



# **ACCOUNTING TECHNICIANS DIPLOMA (ATD)**

## **REVISED EXAMINATION SYLLABUS**

**JULY 2021**

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**JULY 2021**

## **FOREWORD**

One of the cardinal objectives of any education system is to ultimately provide the economy with competent, self-driven and morally upright human capital for sustainable growth and prosperity. In order to effectively achieve this, it is important that the education system continuously adapts to market dynamics at global, regional and national levels.

For professional examination bodies such as the Kenya Accountants and Secretaries National Examinations Board (Kasneb), this translates to the need to regularly review their syllabuses to match and, in an ideal setting, surpass market expectations. The drivers of syllabuses change are wide and diverse and transcend various factors including economic, legal, social and technological spheres.

It is in the above context that The National Treasury and Planning, as the parent Ministry of Kasneb, is pleased to note the significant milestone in the completion of the major review process for Kasneb, having also participated with other stakeholders in the review process. This latest review has afforded Kasneb the opportunity to address emerging trends that define the next generation of professionals, including data mining and analytics, digital competence, soft skills and a global perspective in strategic decision making.

With the revised syllabuses, Kasneb is expected to continue playing a leading role in providing the economy with competent professionals in the areas of accounting, finance, governance and corporate secretarial practice, credit management, forensic investigations, information communication technology and related areas. This is further expected to boost the Government's development agenda as defined under the Kenya Vision 2030 development blueprint and the Big Four Agenda.

The successful implementation of the revised syllabuses will require the support of all stakeholders. I wish therefore to urge for the continued support to Kasneb including from various Government Ministries and Departments, regulatory bodies, employers, professional institutes, universities and other training institutions, among others.

It is my conviction that the revised syllabuses will reshape the professional qualifications frontier in the region and beyond and firmly place Kenya as one of the leading countries in the provision of globally competitive professionals.

**Dr Julius M. Muia, PhD, CBS**  
**The Principal Secretary/The National Treasury**  
**The National Treasury and Planning**

**August 2021**

## **PREFACE**

Kasneb has been undertaking a major review of its examination syllabuses every five years and a mid-term review every two and a half years. The prime focus of the just completed major review was the need to produce enhanced, integrated and competence based curriculums whose graduates will remain well positioned to meet the dynamic global market demands for the next five years and beyond.

The major review process commenced in earnest in August 2019 with an intensive stakeholder engagement across various counties in Kenya. This was supplemented by study visits and surveys conducted in various parts of the globe, including in the USA, UK, Canada, Malaysia, Singapore, Australia and India. Further engagements with employers, practitioners and the market at large culminated in the development of a competence framework for the professional qualifications of Kasneb. A competence framework is a structure that sets out and defines each individual competency required by persons working in an organisation. The framework defines the knowledge, skills and attributes needed for people within an organization.

Complementing the competence framework were occupational standards developed for the vocational, certificate and diploma programmes. Similar to the competence frameworks for professionals, the occupational standards for various technician qualifications are statements of work performance reflecting the ability to successfully complete the functions required in an occupation, as well as the application of knowledge, skills and understanding in an occupation.

With the development of the competence frameworks and occupational standards, the next logical step was the development of the detailed syllabuses content addressing the identified required competencies. The syllabuses content was developed by various subject matter experts drawn from both public and private sectors, industry and academia, employers and practitioners among others.

As noted above, stakeholder engagement formed a critical pillar in each step of the review process. At the final stretch, stakeholders were invited to validate the syllabuses on Friday, 7 May 2021 during a national virtual conference. This paved the way for the launch of the syllabuses on Friday, 23 July 2021.

As part of the new competence-based system, Kasneb will use various assessment modes through a partnership model with other institutions to test the achievement of key competencies and skills. Among other key areas of focus is the introduction of practical experience and work-simulation, together with a requirement for students to attend workshops where matters of ethics, values, attitudes and other soft skills will be developed.

The major review of the syllabuses also witnessed the expansion of the qualifications spectrum for Kasneb to include four vocational courses, one certificate course, three diploma courses, five professional courses and one post-professional specialisation course.

We are confident that the new qualifications of kasneb will address the current and emerging skills requirements in the national, regional and international markets.

Finally, I wish to take this opportunity to thank all our partners and stakeholders for their contribution in various ways to the successful completion of the major syllabuses review.

**Dr Nancy N. Muriuki, PhD**  
**Chairman of the Board of Kasneb**

**August 2021**

## **ACKNOWLEDGEMENT**

I wish to take this opportunity to express our deepest appreciation to all our key stakeholders who, through their expert advice, comments, other feedback and general support contributed to the development of the revised syllabuses together with the supporting competence frameworks and occupational standards.

