the users of financial statements requesting a more informative auditor’s report and for the report to include more relevant information for users. ISA 701 require auditors to provide more transparent and informative reports on the companies they audit. The aim of the standards is to produce auditor’s reports that increase the public’s confidence in both the audit process itself and the financial statements of companies. This standard is therefore critical to external auditors, board audit committees, chief finance officers or other persons in charge of finance function, senior management as well as users of financial statements.
What will the new Auditor's Report look like?

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of ABC Company [or Other Appropriate Address(es)]

Report on the Audit of the Financial Statements

Opinion
We have audited…….
In our opinion, the accompanying financial statements present fairly, in all material respects, (give a true and fair view of) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion
We conducted our audit in accordance with……. We are independent of the Company…….

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters we address in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each KAM in accordance with ISA 701]

Information other than the financial statements and auditor's report thereon
Management is responsible for the other information. The other information comprises the [information included in the X report], but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain…….
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
6. Identify and assess the risks of material misstatement of the financial statements…….
6. Obtain an understanding of internal control relevant to the audit…….
6. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
6. Conclude on the appropriateness of management's use of the going concern basis of accounting…….
6. Evaluate the overall presentation, structure and content of the financial statements…….

The engagement partner on the audit resulting in this independent auditor's report is [name].
That unethical practices, especially in the public sector is a paramount concern for both citizens and would-be investors is not a secret. What is rarely spoken about, or mutedly so, is that the private sector is also a partner in this type of crime. This is because most of the malpractices and trust violations in the public sector are done in collaboration with private sector actors and corporates, with these twins joined at the hip. As a consequence, the public sector becomes the demand side, and the private corporate providing the supply side of the corruption equation.

During a recent forum on corruption and anti-corruption initiatives, a senior officer at the Kenya Private Sector Alliance (KEPSA) was candid, pointing out that the private sector lacks the moral authority to point fingers at government players on corruption and ethical malpractices. The reason the fraud and corruption in the private sector does not get exposed is because corporates are not comfortable with the negative publicity this may produce. In fact until recently, even fraudulent bankers were never taken to court for fear that this would cause clients to feel that their money is not safe in the said financial institution. Even rumours are immediately refuted by corporates on their social media platforms and soon, the storm settles. The painful truth, however, is that beneath this sugarcoating, massive losses are happening in the corporate world as a result of this vice. Actually, the Association of Certified Fraud Examiners Annual Report paints a grim picture; that the corporate losses are on average 5% of the annual revenues due to fraud and generally ethical malpractices.

The most tormenting aspect is that we are a deeply religious society and while the rest of the society should be in ‘professional’ sackcloth and mourning because of this status, even the youth are waiting for their ‘turn to eat’. A research by the East African Institute dubbed the Kenya Youth Survey Report returned a very damning verdict; the youth would willingly participate in ethical
The trickle-down effect of the above facts is that professionals have increasingly been found deeply involved in fraud schemes in the recent past.

We are encountering increasing cases of trust violations perpetrated by professionals. This is generally because the modern professional has many loopholes in his abode which he can exploit to the financial detriment of the organisation. These range from exploiting accounting standards loopholes to massage and panel beat accounts to hide losses and inflate profits, outright fraudulent transactions, to even embezzling petty cash.

The accountant, as a prime custodian of the assets of the company from the old days is required to be like the proverbial Caesar’s wife; beyond suspicion. It is therefore necessary for professionals, and especially finance professionals and accountants, to make a return to ethical practice.

It is said “It doesn’t go wrong, it starts wrong!” As a society therefore, it’s important to ask ourselves where the rain started beating us. First, it is hard to attribute the situation to lack of guidelines and legislation on the same. As a deeply religious country, we are taught from our childhood that it is wrong to steal, to lie and so on. Indeed, we are taught to work hard and shun ill-gotten proceeds, however beneficial. Further, having personally gone through the CPA and the CCP qualification pathways, I know the syllabuses have no shortage of ethical guidelines for accountants and other professionals. It’s also acknowledgeable that Kenya has some of the best procurement and economic crimes legislations in the world. Yet with all the above, we still find ourselves constantly grappling with the issue of major economic and trust violations both in the public and private sectors.

