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**CERTIFIED PUBLIC ACCOUNTANTS (CPA)
EXAMINATION**

**REVISED SYLLABUS
(ADVANCE COPY)**

JULY 2015

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PART I
SECTION 1

PAPER NO.1 FINANCIAL ACCOUNTING

GENERAL OBJECTIVE

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

1.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

1.1 Introduction to accounting

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

1.2 Recording transactions

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

1.3 **Accounting for assets and liabilities**

1.3.1 **Assets**

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

1.3.2 **Liabilities**

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

1.4 **Correction of errors and suspense account**

1.5 **Financial statements of a sole trader**

- Income statement
- Statement of financial position
- Preparing financial statements under incomplete information

1.6 **Financial statements of a partnership**

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

1.7 **Financial statements of a company**

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

1.8 **Financial statements of a manufacturing entity**

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

1.9 Financial statements of a not for profit organisation

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

1.10 Analysing financial statements

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

1.11 Introduction to Public Sector Accounting

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

1.12 Emerging issues and trends

PAPER NO.2 COMMERCIAL LAW

GENERAL OBJECTIVE

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

2.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply general principles of commercial law in business
- Identify the various dispute resolution mechanisms
- Demonstrate knowledge of legal personality
- Describe the different types of property
- Apply the law of contract in various scenarios

CONTENT

2.1 Introduction to Law

2.1.1 Nature, purpose and classification of law

- Meaning, nature and purpose of law
- Classification of law
- Law and morality

2.1.2 Sources of law

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

2.1.3 Administrative law

- Meaning
- Doctrine of separation of powers
- Natural justice
- Judicial control of the Executive
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2.1.4 The court system

- Structure, composition and jurisdiction of courts
- Magistrate courts
- Courts martial
- Kadhis courts
- Tribunals

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- The High Court
- Environment and Land Court
- Industrial Court
- Court of Appeal
- Supreme Court

2.1.5 **Law of persons**

- Types of persons: natural person, artificial person
- Nationality, citizenship and domicile
- Unincorporated associations
- Corporations
- Co-operative societies

2.2 **Law of tort**

- Nature of tort
- Vicarious liability
- Strict Liability
- Negligence
- Nuisance
- Trespass
- Defamation
- Occupiers liability
- General defences in the law of tort
- Limitation of actions

2.3 **Law of contract**

- Definition and nature of a contract
- Classification of contracts
- Formation of a contract
- Terms of a contract
- Vitiating factors
- Illegal contracts
- Discharge of contract
- Remedies for breach of a contract
- Limitation of actions

2.4 **Sale of goods**

- Nature of the contract
- Formation of the contract
- Terms of the contract
- Transfer of property and title in goods
- Rights and duties of the parties
- Auction sales

- International contracts of sale: FAS, FOB, CIF, FCA, CPT, CIP, DAT, DAP, DDP, CFR, DAF, DES, DDU, Ex-works and Ex-ship

2.5 **General principles of consumer credit**

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

2.6 **Indemnity and Guarantees**

- Nature of the contracts
- Rights and duties of the parties
- Advantages and disadvantages of guarantee as security
- Termination of contract of guarantee

2.7 **Partnership**

- Nature of partnership
- Relations of partners to persons dealing with them
- Relations of partners to one another
- Rights, duties and liabilities of existing, incoming, outgoing and minor partners
- Dissolution of partnership and its consequences

2.8 **Insurance**

- Nature of the contract
- Formation of the contract
- Principles of insurance
- Types of insurance

2.9 **Agency**

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

2.10 **Negotiable instruments**

- Nature and characteristics
- Negotiability and transferability
- Types: cheques, promissory notes, bills of exchange
- Rights and obligations of the parties

2.11 The law of property

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

2.12 Resolving commercial disputes

- Nature and problems associated with commercial litigation
- Arbitration
- Mediation
- Negotiation

2.13 Emerging issues and trends

PAPER NO.3 ENTREPRENEURSHIP AND COMMUNICATION

GENERAL OBJECTIVE

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

3.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Identify and screen viable business opportunities
- Develop a business plan
- Demonstrate entrepreneurial orientation
- Communicate effectively in a business environment
- Apply entrepreneurial competencies in response to the emerging trends in the business environment

CONTENT

3.1 Introduction to entrepreneurship

- Definition of entrepreneurship
- Rationale for entrepreneurship
- Entrepreneurial decision process
- Entrepreneurial development
- Contribution to economic development

3.2 Entrepreneurship orientation

- Independence and need for achievement
- Individual characteristics of entrepreneurs
- Creativity and innovation
- Decision making
- Risk management
- Time management
- Coping with competition

3.3 Entrepreneurial opportunity and development

- Methods of generating ideas
- Qualities of good business opportunities
- Evaluating business opportunities
- Feasibility analysis
- Business incubation
- Intellectual properties, copyrights trademarks and patents

3.4 Business plan

- Purpose
- Format
- Description of the business
- The market and marketing plan
- Operations and production plan
- The human resources plan
- The financial plan
- Launching the new venture

