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**ACCOUNTING TECHNICIANS DIPLOMA
(ATD) EXAMINATION**

**SYLLABUS
(ADVANCE COPY)**

JULY 2015

SUMMARY OF THE ACCOUNTING TECHNICIANS DIPLOMA (ATD) EXAMINATION REVISED SYLLABUS

LEVEL I

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Paper No. 2	Commercial Law
Paper No. 3	Entrepreneurship and Communication
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LEVEL II

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Paper No. 7	Business Mathematics and Statistics
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LEVEL III

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Paper No. 10	Fundamentals of Management Accounting
Paper No. 11	Principles of Public Finance and Taxation
Paper No. 12	Auditing

LEVEL I

PAPER NO.1: INTRODUCTION TO FINANCIAL ACCOUNTING

GENERAL OBJECTIVE

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

1.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

1.1 Introduction to accounting

- Nature and purpose of accounting
- Objectives of accounting
- Users of accounting information and their information needs
- Qualities of useful accounting information
- Accounting concepts/principles
- Accounting standards and their importance
- The accounting equation

1.2 Double entry bookkeeping and books of original entry including manual and computerised systems

- Source documents
- Books of original entry
- The double entry system and the ledger
- The trial balance and basic financial statements
- 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

- Accrued expenses and prepaid expenses
- Accounting for revenue including accrued income and prepaid income
- Accounting for accounts receivables, bad debts and allowance for doubtful debts
- Property plant and equipment including capital revenue and expenditure, depreciation, acquisition and disposal
- Inventory – recognition, measurement and valuation using specific cost method (FIFO and weighted average cost only)
- Accounting for cash and cash equivalents, bank reconciliation
- Accounting for accounts payable including control account

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- 1.4 **Correction of accounting errors and the suspense account**
- 1.5 **Financial statements of a sole trader**
 - Income statement
 - Statement of financial position
- 1.6 **Partnership accounts**
 - Contents of a partnership agreement
 - Distinction between current and capital accounts
 - Appropriation statement and partners current and capital accounts
 - Statement of financial position and income statement
(Excluding changes in partnerships)
- 1.7 **Company accounts**
 - Types of share capital – ordinary shares and preference shares
 - Types of reserves – share premium, revaluation reserve, general reserves and retained profits
 - Issue of shares (exclude issue by instalment and forfeiture)
 - Rights issues and bonus
 - Income tax -Accounting treatment and presentation (exclude computation)
 - Income statement
 - Statement of financial position
- 1.8 **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

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- Tribunals
- 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**

PAPER NO. 4 INFORMATION COMMUNICATION TECHNOLOGY

GENERAL OBJECTIVE

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

4.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

4.1 Introduction to ICT

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

4.2 Computer systems

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

4.3 Computer hardware

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

4.4 Computer software

- Overview of computer software
- System software
- Application software
- Other utility software
- Computer programming languages
- Selection and acquisition of computer software

4.5 Introduction to operating systems

- Overview of an operating system
- Functions of an operating system
- Types of operating systems
- Computer booting
- Selection and acquisition of operating systems

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4.6 Computer files

- Elements of a computer file
- Types of computer files
- Basic file design and storage
- File organisation
- File access methods

4.7 An overview of application packages

- Word processing
 - Features of word processor
 - Formatting and editing text
 - Creating and formatting tables
- Spreadsheets
 - Features of a spreadsheet program
 - Formatting and editing spreadsheet
 - Formulas and functions
 - Charts and graphs
- Presentation software
 - Features of presentation program
 - Typing and formatting text in slide
 - Slide show
- Computerised accounting software
 - Capturing data
 - Features of accounting software

4.8 Overview of information systems

- Systems overview
- Information systems
- Components of an information system
- Role of information systems in an organisation
- Classification of information systems
- Types of information systems
- Overview of information systems security and controls

4.9 Computer networks

- Computer networks concepts
- Computer network hardware and software
- Data transmission media
- Types of computer networks
- Advantages and limitations of networking