It’s important to reconsider our choices and values as a people, and especially as accountants. We must always keep the following in mind as finance professionals;

- Long term consequences and legacy. Whereas trust violations may provide short term benefits, in the long run it is doom. We have learnt from history that although trust violators seem to flourish in the short term, they have a very sorry ending and there are many documented cases which underscore this point. One of the examples is that of Enron, one of the biggest frauds to ever happen in Corporate America. Although the accounting malpractices were hidden for many years, finally they were

The accountant is required to be like the proverbial Caesar’s wife; beyond suspicion.

The accountant is required to be like the proverbial Caesar’s wife; beyond suspicion.

Ceasar divorced Pompela at once, but when he was summoned to testify at the trial, he said he knew nothing about the matters with which Clodius was charged. His statement appeared strange and the prosecutor therefore asked, “Why then did thou divorce they wife?” “Because,” said Ceasar, “I thought my wife ought not even to be under suspicion.” Plutach, The Life of Julius Ceasar.

The accountant is required to be like the proverbial Caesar’s wife; beyond suspicion.

The accountant is required to be like the proverbial Caesar’s wife; beyond suspicion.

The accountant is required to be like the proverbial Caesar’s wife; beyond suspicion.

47% of the youth admire those who get their wealth by ‘hook and crook’. It feels more like the adage ‘get rich or die trying’.

50% agreed with the statement “It doesn’t matter how you make your money as long as you don’t go to jail”. It’s therefore worrying that these are the next public and private sector leaders in the country.

73% admit they are afraid to stand up for what is right, instead settling for what is expedient, even when it’s unethical.

40% would only vote for the candidate who bribes them and over a third of them (35%) would easily take a bribe, with about 62% stating that they are vulnerable to electoral bribery and fraud. Doesn’t this introduce great lack of moral hygiene in our future?

35% believe that corruption is profitable.

Only 40% believe that it’s important to pay taxes.
discovered and the perpetrators ended up in jail. More recently, Bernie Madoff was discovered to have run the biggest fraudulent Ponzi scheme in the world, for a period of around twenty years. He was sentenced to a jail term of 150 years, which is projected to end in 2139. A sad way to end a life and career. His final words were “I have left a legacy of shame, as some of the victims have pointed out, to my children and grandchildren. This is something I will live with for the rest of my life”.

- **Galatea effect.** Our behaviour is determined by our self-image. Ethical practice allows you for a long period to live with high self-esteem, not fearing that one of the skeletons in your closet could be unearthed. And what with the current situation where vetting for public office in Kenya allows the public to make submissions. We have seen people who have missed major appointments because some element of their past was revealed and subsequently they were found unfit to hold the position.

**Galatea effect** means that the individual’s self-expectations and his opinion about his ability largely determines his performance.

- **The social snowball effect.** The effects of trust violations and fraud have disastrous effects to social groups and generations. It is important that even as we seek to better our lives, we must not do it at the expense of other generations and social groups.

I believe that as accountants, we will restore the glory of the profession to a high pedestal where the accountant was known to be the conservative custodian of the assets of the organisation and his conduct was like that of the proverbial ceasar’s wife; beyond suspicion. All the best!

> There is only one ethics, one set of rules of morality, one code: That of individual behaviour in which the same rules apply to everyone alike.  
> *Peter Drucker*

> **THERE IS NO RIGHT WAY TO DO A WRONG THING**
At a personal level

If you look at the financial reports of banking institutions, non-performing assets form a significant portion. This is mainly as a result of debts carried by individuals or so called unsecured loans. Sample the following quote from a leading player in the financial sector: “Commercial banks operating in Kenya collectively posted a 5.65% rise in profit before tax to Sh 81.2 billion in the six months to June 2016 compared to Sh 76.9 billion posted in June last year. Despite the profits, the sector recorded an 8.4% increase in non-performing loans to Sh 190 billion.”

Debts usually fall in the following two categories:

(1) **Unavoidable debt**
   In certain instances, it is impossible for individuals to avoid debt due to differing circumstances. There are times when an unexpected change causes difficulties in paying off old debt commitments.

(2) **Avoidable debt**
   This is high risk debt where there are clear signs that the borrower may be unable to repay the debt. For instance, there are people who have relied on credit cards or mobile loans to stretch their income a little further, but over time with the help of excessive credit card and mobile loans interest rates and late fee charges, found that they were suddenly having difficulty keeping up with all of their expenses.