- 3.5 **Strategies for enterprise growth**
- Penetration strategy
 - Market development strategy
 - Product development strategy
 - Franchising
 - Joint ventures
 - Mergers and acquisitions
 - Going public
- 3.6 **Entrepreneurship and technology**
- Internet and e-commerce
 - The enterprise website
 - Globalisation
 - Business outsourcing
 - Techpreneurs
 - Electronic and mobile money transfers
 - Business networking
 - Crowd funding and crowd sourcing
- 3.7 **Nature of business communication**
- Meaning of communication
 - Purposes of business communication
 - Internal and external communication
 - The communication process
 - Methods of communication
 - Communication systems and networks
 - Principles of effective communication
 - Barriers to effective communication
- 3.8 **Written communication**
- Rules of effective writing
 - Business correspondence
 - Reports
 - Memorandum
 - Proposal writing
 - Forms and questionnaire design
 - Circulars and newsletters
 - Notices and advertisements
 - Publicity materials
 - Press releases
 - Graphic communication
- 3.9 **Oral and non-verbal communication**
- Oral communication in business
 - Effective listening
 - Interviews
 - Non-verbal communication
 - Interpersonal relationships
 - Presentations skills
- 3.10 **Meetings**
- Notice
 - Agenda
 - Role of the chairperson
 - Role of the secretary
 - Conduct of meetings
 - Minutes

3.11 Information technology and communication

- The internet
- Teleconferencing
- Wireless technologies
- Electronic postal services

3.12 Ethics and integrity in business communication

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

3.13 Emerging issues and trends

SECTION 2

PAPER NO. 4 ECONOMICS

GENERAL OBJECTIVE

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

4.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply basic mathematical and graphical techniques to analyse economic relationships and interpret the results
- Apply the knowledge of economics in decision making
- Analyse economic problems and suggest possible policy related recommendations
- Apply knowledge of economics in international trade and finance
- Apply economic principles in the development and implementation of policies in agriculture and industry
- Demonstrate an understanding of emerging economic issues.

CONTENT

4.1 Microeconomics

4.1.1 Introduction to economics

- Definition of economics
- Micro and macro economics
- The methodology of economics and its basic concepts
- Economic descriptions and analysis
- Scarcity, choice, opportunity cost and production possibility frontiers and curves
- Economic systems: free economy, planned economy and mixed economy
- Specialisation and exchange

4.1.2 Demand, supply and determination of equilibrium

4.1.2.1 Demand analysis

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

4.1.2.2 Supply analysis

- Definition
- Individual versus market supply
- Factors influencing supply

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

4.1.2.3 Determination of equilibrium

- Interaction of supply and demand, equilibrium price and quantity
- Mathematical approach to equilibrium analysis
- Stable versus unstable equilibrium
- Effects of shifts in demand and supply on market equilibrium
- Price controls
- Reasons for price fluctuations in agriculture

4.1.3 The theory of consumer behaviour

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

4.1.4 The theory of a firm

4.1.4.1 The theory of production

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

4.1.4.2 The theory of costs

- Short run costs analysis and size of the firm's total cost, fixed cost, average cost, variable costs and marginal cost
- Long run costs analysis
- Optimal size of a firm
- Economies and diseconomies of scale

4.1.5 Market structures

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

4.2 Macroeconomics

4.2.1 National income

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

4.2.2 Economic growth, economic development and economic planning

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

4.2.3 Money and banking

4.2.3.1 Money

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

4.2.3.2 The banking system

- Definition of commercial banks
- The role of commercial banks and non-banking financial institutions in the economy
- Credit creation
- Definition of central bank
- The role of the central bank; traditional and changing role in a liberalised economy, such as financial sector reform, exchange rate reform

- Monetary policy, definition, objectives, instruments and limitations
- Determination of interest rates and their effects on the level of investment, output, inflation and employment
- Harmonisation of fiscal and monetary policies
- Simple IS –LM Model
- Partial equilibrium and general equilibrium

4.2.4 **Inflation and unemployment**

4.2.4.1 **Inflation**

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

4.2.4.2 **Unemployment**

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

4.2.5 **International trade and finance**

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

4.2.6 **Current developments**

- Factors affecting economic development: Informal credit markets, development index, growth of market structures, voting behaviour, technology transfer, democracy and development, environmental concerns.

4.2.7 **Emerging issues and trends**

PAPER NO. 5 MANAGEMENT ACCOUNTING

GENERAL OBJECTIVE

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

5.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

5.1 Nature and purpose of cost and management accounting

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

5.2 Cost classification

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

5.3 Cost estimation

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

5.4 Cost accumulation

- Accounting for materials and inventory; material cost records, purchasing procedures, receipt and issues of material, methods of valuing material issues, inventory control procedures; economic order quantity (EOQ) and economic batch quantity(EBQ) models and back flush
- Accounting for labour: Methods of labour remuneration, labour control procedures, maintenance of labour records
- Accounting for overheads: Types of overheads, manufacturing, distribution and administration, service departmental cost allocation and apportionment, overheads analysis, overhead absorption rates, over or under absorption
- Activity based costing
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- 5.5 **Cost bookkeeping**
- The flow of costs in a business enterprise
 - Cost bookkeeping- interlocking and integrated ledger systems
- 5.6 **Costing methods**
- Job order costing
 - Batch costing
 - Process costing (including work in progress; joint and by-products)
 - Service costing
 - Unit costing
- 5.7 **Marginal and absorption costing**
- Distinction between marginal and absorption costing
 - Valuation of products under marginal and absorption costing
 - Preparation of marginal and absorption statements; cost of production and profit determination
 - Applications of marginal costing: Break-even analysis and charts (single product)
 - Simplified decision problems; accept or reject, special order, dropping a product, make or buy
 - Operating statements
- 5.8 **Budgeting and budgetary control**
- Nature and purposes of budgets
 - Preparation of budgets; master budgets, functional (department budgets, cash budgets), proforma financial reports (income statements and balance sheets)
 - Purpose of budgetary control; operation of a budgetary control system, organisation and coordination of the budgeting function
 - Distinction between budgeting and budgetary control in the private and public sectors
- 5.9 **Standard costing**
- Types of standards
 - Principles of setting standards
 - Standard cost card
 - Behavioural aspects of standard costing
 - Generation of standard cost information
 - Materials, labour and overheads variances; price and efficiency variances
- 5.10 **Cost management**
- Value chain-research and development-design-production-marketing distribution and customer care
 - Just in time (JIT)
 - Use of computers in costing; job costing, inventory management, labour costing, cost entre analysis, coding, budgeting and decision making
- 5.11 **Overview of Performance Measurement**
- Purpose of performance measurements
 - Financial performance measures: profitability, liquidity, activity and gearing
 - Non-financial performance measures. The balanced score card perspective
- 5.12 **Emerging issues and trends**