4.10 The Internet

- Applications of Internet
 - Using search engines
 - E-mails
 - Electronic communication
- Introduction to the Internet
- Internet services – e –mails, www, instant messaging
- Searching for information on the Internet
- Internet service providers (ISPs)
- Applications of internet
- Impact of internet on society

4.11 Emerging issues and trends

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LEVEL II

PAPER NO. 5 FINANCIAL ACCOUNTING

GENERAL OBJECTIVES

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

5.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

5.1 Introduction to accounting

- The accounting framework
- Sources of regulations at national and global levels; the law (Companies Act), professional bodies, global regulatory bodies
- Accounting standards (IASs/IFRSs) (their importance and limitations)
- Professional ethics

5.2 Accounting for assets and liabilities

5.2.1 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

5.2.2 Liabilities

- Loans – Accounting treatment of repayment of principal and interest

5.3 Financial statements of a sole trader

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

5.4 Financial statements of a partnership

- Income statement
- Statement of financial position
- Changes in partnership – admission of a new partner, retirement and change in profit sharing ratio

5.5 Financial statements of a company

- Financial statements – income statement and statement of financial position
- Published financial statements (Describe a complete set of published financial statements but not preparation)

5.6 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

5.7 Financial statements of a not-for-profit making organisation

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

5.8 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

5.9 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 should be excluded)

5.10 Emerging issues and trends

PAPER NO. 6 PRINCIPLES OF MANAGEMENT

GENERAL OBJECTIVE

This paper is intended to equip the candidate with the knowledge, skills and attitude that will enable him/her to apply management principles in organisations

6.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate understanding of management principles and techniques
- Apply knowledge of management theories in organisations
- Manage small and medium size teams and groups
- Apply management competencies in response to emerging trends in management

CONTENT

6.1 Introduction to management

- Definition of management
- Management as a science, an art or a profession
- Principles of management as advocated by Henry Fayol
- Importance of management
- Levels of management
- Qualities of a manager

6.2 Approach to the management thought

- Scientific approach
- General administrative approach
- Behavioural approach

6.3 Planning function

- Meaning of planning
- Importance of planning
- Types of planning
- Planning process
- Limitations of planning
- Effective planning
- Decision making process

6.4 Organising function

- Meaning of organising
- Importance of organising
- Principles of organising
- Process of organising
- Organisational structures
- Authority, responsibility and power
- Delegation
- Coordination

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6.5 **Directing function**

Meaning and importance of:

- Directing
- Leadership
- Supervision
- Motivation
- Communication

6.6 **Staffing function**

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

6.7 **Control function**

- Meaning of control
- Importance of control
- The control process
- Types of control systems
- Effective control systems

6.8 **Current trend in management**

- Information technology and management
- Globalisation
- Business ethics and integrity
- Corporate Social responsibility

6.9 **Emerging issues and trends**

PAPER NO. 7 BUSINESS MATHEMATICS AND STATISTICS

GENERAL OBJECTIVE

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

7.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply linear, quadratic and simultaneous equations to solve business problems
- Compute simple and compound interests
- Solve problems involving appreciation, depreciation, hire purchase and foreign exchange
- Solve business problems using matrix algebra
- Solve business problems involving commercial mathematics
- Present data in form of tables, graphs and curves
- Calculate measures of location, dispersion skewness and kurtosis
- Compute simple, general and weighted index numbers.

CONTENT

7.1 Equations

- Linear equations; solving and graphs
- Quadratic equations; solving and graphs
- Differentiation
- Simultaneous equations; solving
- Break-even analysis
- Total revenue, total cost and profit equations; application of errors

7.2 Matrices

- Introduction: order, types
- Addition, subtraction and multiplication
- Determinants of 2x2 matrices
- Inverses of 2x2 matrices
- Application of matrices to business problems

7.3 Commercial mathematics

- Buying and selling; discounts, profit and loss, margins and mark-ups
- Commissions and salaries; piece and hourly rates, gross and net pay, PAYE
- Bills calculations; water and electricity
- Simple and compound interest
- Depreciation and appreciation of assets
- Hire purchase
- Foreign exchange