Carrying a lot of debt can wreak havoc on one’s personal and work life. From limiting the kind of jobs one can accept to influencing how their employer views them, debt can create many kinds of challenges in the workplace. Being proactive about one’s debt can save one from all kinds of hassles on the job and brighten their job prospects as well.

CCP WASILWA MIRIONGI, Managing Director, Del Creder Credit Management Limited
Many people worry that getting debt advice or choosing a certain debt solution will affect their job. They fear that having a poor credit rating might mean that their contract will be terminated, or they may feel embarrassed at the idea of their employer finding out about their debt.

**Having their salary garnished (attached)**

Are you aware that creditors may seek court decision and have one’s salary attached (garnished)? Creditors may win the right to garnish one’s salary if they do not make their debt payments. At the very least, this means extra paperwork for their employer’s payroll department, which will need to keep track of your deductions and forward regular payments to their creditor or face legal repercussions themselves. Even worse, it may lead their employer to view them as untrustworthy, something which will reduce their prospects for raises and promotions.

**Lowering employee’s productivity**

Creditors often call late payers at work, particularly if they cannot be reached during off-hours. The stress of dealing with these embarrassing interruptions can eat into one’s productivity. In addition, taking additional jobs or freelancing in order to make enough money to pay their bills can be exhausting and can negatively affect their performance on the job. And if they are losing sleep worrying about how to get out of debt that will show up in their job performance too.

**Debt collectors contacting employers directly**

Debt collectors can contact one’s employer directly. While they can’t reveal the nature of your debt, they can ask for information to verify your employment status. Having debt collectors contact one’s boss is embarrassing and can potentially strain relations with your employer.

**How employee debt status affects workplaces**

How I wish we could access large companies, government departments and other multinational owned companies to create ‘debt awareness’ within the corporate environments. My prayer is that, owners, senior management and other executives would welcome these forms of enlightenment for their employees because it would ensure that their staff remain productive, perform well and are positive when coming to work daily, initiate and nurture sound client and colleague relationships, where the end result would also be beneficial to the company. After all, the success of any company is totally dependent on the performance of their employees!

Employers who intend to cut back on staff allowances, incentives and other benefits included in staff packages should also be aware that these crucial changes that they decide upon in a day and then institute the following week, induces an immediate crisis situation in personal lives.

Naturally people must prepare for drastic financial changes, also possibly ascertaining the viability of remaining with their current employers and not seeking alternative employment for improved remuneration. They may have received a far better offer that they
declined recently, because they felt they were obligated to be loyal to their employer. There are many employees who are loyal, but the emotional impact of retrenchments, terminations, cut backs on remuneration and all these negative aspects can crush anyone’s will to conquer adversity if they are unprepared.

Psychologically, if a person is heavily indebted whether self-inflicted or not, it will always have an adverse effect, but very few employers hold that form of empathy because as they say, it was a business decision. Yet, the entire business experienced growth and a sound reputation due to the joint efforts of employees, because without them, the business would never have grown, improved or existed.

The human aspect is therefore almost never considered and it will take many years before this mindset is changed to what we can term as acceptable. Consideration is the primary key because if that person is middle aged or elderly, then they have planned a savings scheme, pension and retirement annuities where, if they lose their job, they can no longer service these major commitments and so the end value is substantially reduced and they simply lose with no way of recouping the lost funds.

It is time to radically change the mind-set of employees in the workforce of the consequences of creating excessive debt, because the employer is not responsible and, therefore, they stand alone in these times of trouble, possibly losing their job as well. The outcome can be very harsh. Life in general is already harsh but it doesn’t have to be so and

Seminars serve as an ‘eye-opener’ to employees and employers and create a major awareness and may possibly be the beginning of new company policies being initiated, more focused on controlling staff personal expenditure and pre-empting their excessive expenditure. In more ways than one, an employer would then be protecting their employees from the harsh debt realities they could find themselves facing at any given time.

Debt impacts on productivity and performance because the fallacy that we should not bring our problems to our workplace is unrealistic.

The rate of indebtedness today is possibly around 90 per cent of people in the world, so the ratio is extremely high and most spend money they don’t have and have not yet earned. Workplaces are no longer just business venues where we spend our day meeting our employment obligations, rather many are overloaded with personal debt problems they are spending an entire day to action, without a positive result, impacting on their companies’ performance.