PAPER NO.6 PUBLIC FINANCE AND TAXATION

GENERAL OBJECTIVE

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

6.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

6.1 Introduction to Public Financial Management Legal Framework

- General overview of Public Financial Management as envisaged by the Constitution
- Overview of the Public Financial Management Act
- Financial regulations
- Treasury Circulars; meaning and application
- Process of developing county government finance bills

6.2 The operations of the national and county governments on management and control of public finance

- Establishment of National and County Treasuries
- Responsibility of National and County Treasuries with respect to public funds
- Establishment, purpose and composition of intergovernmental budget and economic council
- The Process of sharing revenue
- The role of the Commission on Revenue Allocation (CORA)
- The role of the Council of Governors in County financial management

6.3 Establishment of public funds in the public sector

- Provision of establishing public funds
- Rationale of creation of public funds
- The Consolidated Fund
- The establishment and administration of contingency funds
- The establishment and administration of equalization funds

6.4 Supply chain management in public entities

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

6.5 Oversight function in public finance management

- The role of National Assembly
- The role of Senate

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

6.6 Introduction to taxation

- History and purposes of taxation
- Principles of an optimal tax system
- Single versus multiple tax systems
- Classification of taxes and tax rates
- Impact incidence and tax shifting, tax shifting theories
- Taxable capacity
- Budgetary and fiscal policy tools: General definition of budgets terms ,Budget surplus and deficits
- Role of budget officers in budget preparation and execution
- Responsibilities of the national and county treasury in relation to budget preparation
- Budget process for both national, county and Public entities
- Revenue Authority – History, structure and mandate

6.7 Taxation of income of persons

- Taxable and non taxable persons
- Sources of taxable incomes
- Employment income:
 - Taxable and non taxable benefits
 - Allowable and non allowable deductions
 - Tax credits (Withholding tax, personal and insurance relief etc)
 - Pension Income
- Business income:
 - Sole proprietorship
 - Partnerships (excluding conversions)
 - Incorporated entities (excluding specialised institutions)
 - Turnover tax
- Income from use of property- rent and royalties
- Farming income
- Investment income
- **Capital gains tax**

6.8 Capital deductions

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

6.9 Administration of income tax

- Overview of the income tax act
- Identification of new tax payers
- Assessments and returns
- Operations of PAYE systems: Preparation of PAYE returns, categories of employees

- Notices, objections, appeals and relief of mistake
- Appellant bodies
- Collection, recovery and refund of taxes
- Offences, fines, penalties and interest
- **Application of ICT in taxation: iTax, Simba system**

6.10 **Administration of value added tax**

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

6.11 **Customs taxes and excise taxes**

- Customs procedure
- Import and export duties
- Prohibitions and restriction measures
- Transit goods and bond securities
- Excisable goods and services
- Purposes of customs and excise duties
- Goods subject to customs control
- Import declaration form, pre-shipment inspection, clean report of findings
- Other revenue sources

6.12 **Emerging issues and trends**

PART II

SECTION 3

PAPER NO.7 COMPANY LAW

GENERAL OBJECTIVES

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply the provisions of company law in the formation, composition, operations and dissolution of a company

7.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

7.1 Nature and classification of companies

- Types of companies
- Nature and characteristics of a company
- Classification of companies
- Principle of legal personality and veil of incorporation
- Distinction between companies and other forms of business associations

7.2 Formation of companies

- Promoters and pre-incorporation contracts
- Process of forming a company
- Memorandum and articles of association
- Certificate of incorporations
- Legal consequences of incorporation

7.3 Membership of a company

- Acquisition of membership
- Register of members

- Rights and liabilities of members
- Cessation of membership

7.4 Shares

- Classes of shares
- Variation of class rights
- Share warrants and certificates
- Issue and allotment
- Transfer and transmission
- Mortgaging and charging of shares

7.5 Share capital

- Meaning and types of share capital
- Raising of share capital
- Prospectus/Information memorandum
- Maintenance and Alteration of capital
- The purchase by a company of its own shares
- Financial assistance by a company for purchase of its shares
- Dividends

7.6 Debt capital

- Borrowing powers of a company
- Debentures
- Charges
- Registration of charges
- Remedies for debenture holders

7.7 Company meetings

- Nature and classification of company meetings
- Essentials of meetings
- Proceedings at meetings
- Voting
- Resolutions
- Minutes

7.8 Directors

- Qualification and disqualification
- Appointment of directors

- Powers and duties of directors
- Removal and vacation of office
- Register of directors
- Loans to directors
- Compensation for loss of office
- Disclosure of director's interest in contracts
- The rule in Turquand's case/Indoor Management rule
- Insider dealing

7.9 The company secretary

- Qualification, appointment and removal
- Powers and duties of the company secretary
- Liability of the company secretary
- Register of secretaries

7.10 Auditors

- Qualification, appointment and removal
- Remuneration of auditors
- Powers and duties
- Rights and liabilities

7.11 Company accounts, audit and inspection

- Books of accounts
- Form and content of accounts
- Group accounts
- Director's report
- Auditor's report
- Investigation of company affairs
- Appointment and powers of inspectors
- Inspector's report
- Annual returns