7.4 Elementary statistics

- Introduction: definitions and branches of statistics
- Methods of data collection: primary and secondary data
- Sampling techniques
- Presentation of data:
 - Tables
 - Diagrams: bar charts and pie charts

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- Graphs: basic time series graphs, Z-charts, Lorenz curves and semi-log graphs
- Frequency distribution tables
- Histogram and frequency polygons
- Cumulative frequency curve (ogive) and its application

7.5 **Descriptive statistics**

- Measures of central tendency:
 - Mean: arithmetic mean, weighted arithmetic mean, geometric mean and harmonic mean
 - Mode
 - Median
- Measures of dispersion: range, quartile, deciles, percentiles, mean deviation, standard deviation and coefficient of variation
- Measures of skewness and kurtosis excluding computation of the coefficients

7.6 **Set theory**

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

7.7 **Basic probability theory**

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

7.8 **Index numbers**

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

7.9 **Emerging issues and trends**

PAPER NO. 8 FUNDAMENTALS OF FINANCE

GENERAL OBJECTIVE

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

8.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Identify various sources of finance for organisations
- Calculate non-complex risk and return measures
- Determine the cost of capital for an organisation
- Evaluate the viability of capital investments using appropriate appraisal techniques
- Advise on various forms of dividends payable by an organisation
- Apply basic concepts of Islamic Finance.

CONTENT

8.1 Nature and purpose of finance

- Scope of finance
- Relationship between accounting and finance
- Finance functions
- Roles of a finance manager
- Goals of a firm
- Agency theory :conflicts and resolutions

8.2 Sources of finance

- Short term sources
- Long term sources
- Internal sources
- External sources
- Factors to consider when choosing the source of finance

8.3 Financial markets and systems

- Roles of financial systems
- Markets participants and financial innovation
- Types of financial markets
- Characteristics of a good market
- Functions of financial markets
- The flow of funds and the financial system
- Organisation and structure of securities markets
- Automation of securities exchanges; automated trading system (ATS), Central depository system(CDS)
- Role of government in the financial system; capital markets authority, central bank, central depository and settlement company

8.4 Time value of money

- Time preference for money
- Present value
- Future value
- Discounting and Compounding
- Annuities
- Loan amortisation schedules

8.5 Risk and return

- Components of return
- Measures of return
- Sources of risk
- Components of risk
- Measures of risk and return for a single asset
- Distinction between risk- free and risky assets
- Relationship between risk and return on investments

8.6 Cost of capital

- Significance of cost of capital to firms
- Components costs of capital
- Weighted average cost of capital
- Marginal cost of capital

8.7 Working capital management

- Nature and importance of working capital
- Determinants of working capital
- Working capital management policies
- Cash management
- Accounts receivable management
- Accounts payable management
- Inventory management

8.8 Capital Budgeting decisions under certainty

- Importance, characteristics and types of capital investment decisions
- Investment evaluation criteria
- Investment appraisal techniques; Accounting Rate of Return (ARR), Payback period, Internal Rate of Return, Net Present Value, and Profitability index

8.9 Dividend decisions

- Forms of dividends
- Factors influencing dividend policy

8.10 Fundamentals of Islamic finance

- Principles and trends in Islamic banking
- Differences between Islamic and conventional banking
- The concept of interest (riba) and how returns are made by Islamic financial securities
- Sources of finance in Islamic financing: muhabaha, sukuk

8.11 Emerging issues and trends

LEVEL III

PAPER NO. 9 PRINCIPLES OF 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

9.0 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
- Demonstrate an understanding of emerging economic issues.