Employee debts impact employers negatively

It is no doubt that over-indebted employees desperate for a way to make ends meet are often subject to reckless agreements by unscrupulous lenders, or tempted by theft or bribery. Furthermore, when things become
EMPATHY FOR DEBT-LADEN EMPLOYEES

• The notable increased attachment orders on employee salaries.
• Cases of demands for higher salary increases.
• Situations like stress, illness and absenteeism.
• Existence of broken relationships in the workplace.
• Instances of late coming, lack of motivation and lower productivity.
• In extreme cases, theft.
• There is increased attrition as employees search for higher paying jobs.
• Increased resignations as employees attempt to get cash from provident funds.

There is no gainsaying that over-indebted employees require urgent help and intervention with their credit providers to avoid legal action and to save their assets from repossession. Counseling help will come in handy in addressing these debt problems by clarifying the debt situation and drawing up plans of action to reduce debts to sustainable levels or help employees come out of debt.

What would be the benefit of debt counseling?

For employees:
• There will be immediate increased cash flow for living expenses.
• No more credit providers harassment at work place hence peace.
• A notable improved well-being and reduced stress, illness and absenteeism.
• More important, happier relationships at home and in the workplace.

For employers:
• Change resulting in improved time-keeping, increased productivity and motivation.
• Notably, fewer loan requests or pay advances.
• Decrease in theft, attrition and resignations.
• Fewer demands for excessive pay increases.

Furthermore, when individuals start getting on top of their debt they start to see the benefits of budgeting and start planning for future financial health. If we have a plan detailing the steps to avoid inevitable pitfalls that will place us in a bad situation in the future, we are in control of our lives and so by the same token, we must take responsibility for our actions.

Live below your means, but within your needs.
Don’t spend money you don’t have, on things you don’t need, on things you can’t afford, to impress people you don’t know.”
Kasneb has launched an electronic payment service, branded e-kasneb to facilitate students to:

(a) Register for Kasneb examinations and access syllabuses online.
(b) Apply for exemptions.
(c) Book for examinations and access examination timetables.
(d) Pay for registration renewal fees.
(e) Access transaction records.
(f) Access e-resources.
(g) Access regular updates as appropriate.

Students will also be able to access other services such as application for remarking, deferment, withdrawal from examination and application for refunds in due course.

**Services available on e-kasneb and how to use it**

**STEPS TO PAYMENT USING e-kasneb ON THE WEB**

**Step 1 - Registration**

1. Search for e-kasneb on the Google play store and instal on your phone.
2. To sign-up, select not a member? Sign up.
3. A prompt with a pop up message “Are you a kasneb student with an existing registration number” NO YES (Click NO or YES as appropriate).
4. Await for activation code via sms/email.
5. Log in using the email address and password created.

**Note:**

1. Await receipt of kasneb wallet pin via text on sms or email before proceeding to step 2. (This takes a few seconds).
2. If kasneb wallet pin is not received call 0709920000.

**Step 2: Choose service required and confirm amount payable**

1. On the e-kasneb app select service required on the icon – Example select examination.
2. Follow instructions to generate the invoice.

**Step 3: To load e-wallet**

1. Go to mpesa menu and select lipa na mpesa.
   - Use paybill no 832222.
   - Account No. your mobile telephone number.
2. Enter amount.
3. Enter your mpesa pin number.

**Step 4: To complete transaction**

1. Go back to e-kasneb app. (mobile or web)
2. Pay now:-
   - Enter your mobile number.
   - Enter your e-wallet pin.
   - Pay as appropriate.
3. Continue with instruction provided including selection of examination centre.
4. Download timetable from the resource menu.
Snapshots of how to open an account on an android platform

**SIGNING UP**

- **For new students**
  - Select Communication
  - Choose a username
  - Create password

- **For already registered students**
  - Login using the email and password created

**REGISTRATION**

- Examinations Registration
  - Enter examination type
  - Select examination
  - Register course
  - Upload document

**EXEMPTION APPLICATION**

- Search exemptions available
  - Choose exemption
  - Submit application

**EXAMINATION BOOKING**

- Choose sitting
  - Select date
  - Pay for examination

**STANDARD PAYMENT PROCEDURE FOR ALL SERVICES**

- Choose payment method
  - Enter payment details
  - Pay for services

All students are required to be on e-kasneb by 31 March 2018
1. kasneb SERVICES AVAILABLE AT HUDUMA CENTRES

kasneb services are available at the following Huduma Centres:

<table>
<thead>
<tr>
<th>NAME OF OFFICER IN CHARGE</th>
<th>HUDUMA CENTRE</th>
<th>kasneb MOBILE NUMBER</th>
<th>Email address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anne K. Wandeto</td>
<td>Kibera, Nairobi</td>
<td>0701698149 0737018536</td>
<td><a href="mailto:awandeto@kasneb.or.ke">awandeto@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Anthony M. Kimani</td>
<td>Nyeri</td>
<td>0701698213 0737256315</td>
<td><a href="mailto:akimani@kasneb.or.ke">akimani@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Caroline M. Makutwa</td>
<td>GPO, Nairobi</td>
<td>0701699013 0737315992</td>
<td><a href="mailto:cmakutwa@kasneb.or.ke">cmakutwa@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Christine M. Ndwiga</td>
<td>Meru</td>
<td>0701699017 0737422739</td>
<td><a href="mailto:cndwiga@kasneb.or.ke">cndwiga@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Collins M. Okomo</td>
<td>Kisumu</td>
<td>0701699026 0737492586</td>
<td><a href="mailto:cokomo@kasneb.or.ke">cokomo@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Edith A. Were</td>
<td>Mombasa</td>
<td>0701699078 0737516847</td>
<td><a href="mailto:ewere@kasneb.or.ke">ewere@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Egrah K. Masese</td>
<td>Kisii</td>
<td>0701711465 0737543023</td>
<td><a href="mailto:emasese@kasneb.or.ke">emasese@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Maurice O. Gwaye</td>
<td>Makadara, Nairobi</td>
<td>0701713039 0737618421</td>
<td><a href="mailto:mgwaye@kasneb.or.ke">mgwaye@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Modesta C. Langat</td>
<td>Nakuru</td>
<td>0795431440 0735031908</td>
<td><a href="mailto:mlangat@kasneb.or.ke">mlangat@kasneb.or.ke</a></td>
</tr>
<tr>
<td>Timothy K. Rotich</td>
<td>Eldoret</td>
<td>0701713366 0737831524</td>
<td><a href="mailto:trotich@kasneb.or.ke">trotich@kasneb.or.ke</a></td>
</tr>
</tbody>
</table>

The services offered at the kasneb counters at the Huduma Centres include:

- Inquiries
- Fee payment at the Huduma Centre using Posta Pay
- Student registration
- Examination entry
- Exemptions
- Registration renewal
- Request for dispatch of certificates

2. kasneb CONTACTS

<table>
<thead>
<tr>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>+254 020 4923000</td>
<td><a href="http://www.kasneb.or.ke">www.kasneb.or.ke</a></td>
</tr>
<tr>
<td>0722201214 0774201214 0780201214 0734600624 0792000638</td>
<td>0792002351</td>
</tr>
<tr>
<td><a href="mailto:info@kasneb.or.ke">info@kasneb.or.ke</a></td>
<td>@KasnebOfficial</td>
</tr>
</tbody>
</table>

kasneb Towers, Hospital Road, Upper Hill
P.O. Box 41362 - 00100 Nairobi - Kenya
3. kasneb STUDENT FEE COLLECTION ACCOUNTS WITH BANKS

Students, trainers, parents/guardians/sponsors, employers and other stakeholders are hereby informed that kasneb has opened student fee collection accounts with the following banks:

a) Kenya Commercial Bank Ltd. (KCB)
   Account Number: 1203681194

b) National Bank of Kenya Ltd. (NBK)
   Account Number: 01001031572601

c) Equity Bank Ltd.
   Account Number: 0170299238025

d) Kenya Post Office Savings Bank Ltd. (Postbank)
   Account Number: 0744130009246

e) Co-operative Bank of Kenya Ltd.
   Account Number: 0112912853590

f) UBA Kenya Bank Ltd.
   Account Number: 55030160004156.

The bank accounts are already operational.

Students are required to complete the appropriate kasneb forms and relevant fee deposit slips (except for Postbank which does not use deposit slips). The students will be issued with one copy of the deposit slip and a computer generated slip for their records. However, for Postbank only a computer generated receipt will be issued.

Upon payment of the requisite fees to the bank, a cash deposit receipt will be issued to the payee. The completed kasneb forms will be left with the bank for onward transmission to kasneb together with one copy of the deposit slip.