7.12 Corporate Restructuring

- Need for restructuring
- Mergers, Take-overs and Acquisition
- Post Merger Reorganisation
- Schemes of Arrangement and Compromises
- Reconstruction

7.13 Corporate insolvency

- Meaning of Insolvency
- Types of winding up
- Appointment, powers and duties of liquidators
- Release of liquidators
- Rights of parties in winding up
- Distribution of assets
- Offences relating to liquidation

7.14 Companies incorporated outside Kenya

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

7.15 Emerging issues and trends

PAPER NO. 8 FINANCIAL MANAGEMENT

GENERAL OBJECTIVES

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

8.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Analyse the sources of finance for an organisation
- Evaluate various investment decision scenarios available to an organisation
- Appraise the performance of a business using financial tools
- Evaluate the current developments in business financing strategies
- Formulate the capital structure for a firm
- Determine the future value of a firm

CONTENT

8.1 Overview of financial management

- Nature and scope of finance
- Role of finance manager.
- Finance functions
- Goals of the firm
- Agency theory concept, conflicts and resolutions
- Measuring managerial performance, compensation and incentives

8.2 Source of funds

- Factors to consider when selecting source of funds
- Long term and short term sources of funds
- External and internal sources of funds.
- Sources of funds for small business enterprises.

8.3 Financial markets

- Nature and role of financial markets
- Classifications of financial markets :primary markets and secondary markets; Money market and capital market
- The stock exchange listing and cross listing
- Market efficiency: Efficient market hypothesis
- Stock market indices
- The financial institutions and intermediaries
- The role of capital market authority
- The central depository system (CDS)

8.4 Time value of money

- Concept of time value of money
- Compounding techniques
- Discounting techniques
- Loan amortisation schedule

8.5 **Valuation concepts in finance**

- Concept of value: Market value, book value, replacement value, intrinsic value
- Valuation of fixed income securities
- Valuation of shares
- Valuation of companies
- Valuation of unit trusts
- Valuation of mutual funds

8.6 **Cost of capital**

- The concept and significance of cost of capital
- Factors influencing cost of capital
- Components costs of capital
- Weighted average cost of capital (WACC)
- Marginal cost of capital(MCC)
- Capital structure and financial risk
- Factors influencing capital structure decisions

8.7 **Capital investment decisions under certainty**

- Nature of capital investment decisions
- Categories of capital projects
- Capital budgeting techniques under certainty : Non discounted cash flow techniques(Accounting rate of return(ARR) ,payback period,);discounted cash flow techniques(net present value (NPV), internal rate of return (IRR), discounted payback period, and profitability index (PI) ; NPV profile; comparison of the NPV and IRR methods when evaluating independent and mutually exclusive projects; problems associated with each of the evaluation methods
- Expected relations among an investment's NPV, company value, and share price
- Determination of cash flows for investment decision
- Incremental approach for cash flows estimation
- Capital rationing :evaluation of capital projects and determination of the optimal capital project in situations of capital rationing for a single period rationing

8.8 **Measuring business performance**

- Users of financial statements and their informational needs.
- Nature of financial ratio analysis
- Types of financial ratios
- Limitations of ratios analysis
- Common size statements
- Financial planning and forecasting

8.9 **Working capital management**

- Introduction to working capital management
- Importance of working capital management
- Factors affecting working capital needs
- The working capital cycle.
- Working capital policies
- Management of cash, inventory, debtors and creditors.

8.10 **Dividend policy**

- Forms of dividends
- Dividend policies and factors influencing dividend policies
- Dividend theories

8.11 **Islamic finance**

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

8.12 **Emerging issues and trends**

PAPER NO. 9 FINANCIAL REPORTING

GENERAL OBJECTIVE

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

9.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

9.1 Assets and liabilities

- Assets and liabilities covered in Paper No. 1: Financial Accounting still examinable (in the context of published financial statements)
- Borrowing costs
- Investment property
- Financial Instruments (presentation, recognition, classes, measurement, de-recognition and disclosures) (excluding impairment, hedging and embedded derivatives)
- Leases (all aspects including dealers and sale and leaseback)
- Income tax (current and deferred tax but not deferred tax in the case of groups)
- Provisions, contingent liabilities and contingent assets

9.2 Further aspects of partnerships

- Dissolutions (including piece-meal)
- Conversion of a partnership into a company

9.3 Special transactions

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

9.4 Financial Statements for various types of businesses

- Farming
- Insurance
- Banks
- Professional firms (lawyers and accountants)
- Independent local, dependent and foreign branches
- Co-operative societies

9.5 **Published financial statements**

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

9.6 **Subsidiaries (groups), associates and jointly controlled entities**

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

9.7 **Financial statements under IPSASs**

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

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

9.8 **Emerging issues and trends**

SECTION 4

PAPER NO. 10 AUDITING AND ASSURANCE

GENERAL OBJECTIVE

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

10.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Plan an audit assignment
- Comply with the regulatory framework during an audit assignment
- Obtain audit evidence and use the work of others to meet audit objectives
- Assess audit risk
- Execute an audit assignment and prepare an audit report

CONTENT

10.1 Assurance engagements

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

10.2 Nature and purpose of an audit

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

10.3 Legal framework and regulation

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

10.4 Planning and risk assessment

- Obtaining clients acceptance and retention
- Understanding the entity and its environment
- Audit planning, audit programmes and documentation
- Assessing audit risks
- Errors, fraud and other irregularities