We are particularly grateful to the Government of Kenya through the National Treasury and Planning, the Ministry of Education, Ministry of Foreign Affairs incorporating various Kenyan Embassies and High Commissions, among others; various regulatory bodies including the Kenya National Qualifications Authority (KNQA), Technical and Vocational Education and Training Authority (TVETA), Commission for University Education (CUE), Central Bank of Kenya (CBK), Capital Markets Authority (CMA); professional bodies including the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Secretaries (ICS), Institute of Certified Investment and Financial Analysts (ICIFA), Institute of Credit Management Kenya (ICM-K), Law Society of Kenya (LSK) - Nairobi Chapter; Federation of Kenya Employers (FKE) and individual employers; the Ethics and Anti-Corruption Commission (EACC); practitioners, subject matter experts and trainers, various consultants engaged; students, parents and guardians; past and present members of the Board, Committees and Sub-Committee; members of staff of Kasneb among other stakeholders.

We also extend our appreciation to all foreign regulatory and professional bodies who facilitated the study visits and provided valuable insights on global trends and emerging issues in areas relevant to the examinations of Kasneb. In this connection, we wish to highlight the following institutions for special mention:

1. United Kingdom (UK): Chartered Governance Institute; Chartered Institute of Management Accountants; Chartered Institute of Marketers; Institute of Chartered Accountants in England and Wales; Pearson Vue Limited.
2. United States of America (USA): American Institute of Certified Public Accountants; Chartered Financial Analysts Institute; International Federation of Accountants; Society for Corporate Governance.
3. Singapore and Malaysia: Chartered Secretaries Institute of Singapore; Malaysian Association of Chartered Secretaries and Administrators; Malaysian Institute of Accountants.
4. Canada: CPA Canada; Board of Canadian Registered Safety Professionals.
5. Australia: CPA Australia; Pearson Vue Australia.
6. India: Indira Gandhi National Open University; Institute of Chartered Accountants of India; Institute of Company Secretaries of India, Institute of Cost Accountants of India.
7. South Africa: South Africa Institute of Chartered Accountants (SAICA).

Kasneb remains forever grateful to all our stakeholders for your role in ensuring the development of quality and globally benchmarked syllabuses, competence frameworks and occupational standards. We look forward to your continued support in the implementation of the revised syllabuses.

**Dr Nicholas K. Letting', PhD, EBS**  
**Secretary/Chief Executive Officer, Kasneb**

**August 2021**

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## **BACKGROUND INFORMATION ABOUT kasneb**

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

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

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

### **1.2 Functions of kasneb**

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

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

### **1.3 Professional Institutes/Registration Board for Kasneb graduates**

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

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

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

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

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

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

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

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

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

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

**1.4 Vision, Mission, Mandate and Core Values**

The vision, mission, mandate and core values of kasneb are as follows:

**1.4.1 Vision**

Global leader in examination and certification of business professionals.

**1.4.2 Mission**

Empowering professionals globally by offering quality examinations and undertaking research and innovation.

**1.4.3 Mandate**

The mandate of kasneb is the development of syllabuses; conduct of professional, diploma and certificate examinations and certification of candidates in accountancy, finance, credit, governance and management, information technology and related disciplines; promotion of its qualifications nationally, regionally and internationally and the accreditation of relevant training institutions in liaison with the ministry in charge of education.

**1.4.4 Core Values**

- Integrity
- Professionalism
- Customer focus
- Teamwork
- Innovativeness



## 2.0 **EXAMINATIONS OF kasneb**

kasneb currently offers the following examinations:

### (a) **Vocational certificate courses**

These are short-term, skills-based programmes currently in the areas of entrepreneurship and innovation, graphic design, information and cyber security and block chain technology. The courses are ideal both for fresh high school graduates and established professionals in various areas willing to diversify their knowledge and competencies in the above areas.

The vocational certificate courses are administered in two levels, with each level requiring an average of three months, thus a total of six months.

Entrants with high school certificates will start with Level I which covers basic skills. Other entrants with post-high school qualifications covering the basic skills will enter at Level II.

The minimum entry for the vocational certificates is a KCSE certificate. The courses can be pursued through a tuition-based programme or privately. Tuition-based programmes (physical or virtual classes) are however recommended due to the interactiveness with facilitators and other students which are key in imparting the requisite technical and soft skills.

The examinations will be administered primarily on a computer-based platform.