Note: Students should ensure that all documents requiring certification, such as copies of academic and professional certificates and identity card/passport are certified before being handed over to the bank.

4. BANNING OF MOBILE PHONES FROM THE EXAMINATIONS ROOM

All students are hereby informed that mobile phones are banned from the examinations room.

Students are further required to note that disciplinary action will be taken against any student found in possession of a phone in the examination room, regardless of whether the phone was in use or not at the time of its detection.
Students of kasneb, parents, sponsors, guardians, training institutions and other stakeholders are hereby notified of the following important dates and information.

1. **EXAMINATION DATES**

   The examination dates for the May 2018 examinations are as follows:

   (a) **Monday, 21 May 2018 and Tuesday, 22 May 2018**
      - Accounting Technicians Diploma (ATD) Levels I, II and III
      - Diploma in Information Communication Technology (DICT) Levels I, II and III
      - Diploma in Credit Management (DCM) Levels I, II and III

   (b) **Monday, 21 May 2018 to Friday, 25 May 2018**
      - Certified Public Accountants (CPA) Parts I, II and III
      - Certified Secretaries (CS) Parts I, II and III
      - Certified Information Communication Technologists (CICT) Parts I, II and III
      - Certified Investment and Financial Analysts (CIFA) Parts I, II and III
      - Certified Credit Professionals (CCP) Parts I, II and III
      - Certified Procurement and Supply Professional of Kenya (CPSP-K) Parts I, II, III and IV

   (c) **Wednesday, 23 May 2018 and Thursday, 24 May 2018**
      - Foreign Accountancy Qualifications (FAQ)

   (d) **Wednesday, 23 May 2018**
      - Foreign Secretaries Qualifications (FSQ)

   (e) **Monday, 21 May 2018 to Wednesday, 23 May 2018**
      - Associate in Procurement and Supply of Kenya (APS-K) Levels I and II

   **Note:** Candidates are advised to make early arrangements, including seeking permission from the employers where applicable, to ensure that they sit for the examinations.

2. **CUT-OFF DATES**

   The cut-off date for registration and examination booking for the May 2018 examinations is 31 March 2018.

3. **QUALIFICATIONS BROCHURE**

   The qualifications brochure can be downloaded from the kasneb website www.kasneb.or.ke. The qualifications brochure may also be obtained from the following sources free of charge:

   (a) The offices of kasneb.
   (b) kasneb counters at Huduma Centres in Kibera-Nairobi, GPO-Nairobi, Makadara-Nairobi, Kisumu, Kisii, Eldoret, Nyeri, Meru, Mombasa and Nakuru.
   (c) Kenya National Library Service (KNLS) branches countrywide.
   (d) Training institutions offering kasneb courses.

4. **METHODS OF PAYMENT OF FEES**

   (a) **Payment through e-kasneb app**
      Students are advised to download the e-kasneb app on Google play store and pay through the e-kasneb wallet. Students may also access e-kasneb through the student's portal on the kasneb website www.kasneb.or.ke. A detailed guide regarding this mode of payment may be obtained from the kasneb website www.kasneb.or.ke.

   (b) Students are advised to pay fees through the kasneb fee collection accounts in any branch of the following banks:
      - KCB Ltd. - Account No.1203681194.
      - Equity Bank Ltd. - Account No.0170299238023.
      - Kenya Post Office Savings Bank (Postbank) - Account No.0744130009246.
      - Co-operative Bank of Kenya Ltd. - Account No.0112912853590.
      - UBA Kenya Bank Ltd. - Account No.55030160004156.

   Students are advised that payment of fees in cash at kasneb Towers was phased out and therefore students are advised to utilise the above payment channels.

5. **Students are advised that result notifications are not required in order to enter the examinations.**

   All students who sat for the November 2017 examinations should therefore ENTER for the May 2018 examinations immediately they confirm their November 2017 examination results either through SMS or kasneb website.

6. **All continuing students of kasneb are required to renew their annual registration by 1 July of each year.**

   New students are advised to note that the registration renewal fee is due on 1 July following the first eligible examination sitting and annually thereafter.