10.5 Overview of forensic accounting

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

- 10.6 **Internal control systems**
- Internal controls theory and practice
 - Evaluation of internal control system and test of control
 - Communication on internal control system (management letter)
 - Information technology threats and control
- 10.7 **Audit evidence**
- Financial statement assertions and audit evidence
 - Audit evidence procedures/techniques
 - Audit sampling and other means of testing
 - The audit of specific items (income/expenses/assets/liabilities)
 - Using the work of others (internal audit and experts)
 - Computer assisted audit techniques
- 10.8 **Overall audit review**
- Subsequent events review
 - Going concern review
 - Contingencies and commitments
 - Management representations
 - Quality control and review
 - Role of auditors in receiverships and liquidation
- 10.9 **Audit reports**
- 7th Schedule provisions on audit reports
 - Basic elements
 - Types of opinions
 - Emphasis of master paragraph
 - Features of audit reports
- 10.10 **Auditing in the Public Sector**
- Introduction to auditing in the Public Sector; regulatory provisions
 - Establishment, mandate and functions of public sector auditors; Kenya National Audit Office (KENAO) and similar national audit bodies
 - Role of internal audit function in public entities
 - Relationship between external and internal auditors in the public sector
 - International Standards on Supreme Auditing Institutions
- 10.11 **Emerging issues and trends**

PAPER NO. 11 MANAGEMENT INFORMATION SYSTEMS

GENERAL OBJECTIVE

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

11.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Effectively use ICT facilities in an organisation
- Apply the knowledge of ICT strategy and its role in facilitating competitive advantage in business
- Use data communication networks, the Internet and e-commerce in optimising business opportunities
- Implement information systems' security, controls and social ethical issues required in a business environment
- Implement ICT governance and risk management principles in business

CONTENT

11.1 Introduction to information communication technology (ICT)

- Overview of computer systems
- Computer hardware
- Computer software
- Programming languages
- ICT personnel and information communication technology hierarchy
- Role of ICT in business environments
- Information centres
- Factors that impact on ICT

11.2 ICT governance

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

11.3 Systems development

- General systems theory
- Role of management in systems development
- Systems development approaches
- Systems development life cycle
- Rapid applications development
- Business process re-engineering
- Systems development constraints
- Acquisition of ICT assets

11.4 Information systems in an enterprise

- Components of an information system
- Types of information systems
- Systems in a functional perspective
- Enterprise applications and the business process integration
- Outcome measurement of ICT infrastructure
-

- 11.5 Information systems architecture**
- Nature and types of information
 - Attributes of information
 - Files and file structure
 - File organisation methods
 - Database management systems
 - Characteristics, importance and limitations of database systems
 - Data warehousing
 - Transaction processing phases in business systems
 - File processing modes
- 11.6 Data communication and computer networks**
- Principles of data communication and computer networks
 - Data communication devices
 - Data transmission characteristics
 - Types of networks
 - Network topologies
 - Network/internet protocols
 - Benefits and challenges of networks in an organisation
 - Limitations of networks in an organisation
 - Cloud computing
 - Internet of things
- 11.7 e-Commerce**
- Impact of the internet on business
 - Models of e-commerce
 - E-commerce enabling software
 - Business opportunities in e-commerce
 - Challenges of e-commerce
 - Mobile computing
- 11.8 Information systems strategy**
- Overview of business strategy hierarchy
 - The strategic process and information systems planning
 - Development of information systems strategy
 - Aligning information systems to the organisation's corporate strategy
 - Managing information systems strategy
 - Information systems for competitive advantage
- 11.9 ICT Risk management**
- Risk management overview
 - Risk assessment and analysis methodologies
 - Controls and countermeasures
 - Risk monitoring and communication
 - Disaster recovery and business continuity planning
 - Information systems security management
- 11.10 Legal, ethical and social issues in management information systems**
- Management information systems ethical and social concerns
 - The moral dimension of management information systems
 - The legal issues in management information systems
- 11.11 Emerging issues and standards**

PAPER NO.12 QUANTITATIVE ANALYSIS

GENERAL OBJECTIVE

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

12.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

12.1 Basic mathematical techniques

12.1.1 Functions

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

12.1.2 Matrix algebra

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

12.1.3 Calculus

- **Differentiation**
 - Rules of differentiation (general rule, chain, product, quotient)
 - Differentiation of exponential and logarithmic functions
 - Higher order derivatives: Turning points (maxima and minima)
 - Ordinary derivatives and their applications
 - Partial derivatives and their applications
- **Integration**
 - Rules of integration
 - Applications of integration to business problems

12.2 Probability

12.2.1 Set theory

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

12.2.2 Probability theory and distribution

Probability theory

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

Probability distributions

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

12.3 Hypothesis testing and estimation

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

12.4 Correlation and regression analysis

Correlation analysis

- Scatter diagrams
- Measures of correlation –product moment and rank correlation coefficients (Pearson and Spearman)

Regression analysis

- Simple and multiple linear regression analysis
- Assumptions of linear regression analysis
- Coefficient of determination, standard error of the estimate, standard error of the slope, t and F statistics
- Computer output of linear regression
- T-ratios and confidence interval of the coefficients
- Analysis of Variances (ANOVA)

12.5 Time series

- Definition of time series
- Components of time series (circular, seasonal, cyclical, irregular/random, trend)
- Application of time series
- Methods of fitting trend: free hand, semi-averages, moving averages, least squares methods
- Models- additive and multiplicative models