The details on each of the vocational programmes are summarised below:

#### (i) **Vocational Certificate in Entrepreneurship and Innovation**

The course imparts basic knowledge, skills, values and attitudes to apply entrepreneurship skills and generate innovative ideas to start and manage a new business or grow an existing entity.

#### (ii) **Vocational Certificate in Graphic Design**

The course imparts basic knowledge, skills, values and attitudes to generate and enhance graphic designs according to set specifications.

#### (iii) **Vocational Certificate in Information and Cyber Security**

The course imparts basic knowledge, skills, values and attitudes to identify information and cyber threats and risks and implement programmes to protect information and databases.

#### (iv) **Vocational Certificate in Blockchain Technology**

The course imparts knowledge, skills, values and attitudes to develop a simple blockchain program and undertake blockchain transactions.

### (b) **Certificate in Accounting and Management Skills (CAMS) course**

The course imparts knowledge, skills, values and attitudes to prepare basic accounts and financial statements for a small enterprise or non-complex environment and apply basic management and marketing skills in business.

The course is mainly for persons who wish to qualify and work as entry level accounting and management personnel.

The CAMS course is administered in two levels, with each level requiring an average of six months, thus a total of one year.

The minimum entry requirement is KCSE mean grade D or a vocational certificate.

The course is fully tuition based with requirements for students to sit for continuous assessment tests (CATs), which constitute 15% of the final score for assessment purposes.

The examinations will be administered primarily on a computer-based platform.

### **(c) Diploma Courses**

Kasneb currently administers three diploma programmes; Accounting Technicians Diploma (ATD), Diploma in Data Management and Analytics (DDMA) and Diploma in Computer Networks and Systems Administration (DCNSA).

The diploma courses are administered in two levels, with each level requiring an average of one year, thus a total of two years.

The minimum entry for the diploma courses is KCSE mean grade C-. Persons with certificate and other higher qualifications from recognised institutions are also eligible for entry. The courses can currently be pursued through a tuition-based programme or privately. Tuition-based programmes (physical or virtual classes) are however recommended due to the interactiveness with facilitators and other students which are key in imparting the requisite technical and soft skills.

A summary on each of the diploma programmes is presented below:

#### **(i) Accounting Technicians Diploma (ATD) course**

The course imparts knowledge, skills, values and attitudes to prepare financial and management accounts and financial statements for small and medium sized enterprises and compute basic taxes for a business.

The course is aimed at persons who wish to qualify and work as middle level accountants providing technical support to professional accountants, auditors, tax practitioners and related areas.

#### **(ii) Diploma in Data Management and Analytics (DDMA) course**

The course imparts knowledge, skills, values and attitudes to undertake non-complex design of databases, mine and analyse data for decision making.

The DDMA will be administered on a computer-based platform.

#### **(iii) Diploma in Computer Networks and Systems Administration (DCNSA) course**

The course imparts knowledge, skills, values and attitudes to design, configure, test and secure and manage non-complex networks.

The DCNSA will be administered on a computer based platform.

#### (d) **Professional Courses**

Kasneb currently administers five professional courses, as summarised below:

- (i) Certified Public Accountants (CPA)
- (ii) Certified Secretaries (CS)
- (iii) Certified Investment and Financial Analysts (CIFA)
- (iv) Certified Credit Professionals (CCP)
- (v) Certified Information Systems Solutions Expert (CISSE)

The professional courses are administered at Foundation, Intermediate and Advanced Levels. Each level requires an average of one year, though candidates are advised to provide for an additional one year to meet requirements for internship/practical experience

The minimum entry requirement for the professional courses is KCSE mean grade C+. Persons with diplomas or other higher-level qualifications from recognised institutions are also eligible for entry. The courses can be pursued through a tuition-based programme or privately. Tuition-based programmes (physical or virtual classes) are however recommended due to the interactiveness with facilitators and other students which are key in imparting the requisite technical and soft skills.

A summary on each of the professional courses is presented below:

##### (i) **Certified Public Accountants (CPA) course**

The course imparts knowledge, skills, values and attitudes to, among other competencies:

- Prepare accounts and financial statements including for complex entities in both the private and public sectors.
- Use computerised accounting systems
- Practically apply data analytical tools analyse data and reach conclusions.
- Undertake audit and assurance services
- Apply advanced financial management skills to evaluate various financial aspects of a business for decision making
- Prepare management accounts
- Apply leadership and management skills in practice to manage teams and achieve results

The course is aimed at persons who wish to qualify and work or practice as professional accountants, auditors, finance managers, tax managers and consultants in related areas in both public and private sectors.