**SECRETARY AND CHIEF EXECUTIVE**
WHERE TO FIND US:
Maganjo House, 3rd & 4th Floors
Nyerere Avenue - Mombasa
Contact: 0704978271
Email. info@starinstitute.co.ke

**COURSES OFFERED**

**A. Accountancy and Finance**
1. Accounting Technicians Diploma (ATD) - kasneb
2. Certified Public Accountants (CPA) - kasneb
3. Certified Investment and Financial Analysts (CIFA) - kasneb

**B. Management**
1. Certified Secretaries (CS) - kasneb
2. Certified Credit Professionals (CCP) - kasneb
3. Purchasing and Supplies - KISM/kasneb & Chartered Institute Of Procurement & Supply (CIPS)
4. Diploma & Certificate Courses - KNEC

**MY FUTURE IS BRIGHT**

THE QUALITY OF EDUCATION AM GETTING FROM MY kasneb-ACCREDITED COLLEGE IS HIGH.

Before you enroll, ask if the college is accredited by kasneb
ENVIRONMENTAL ACCOUNTING

BENEFITS OF BEING AN ICIFA MEMBER

Enhance Knowledge development through Seminars, Conferences, Professional forums and Workshops.

- Professional development through training/workshops.
- Networking: Fostering collaborations between members through Annual General Meeting, conferences, ICIFA awards, seminars, breakfast meetings both at local and on a global scale.
- Opportunity to become an International Investment and Financial Analyst through ACIIA.
- Professional Publications produced on a quarterly basis - Free copy to ICIFA members. Free electronic Newsletter.
- Financial publications for sale offered on discounted prices to all ICIFA members.
- Support ICIFA members through legal advice, professional standards in financial markets and technical advice in areas of operation.
- Global recognition through our partnership with ACIIA.
- Invitations to exclusive senior members events including dinners, roundtables in Investment forums
- All members to enjoy discounts in booking of accommodation in luxurious hotels during Seminars and Conferences.
Prize Award Ceremony
for the November 2016 and May 2017 examination sittings
Held at Hilton Hotel, Nairobi
on Friday, 8 December 2017
PICTORIAL

kasneb END OF YEAR STAFF LUNCHEON
Saturday, 16 December 2017
Intercontinental Hotel, Nairobi
CUSTOMER SERVICE WEEK
Held from Monday, 2 October 2017 to Friday, 6 October 2017

During this week, customer oriented organisations around the world recognise the importance of customer service excellence in their organisations.

Customer Service week at Huduma Centres where kasneb operates

Huduma Centre, Kisii
Huduma Centre, Nyeri
Huduma Centre, GPO, Nairobi
Huduma Centre, Makadara, Nairobi
Customer Service week at kasneb Towers
Huduma Outreach

Huduma Mashinani Outreach Programme held from Friday, 1 December 2017 to Sunday, 3 December 2017 at Sarit Centre, Nairobi.

World AIDS Day

Celebrated on Friday, 1 December 2017 at the University of Nairobi grounds
Marketing Activities

Taking kasneb to our customers

Second Annual Cooperative University of Kenya Finance and Accounting Students Association first years' orientation, held on Monday, 11 September 2017 at the Karen Campus, Nairobi

Kilifi County Career Conference held on Saturday, 30 September 2017 at Rabai Multipurpose Hall, Mkapuni Town and career opportunities discussions held on Sunday, 1 October 2017 at Rabai Secondary School, Rabai Sub-county, Kilifi

Nairobi International Trade Fair held from Monday, 2 October 2017 to Sunday, 8 October 2017 at Jamhuri Showground, Nairobi

Commission Conference 2017 organised by Fellowship of Christian Unions (FOCUS) held at Kabarak University, Nakuru from Wednesday, 27 December 2017 to Saturday, 30 December 2017
e-kasneb sensitisation