- Measurement of seasonal variation using additive and multiplicative models
 - Forecasting time series value using moving averages, ordinary least squares method and exponential smoothing
 - Comparison and application of forecasts for different techniques
- 12.6 Linear programming**
- Definition of decision variables, objective function and constraints
 - Assumptions of linear programming
 - Solving linear programming using graphical method
 - Solving linear programming using simplex method
 - Sensitivity analysis and economic meaning of shadow prices in business situations
 - Interpretation of computer assisted solutions
 - Transportation and assignment problems
- 12.7 Decision theory**
- Decision process
 - Decision making environment – deterministic situation (certainty), analytical hierarchical approach (AHA), risk and uncertainty, stochastic situations (risk), situations of uncertainty
 - Decision making under uncertainty - maximin, maximax, minimax regret, Hurwicz decision rule, Laplace decision rule
 - Decision making under risk - expected monetary value, expected opportunity loss, minimising risk using coefficient of variation, expected value of perfect information
 - Decision trees - sequential decision, expected value of sample information
 - Limitations of expected monetary value criteria
- 12.8 Game theory**
- Assumptions of game theory
 - Zero sum games
 - Pure strategy games (saddle point)
 - Mixed strategy games (joint probability approach)
 - Dominance, graphical reduction of a game
 - Value of the game
 - Non zero sum games
 - Limitations of game theory
- 12.9 Network planning and analysis**
- Basic concepts – network, activity, event
 - Activity sequencing and network diagram
 - Critical path analysis (CPA)
 - Float and its importance
 - Crashing of activity/project completion time
 - Project evaluation and review technique (PERT)
 - Resource scheduling (levelling) and Gantt charts
 - Limitations and advantages of CPA and PERT
- 12.10 Queuing theory**
- Components/elements of a queue: arrival rate, service rate, departure, customer behaviour, service discipline, finite and infinite queues, traffic intensity
 - Elementary single server queuing systems
 - Finite capacity queuing systems

- Multiple server queues

12.11 **Simulation**

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

12.12 **Current developments**

Role of advancement in information technology in solving quantitative analysis problems

12.13 **Emerging issues and trends**

**PART III
SECTION 5**

PAPER NO. 13 STRATEGY, GOVERNANCE AND ETHICS

GENERAL OBJECTIVE

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

13.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

13.1 Overview of management

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

13.2 Development of management thought

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

13.3 Overview of management functions

- Planning
- Organising
- Staffing
- Directing
- Controlling

13.4 Overview of corporate strategy and governance

- Meaning of strategy, management and strategic management
- Scope of strategic management
- Levels of strategic management
- Benefits of strategic management
- Limitations of strategic management
- Strategic management process
- Meaning and importance of governance
- Principles of corporate governance
- Best practice in corporate governance
- Codes of corporate practices and conduct in public and private sectors

- Corporate Governance theories

13.5 Environmental analysis

- Purpose of environmental analysis
- Internal environment analysis
- External environment analysis

13.6 Strategy formulation

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

13.7 Strategy implementation

- Organisation structure
- Resource allocation
- Organisational culture
- Role of leadership on strategy implementation
- Innovation and knowledge management
- Constraints to strategy implementation

13.8 Strategic monitoring and evaluation

- Purpose and role of strategic monitoring and evaluation
- Process of strategic monitoring and evaluation
- Tools of strategic monitoring and evaluation
- Role of management information systems
- Performance measurement; balance scorecard and benchmarking
- Features of good strategic monitoring and evaluation systems
- Review and feedback
- Continuous improvement

13.9 Management of Strategic change

- Strategic leadership
- Implementing change
- Managing organisation power and politics
- Business excellence model
- Learning organisation
- Lean and quality management

13.10 Promoting good corporate governance

- Rights of shareholders and responsibilities to stakeholders
- The chairman, board of directors and management
- The secretary
- Duties and responsibilities of auditors
- Investor education
- Internal and external corporate governance controls

13.11 Composition, appointment and duties of directors

- Mix of skills and competencies of directors
- Executive and non-executive directors
- Qualification, appointment, removal, retirement and reappointment
- Director's remuneration
- Directors training and development
- Directors' liabilities and insurance indemnity
- Framework for performance evaluation of the board of directors
- Statutory and fiduciary duties of directors
- Directors as agents of shareholders
- Matters reserved to the board of directors
- Conflict of interest and disclosure
- Code of good boardroom practice

13.12 Enterprise Risk Management (ERM)

- The ERM Framework: Risk management philosophy, risk appetite, control
- Categories of risk
- Managing risk: financial and operational; risk management process
- Role of the Board in ERM
- Risk responses: avoidance, acceptance, reduction and sharing

13.13 Professional values and ethical principles

- Professional judgment
- Confidentiality
- Ethics: definition, theories and principles on ethics
- Ethical norms, morality and values
- Code of ethics
- Standards of conduct and personal integrity
- Ethics in business
- Corporate Social responsibility

13.14 Conflict of interest and insider trading

- Conflict of interest and market manipulation
- Disclosure of interest
- Communication of the conflict of interest
- Insider trading
- Whistle blowing
- Conflict of interest register
- Dispute resolution mechanism

13.15 Case studies in strategy, governance and ethics

13.16 Emerging issues and trends

PAPER NO. 14. ADVANCED MANAGEMENT ACCOUNTING

GENERAL OBJECTIVE

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

14.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

14.1 Nature of management accounting

- Value of information in decision making; perfect and imperfect information
- Ethical standards of management accountants

14.2 Cost estimation and forecasting

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

14.3 Short-term planning and decision-making

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

14.4 Budgetary control and advanced variance analysis

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

14.5 Inventory control decisions

- Cost of holding and ordering inventory
- Stochastic inventory models
- Inventory models for perishable items

- Application of simulation models in inventory control

14.6 **Decision theory**

- Decision process
- Decision making environment – certainty, risk, uncertainty and competition
- Decision making under uncertainty-maximin, maximax, minimax regret, Hurwicz decision rule, Laplace decision rule
- Decision making under risk -expected monetary value, expected opportunity loss, minimising risk using coefficient of variation, expected value of perfect information
- Decision trees -sequential decision, expected value of sample information
- Limitations of expected monetary value criteria
- Game theory -non zero sum, two persons zero sum games, dominance, value of the game, saddle point, mixed strategies
- Limitations of game theory