CONTENT

9.1 Microeconomics

9.1.1 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

9.1.2 Demand, supply and determination of equilibrium

9.1.2.1 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

9.1.2.2 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

9.1.2.3 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

9.1.3 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

9.1.4 The theory of a firm

9.1.4.1 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

9.1.4.2 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

9.1.5 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

9.2 Macroeconomics

9.2.1 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

9.2.2 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

9.2.3 Money and banking

9.2.3.1 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

9.2.3.2 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

9.2.7 Emerging issues and trends

PAPER NO. 10 FUNDAMENTALS OF MANAGEMENT ACCOUNTING

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 management accounting in decision making

10.0 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
- Use computers in cost management.

CONTENT

10.1 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

10.2 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.

10.3 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)

10.4 Cost accumulation

- Accounting for materials and inventory; material cost records, purchasing procedures, receipt and issues of material, methods of valuing material issues, stock control procedures
- Accounting for labour: methods of labour remuneration, labour control procedures, maintenance of labour records

- Accounting for overheads: types of overheads, manufacturing, distribution and administration, departmental cost allocation and apportionment, overheads analysis, overhead absorption rates, over or under absorption

10.5 Cost bookkeeping

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

10.6 Costing methods

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

10.7 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
- Reconciliation of marginal profits and absorption profits, application of marginal costing: break-even analysis and charts (single product), simplified decision problems; accept or reject, special order, dropping a product, make or buy and choice of a product where a limiting factor exists

10.8 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

10.9 Emerging issues and trends

PAPER NO. 11 PRINCIPLES OF PUBLIC FINANCE AND TAXATION

GENERAL OBJECTIVE

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

11.0 LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

11.1 Introduction to Public Financial Management Legal Framework

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

11.2 Public budget process for public bodies

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

11.3 Oversight function in public finance management

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

11.4 Introduction to taxation

- History and Purposes of taxation
- Role of the government in an economy
- Principles of an optimal tax system
- Single versus multiple tax systems
- Classification of taxes
- Tax rates
- Impact incidence and tax shifting, tax shifting theories
- Taxable capacity
- Revenue authority – History, structure and mandate

11.5 **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

11.6 **Capital deductions**

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

11.7 **Administration of income tax**

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

11.8 **Administration of value added tax**

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

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11.9 Customs taxes and excise taxes

- Customs procedure
- Import and export duties
- Prohibitions and restriction measures
- Transit goods and bond securities
- Excisable goods and services
- Purposes of customs and excise duties

11.10 Emerging issues and trends

PAPER NO.12 AUDITING

GENERAL OBJECTIVE

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to undertake non-complex audit assignments

12.0 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
- Prepare an audit report

CONTENT

12.1 Nature, purpose and scope of auditing

- Definition of auditing, auditor and an audit
- Explain the principles and processes of an audit
- Differences between auditing and accounting
- The types and timing of audits – consider internal versus external and a focus on the complimentary role of internal to external, interim and final
- The users of audited financial statements and auditor reports

12.2 Planning for the audit

- Objectives of planning for the audit work
- Audit plan for a new client
- Audit plan for an existing client
- Developing an overall audit plan
- Limitations of audit plans

12.3 Internal control system

- Definition of internal controls and internal control systems
- Purpose of internal control system
- Designing an internal control system
- Benefits and limitations of internal control system
- General controls on:
 - Sales
 - Purchases
 - Cash and bank
 - Inventory

12.4 Errors and fraud

- Definition of error and fraud
- Differences between error and fraud
- Types of errors and fraud

12.5 Audit evidence

- Nature and source of audit evidence
- Types of audit evidence
- Gathering audit evidence

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- Reliance on the work on internal auditor
- Contents of audit working papers (excluding their preparation)
- Audit tests
 - Compliance tests
 - Substantive tests
 - Analytical tests

12.6 Risk based audit

- Definition of audit risks
- Types of audit risks

12.7 Computerised auditing

- Benefits and drawbacks of computerised accounting systems
- Computer Aided Auditing Techniques (CAATs); Auditing around and through the computer

12.8 Auditor's report

- Purpose of the auditor's report
- Elements of the auditor's report
- Types of audit reports

12.9 Professional ethics

- Importance of professional ethics
- Fundamental ethical principles

12.10 Emerging issues and trends