Kabianga University - Friday, 22 September 2017

Moi University - Monday, 2 October 2017

Kings College, Eldoret - Friday, 6 October 2017

Kenyatta University, Nairobi - Wednesday, 11 October 2017

Kisii College of Accountancy, Kisii - Thursday, 12 October 2017

YMCA, Meru - Saturday, 18 November 2017
### CROSSWORD PUZZLE

SOLUTION TO THE CROSSWORD PUZZLE THAT APPEARED IN **kasneb NEWSLINE ISSUE NO. 3, 2017**

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1. A market structure where there is only one supplier in the industry
2. To transfer the financial risk of damage or loss in exchange for advance payments
3. In economics, a good whose demand decreases as price decreases
4. Additional pay awarded to an employee as reward for good performance
5. Short form to indicate that buyers of a trading share qualify for next dividend payout
6. Important quality of an auditor meaning free from bias and influence
7. In statistics, an aggregate measure of multiple indicators
8. Financial penalties used to raise revenue for governments by punishing non-compliance
9. Persons for whom a computer network or software or application is designed
10. Accounting concept where revenues are recorded only when realized
11. Main purpose for which a company is formed also known as the “heart of the company”
12. A shared pool of IT resources such as storage and applications over the internet
13. Difference between sales and cost of sales
14. A company acquired by another company
15. Short form to indicate that buyers of a trading share don’t qualify for next dividend payout
16. An act by a company which exceeds the powers authorised in the Memorandum
17. Option issued to existing shareholders to purchase more shares at a discounted price
18. Statistical model for analysing differences between multiple group sample means
19. Interaction of various businesses for mutual benefit
20. Item generally accepted as payment for goods and services
21. Contracts between two firms to exchange financial instruments at a later date
22. An excess of incomes less expenses especially for non-profit maximising firms
23. Theory of the study of competitive conflict between rational decision makers
24. Capital Asset Pricing Model (abbreviation)
It pays to advertise in the kasneb NEWSLINE

kasneb Newsline is one of the most widely read journals in Kenya. It is produced four times in a year. Over 50,000 copies are printed for each issue.

The Newsline is distributed free of charge within and outside Kenya through secondary schools, Kenya National Library Services branches, training institutions, universities, government ministries, Kenyan Embassies and High Commissions.

The Newsline is also available on the kasneb website.

Grow your business by advertising in the kasneb Newsline. Call us, book for space and watch your institution or business grow.

Contact the Marketing and Corporate Affairs Unit through:
P.O. Box 41362 - 00100 Nairobi
Tel: 254(020) 4923000
Cellphone: 0722-201214/0734-600624
E-mail: publications@kasneb.or.ke or marketing@kasneb.or.ke
FINANCIAL MODELING IN EXCEL COURSE

* For those who want practical hands-on skills in Financial Analysis and Accounting

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<tr>
<th>OTHER COURSES OFFERED</th>
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<td>C- and above</td>
</tr>
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<td>Associate in Procurement and Supply Professional of Kenya (CPSP-K, KISM)</td>
<td>C+ with (C+ Maths &amp; English or APS-K)</td>
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<tr>
<td>Computer Courses</td>
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The College is Open every day of the week to serve you.

**Modules Available:**

- DAY (Full Time) Classes ..................... 8:30am - 4:00pm
- EVENING (Part Time) Classes .................. 5:30pm - 7:30pm
- EARLY MORNING (Mon to Sat) ................. 6:30am - 8:00am
- WEEKEND ONLY Classes ....................... 8:30am - 4:00pm

KALYAN HOUSE: TUBMAN RD / BIA SHARA ST. P.O BOX 837-00200, NAIROBI. 020 334 1697/8, MOBILE: 0728 787 974 / 0732 787 974 / 0737 787 974
Email: admin@starcollege.ac.ke or info@starcollege.ac.ke
Website: www.starcollege.ac.ke

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Background
Royal Business School is an institution founded on Christian values in January 2009. The school was established by a team of diverse forward thinking professionals with a vast experience and a deep passion for professional training. Royal Business School has experienced tremendous growth and continues to help students achieve their career goals in the shortest time possible.

Why Choose RBS?
Competent lecturers
Flexible classes for working students
Timely syllabus coverage
Free internet for students
Free revision classes
Free accounting packages

RBS is kasneb accredited and fully registered with Ministry of Education

Others Courses Offered
Certified Credit Professionals (CCP)
Certified Investment and Financial Analysts (CIFA)
Diploma in Credit Management (DCM)

Entry Requirements
Diploma Courses: C- (minus)
Professional Courses: C+ (plus) mean grade and C+ (plus) in English and Mathematics

REGISTRATION IN PROGRESS
Early Morning Classes: 6:20am - 7:50am
Day Classes: 8:30am - 4:00pm
Evening Classes: 5:30pm - 7:30pm
Late Evening Classes: 7:30pm - 9:15pm

For more information please contact: Director of Studies Royal Business School
1st Flr Stan Bank Hse Moi Avenue Nairobi, Kenya | P.O. Box 53847 - 00200 Nbi, Kenya
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info@royalbizschool.com | www.royalbizschool.com