14.7 **Performance measurement and evaluation**

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

14.8 **Pricing decisions**

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

14.9 **Environmental management accounting**

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

14.10 **Emerging issues and trends**

PAPER NO. 15 ADVANCED FINANCIAL MANAGEMENT

GENERAL OBJECTIVE

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

15.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Evaluate capital investment decisions under uncertain economic conditions
- Design an optimal capital structure for an organisation
- Predict corporate failure
- Apply derivatives in financial risk management
- Apply financial management skills in the public sector

CONTENT

15.1 Nature and purpose of financial management

- Introduction to financial management
- Stakeholders theory
- Conflicting stakeholders interests and corporate governance
- Corporate social responsibility (CSR) and financial management.
- Ethical issues in financial management

15.2 The investment decision

- Investment decision under capital rationing :multiperiod
- Investment decision under inflation
- Investment decision under uncertainty/risk
- Nature and measurement of risk and uncertainty
- Techniques of handling risk: sensitivity analysis; scenario analysis; simulation analysis; decision theory models; certainty equivalent; risk adjusted discount rates; utility curves
- Special cases in investment decision: projects with unequal lives; replacement analysis; abandonment decision
- Real options in investment decisions: types of real options ;evaluation of a capital project using real options
- Common capital budgeting pitfalls
- Bond refinancing/refunding

15.3 Portfolio theory and analysis

- Portfolio Theory and risk reduction
- Risk return trade off, Mean-Variance Analysis
- Capital Efficient Portfolios
- Capital asset pricing model(CAPM)
- Arbitrage Pricing Models(APT) and other multifactor models
- Beta estimation
- Portfolio performance measurement: Treynor's measure , Sharpe's measure and Jensen's measure

15.4 The financing decision

- Introduction to financing decision
- Nature and significance of financing decision
- Cost of capital and significance: specific cost of capital, weighted average cost of capital (WACC), marginal cost of capital (MCC), MCC – IOS / MCC – IRR schedules
- Capital structure theories: Traditional theories; Net Income (NI) Approach, Net Operating Income (NOI)
- Franco Modigliani & Merton Miller (MM) propositions :MM without Taxes, MM with corporate taxes, MM with corporate and personal taxes, MM with taxes and financial distress costs, other capital structure theories
- Special topics in financing: EBIT-EPS analysis, financial and operating leverage, financial and operating leverage combined, geared and ungeared betas, lease versus purchase
- Impact of financing on investment decisions – Adjusted present value
- Financial distress: signs of financial distress, forms of distress, predicting organisational failure ,solutions to financial distress

15.5 **Corporate valuation**

- Application of valuation models
- Use of free cash flows in valuation
- Use of relative measures ; economic value added (EVA)
- Use of enterprise value

15.6 **Mergers and acquisitions**

- Nature of mergers and acquisitions
- Reasons for mergers and acquisitions
- Acquisition and mergers versus organic growth.
- Valuation of acquisition and mergers.
- Financing acquisitions and mergers
- Takeover and defense tactics
- Regulatory framework for mergers and acquisition.
- Valuation and analysis of corporate restructuring, leveraged buy outs (LBO) divestitures, strategic alliances, liquidation and recapitalisation.
- Mergers and acquisition in the global context

15.7 **Derivatives in financial risk management**

- Introduction to financial risk management
- Types of risks: operational risks, political risks, economic risks, fiscal risks, regulatory risks, currency risks and interest rate risks.
- Foreign currency risk management: Types of forex risks, hedging currency risks: forward contracts, money market hedge, derivatives; currency options currency futures and currency swaps
- Interest rate risks: Term structure of interest rates, hedging currency risks; forward rate agreement, interest rate futures, interest rate swaps, interest rate options
- Derivatives in risk management: meaning and purpose of derivatives; types of derivatives; forwards, options, futures and swaps
- Valuations of derivatives: options;- Black and Scholes options pricing models, Greeks (definitions)

15.8 **International financial management**

- International investments
- International financial institutions
- Divided policy for multinationals
- Availability and timing of remittances
- Transfer pricing: impact on taxes and dividends

15.9 Emerging issues and trends

PART III

SECTION 6

PAPER NO. 16 ADVANCED PUBLIC FINANCE AND TAXATION

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to address advanced public finance and taxation matters in public and private sector entities

16.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Design a tax policy
- Manage Public Private Partnerships arrangements
- Compute tax for complex aspects of companies and specialised entities
- Apply tax laws in mitigating tax costs for various tax payers
- Analyse the taxation issues associated with international transactions
- Apply advanced public financial management principles in practice
- Evaluate the effectiveness of the public finance, tax systems and policies in economic growth of a country
- Manage public investments

CONTENT

16.1 External Resource Financing

- Establishment of External Resource Department in the National Treasury structure
- Role played by External Resource Department in raising of external finances
- Book keeping and management of donor funds
- Monitoring of public projects through clients connections and EPROMIS
- Development partners and contractual agreements
- Role played by Ambassadors, High Commissioners and other Diplomats in initiation of external funding

16.2 Public Investments

- Establishment of government investment departments
- Mandate of government investment departments
- Establishment of State Corporations (State Corporation Act:Cap446)
- Role of Public Investment Board (KenInvest)
- Role of Public Investment Committee
- Other players in public investment

16.3 Public Private Partnerships Arrangements

- Establishment of Public Private Partnership (PPP) Unit in the National Treasury
- Legal framework for PPP (PPP Act, 2013)