Assessment will be conducted in a variety of ways, including examinations, practical papers, workshops attendance and practical experience.

In addition to the above papers, prior to certification, candidates will be required to

- Attend workshops on ethics, soft skills and emerging issues organised by Kasneb and ICPAK and earn IPD hours)
- Obtain 1-year practical experience, or alternatively attend workshops on work based simulation organised by Kasneb and ICPAK.

In order to assist CPA students to obtain the requisite practical experience and internship opportunities, they will be registered as student members of the Institute of Certified Public

Accountants of Kenya (ICPAK) under a programme called the Trainee Accountants Practical Experience Programme (TAPEF). Through TAPEF, ICPAK working in consultation with Kasneb will assist students as much as possible to link with professional accountants who will mentor them towards obtaining the necessary practical experience.

**(ii) Certified Secretaries (CS) course**

The course imparts knowledge, skills, values and attitudes to, among other competencies:

- Practice and promote principles of good governance within public and private sector entities
- Implement and comply with legal, regulatory and ethical requirements in practice
- Ensure proper conduct and management of meetings
- Undertake consultancy and advisory services in corporate secretarial and related practices
- Manage boardroom dynamics
- Undertake governance and compliance audits

The course is aimed at persons who wish to qualify and work or practice as corporate secretaries, policy formulators and consultants in governance, governance and compliance auditors and administrators at county and national levels and in the private sector.

Assessment will be conducted in a variety of ways, including examinations, projects and workshops attendance.

**(iii) Certified Investment and Financial Analysts (CIFA) course**

The course imparts knowledge, skills, values and attitudes to, among other competencies:

- Apply financial tools and concepts in analysis and valuation of investment and securities
- Manage and grow portfolios of investments
- Analyse various types of investments including equity investments, fixed income investments and derivatives
- Manage corporate finances
- Apply financial modelling and analytical tools in investments analysis

The course is aimed at persons who wish to qualify and work or practice as investment, securities and financial analysts, portfolio managers, investment bankers, fund managers, consultants on national and global financial markets and related areas.

**(iv) Certified Credit Professionals (CCP) course**

The course imparts knowledge, skills, values and attitudes to, among other competencies:

- Manage the credit cycle for trade credit providers
- Manage credit risk for different entities
- Undertake credit analysis for various corporate entities
- Undertake debt collection in a professional manner
- Comply with various requirements in debt management including governance, ethical, legal and regulatory requirements.

The course is aimed at persons who wish to qualify and work or practice in various fields of credit management including credit analysis, debt management and recovery, corporate lending and related areas in both formal and informal sectors.

**(v) Certified Information Systems Solutions Expert (CISSE) course**

The course imparts knowledge, skills, values and attitudes to, among other competencies:

- Develop information systems solutions for a business
- Design and operationalise database management systems
- Design, configure and trouble shoot computer networks
- Implement ICT projects
- Manage and analyse big data

**(e) Post-professional specialisation course**

Kasneb has introduced the Certified Forensic Fraud Examiner (CFFE). The course imparts knowledge, skills, values and attitudes to, among other competencies:

- Apply analytical techniques in fraud detection
- Design and implement preventive and detective controls
- Apply and ensure compliance with the appropriate laws in fraud investigations
- Apply the burden and standards of proof in civil and criminal proceedings
- Apply the various methods and techniques of conducting fraud investigations
- Write standard investigations and expert witness reports
- Develop fraud prevention programs
- Conduct a fraud prevention health check up
- Develop and implement a fraud risk management program

The course is aimed at persons who wish to qualify and work or practice in the fields of financial fraud and corruption investigations, fraud prevention, fraud risk analysis and related areas.

The CFFE is administered in three modules, with an integrated case study and workshops at the end of the course. Each module is expected to last for three months. Examinations for the CFFE course will be administered three times in a year, thus the course is meant to last on average one year.

The minimum entry requirement to pursue the CFFE course is:

- Kasneb professional qualification; or
- Bachelor's degree from a recognised university; or
- Any other qualification considered equivalent to the above.

The course can be pursued through tuition-based learning or self-study.

Kasneb working with other partners will be rolling out another post-professional specialisation area in public financial management.

**(f) Examinations for holders of foreign qualifications wishing to be registered and practice in Kenya**

**(i) Examination for holders of foreign accountancy qualifications (FAQs)**

In consultation with the Council of ICPAK under Section 26 Sub-Sections (2) and (3) of the Accountants Act, 2008, kasneb examines holders of foreign accountancy qualifications who have applied for registration as Certified Public Accountants

(CPAs) of Kenya and they are required to demonstrate their knowledge of local law and practice.