Certified Public Accountants (CPA) Examination Syllabus

- Contract/project agreements, guidelines and standards
- Composition and role of PPP petition committee
- Establishment and role of PPP project facilitation fund
- Applicable case studies for PPP'S

16.4 **Public debt management**

- Establishment of debt management office
- Objectives of debt management in public sector
- Sources of public debt in Kenya
- Debt management strategy paper
- Relationship between debt management and budget process
- Comparative study of debt management strategy in East Africa Community
- Management of debts by county governments and other public entities
- Role of cabinet secretary of the National Treasury in public debt management

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

- Conversion of partnerships into liability companies, and incorporation of incoming and retiring partners during the year
- Limited companies, including holding companies, taxation of related parties
- Charitable institutions
- Leasing entities
- Co-operative societies
- Trade associations and clubs
- Petroleum
- Mining
- Banking, insurance, sea and air transport undertakings
- Unit trusts
- Real estate investment trusts (REITS)
- Property developers and contractors
- Application of relevant case law

16.6 **Tax evasion**

- Tax fraud
- Events which may trigger an investigation
- Tax investigation
- Back duty and in-depth examinations
- Methods of computing omitted and understated income
- VAT computation, refunds, false claims and accountant's certificate, compliance management, reconciliation of returns and compliance checks
- Incorrect and fraudulent returns
- Customs and excise investigations
- Negotiation for settlement
- Tax audit
- Appellant bodies and appeal procedures
- Application of relevant case law

16.7 **Taxation of cross border activities**

- Distinction between trading in and trading with a country; double taxation agreements; theory, design and application
- Regional perspective with reference to the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA)
- Most favoured nation status

- Withholding tax provisions
- Transfer pricing
- Application of relevant case law

16.8 Tax planning

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

16.9 Tax systems and policies

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

16.10 Professional ethics in taxation

- Forms of tax practice and matters relating thereto
- Obligations to clients
- Confidentiality
- Matters relating to new clients
- Handling of client work
- Charging for services
- Matters giving rise to conflict of interest
- Disclosures in tax returns, computations and correspondence with the Revenue Authority
- Dealing with the Revenue Authority
- Moral and social issues in taxation

16.11 Current developments in public finance and taxation

- Legislative/policy changes on public financial management
- Large and medium taxpayers units
- Tax information exchange arrangements
- Capital gains tax, other taxes

16.12 Emerging issues and trends

PAPER NO. 17 ADVANCED AUDITING AND ASSURANCE

GENERAL OBJECTIVE

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

17.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply international standards in auditing and assurance engagements
- Implement quality control policies and procedures in management of audits
- Demonstrate how subsequent events and post balance sheet events affect the audit opinion and reports
- Undertake forensic audits

CONTENT

17.1 Assurance and non assurance

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

17.2 Audit framework and regulations

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

17.3 Professional and ethical consideration

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

17.4 Management of audit practice

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

17.5 Audit evaluation and reviews

- Financial statement assertions and audit procedures
- Subsequent events
- Going concern
- Related parties management representation

- Group audit/joint/component audit
- Analytical review
- Government grants
- Employee benefits
- Inventory and construction contracts
- Impairments
- Segment reporting
- Changes in accounting policy
- Leases and EPS
- Share based payments
- Financial instruments
- Forex changes
- Investment properties
- Revenue recognition

17.6 **Audit related an assurance services**

- Prospective financial information, due diligence investigation
- Social, environmental and integrated reporting (enhanced disclosure)
- Corporate governance/ audit committee and internal audit
- Outsourcing
- E-commerce
- Value for money
- Audit of performance information in the public sector
- Role of auditors in receiverships and liquidations

17.7 **Forensic accounting**

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

17.8 **Audit clearance and reporting**

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

17.9 **Current trends**

- Professional and ethical developments
- International Standards on Assurance Engagements
- International Advisory Practice Standards (IIA)
- International Standards on Supreme Auditing Institutions for public sector entities
- International Standard on Audit and Quality Controls (ISQC) 1

17.10 **Emerging issues and trends**

PAPER NO. 18 ADVANCED FINANCIAL REPORTING

GENERAL OBJECTIVE

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

18.0 SPECIFIC OBJECTIVES

A candidate who passes this paper should be able to:

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

CONTENT

18.1 Regulatory framework

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

18.2 Subsidiaries, associates and jointly controlled entities

- Accounting for subsidiaries including piece-meal acquisitions, several subsidiaries and sub-subsidiaries
- Associates
- Jointly controlled firms
- Foreign entities (subsidiary, associate and jointly controlled entity)
- Disposal of investment in subsidiary (partial and full disposal)

18.3 Assets and liabilities

- Non-current assets held for sale
- Impairment of assets
- Assets used in exploring and evaluating mineral resources
- Financial instruments (including hedging, impairment and embedded derivatives)
- Income taxes - including group aspects
- Share based payments
- Employee benefits with emphasis on post-employment benefits

18.4 Preparing financial statements and other reports

- Published financial statements (including group statement of cash flows where a subsidiary is acquired or sold during the year)
- Interim financial statements
- Financial statements of pension schemes/retirement benefit plans

- Segment reports
- Earnings per share
- IFRS for small and medium sized entities
- Related parties
- Effects of inflation and hyper inflationary economies (exclude inflation adjusted financial statements)
- Internal and external reorganisations/ reconstructions
- Management commentary (management discussion and analysis)
- Integrated reporting

18.5 **Public sector accounting**

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

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

18.6 **Current trends**

- Social reports
- Environmental reports
- Corporate governance reports
- Directors reports
(Contents only)

18.7 **Emerging issues and trends**