(ii) **Examination for holders of foreign secretaries qualifications (FSQs)**

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

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

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

### **3.0 EXAMINATION RULES AND REGULATIONS**

#### **3.1 Registration and examination bookings**

All applications for registration and examination booking must be in the prescribed manner. Students are advised to download the e-kasneb app for purposes of registration and examination booking. The deadline for registration and examination booking will be specified for each sitting but may not be later than thirty days to the date of the next examinations.

#### **3.2 Exemptions**

Exemptions may, on application, be granted to registered students who are holders of certain degrees and diplomas recognised by kasneb. Exemptions will be granted on a paper by paper basis. Details on available exemptions can be accessed on the kasneb website [www.kasneb.or.ke](http://www.kasneb.or.ke).

#### **3.3 Retention of Credits**

Credits for papers passed by candidates will be retained without limit.

#### **3.4 Progression Rule**

A candidate will not be allowed to enter a higher level of the examination before completing the lower level.

#### **3.5 Registration Renewal**

3.5.1 A registered student must renew the studentship registration annually on the first day of July provided that newly registered students will be required to renew their registration on the first day of July following the examination sitting to which they are first eligible to enter.

3.5.2 A student who without good cause fails to renew the registration within three months of the renewal date will be deemed to have allowed the registration to lapse and may thus forfeit the right to write the examination until the renewal position is regularised. The registration number of a student who fails to renew the registration for three consecutive years will be deactivated, that is, removed from the register of students and will thus not be able to book for examinations until the registration number is reactivated.

3.5.3 A student whose registration number is deactivated for failure to renew the registration may apply for reactivation provided that if the application is accepted, the student shall:

- (a) Pay the registration reactivation fee.
- (b) Pay three years of registration renewal fees.

#### **3.6 Rules Governing the Conduct of Students in the Examination Room**

Kasneb will conduct examinations on both computer-based and paper-based platforms. The following rules mainly relate to paper-based examinations. Kasneb will be issuing additional rules specific to computer-based examinations in due course.

- 3.6.1 Candidates should present themselves for the examination at least 30 **minutes** before the scheduled time for the commencement of the examination they are taking.
- 3.6.2 A candidate who arrives half an hour or later after the commencement of the examination will not be allowed to take the examination nor will a candidate be permitted to leave the examination room until after the end of the first half hour since the commencement of the examination.
- 3.6.3 Each candidate is assigned a registration number upon registration as a student of kasneb. The candidate must sit at the place indicated by that number in the examination room. The registration number must be entered in the space provided at the top right-hand corner of each answer sheet.
- 3.6.4 The name of the candidate **must not** appear anywhere on the answer sheet.
- 3.6.5 Each answer sheet has a serial number indicated on the top, left hand side of the answer sheet. Each candidate must indicate the serial number of the answer sheet(s) used for each examination paper in the signature register.
- 3.6.6 Examination stationery will be provided in the examination room, but candidates must bring their own blue or black ink pens, pencils, and rulers.
- 3.6.7 **Mobile phones are strictly not allowed in the examinations room.**
- 3.6.8 No stationery whatsoever may be removed from the examination room.
- 3.6.9 Candidates **must not** carry the examination question papers from the examination room.
- 3.6.10 Candidates are allowed to use calculators provided that such calculators are noiseless, cordless and non-programmable.
- 3.6.11 Candidates will be required to positively identify themselves to the chief invigilator by producing their student identification cards and the national identity cards. Non-Kenyan candidates will be required to produce other relevant identification documents such as passports.
- 3.6.12 Strict **silence** must be observed during the entire duration of the examination.
- 3.6.13 Candidates **must not** possess any notes, printed paper or books in the examination room, but must leave any such material with the chief invigilator. Candidates using clipboards must ensure that such clipboards have no writing on them whatsoever.
- 3.6.14 Smoking is **not** allowed in the examination room.
- 3.6.15 Candidates **must not** collude in the examination room by exchanging notes or keeping the answer booklet in such a way that another candidate can read or copy from the booklet.
- 3.6.16 Impersonation in the examination room is not only a serious offence but also a criminal offence.



- 3.6.17 During the course of the examination, no candidate may leave the examination room without permission from the chief invigilator. Any candidate who does so will not be allowed to return to the examination room.
- 3.6.18 Candidates who finish the paper before the chief invigilator announces the end of the examination and wish to leave the examination room while the examination is in progress must inform the invigilator and hand in their scripts to the invigilator before leaving the examination room. However, no candidate will be allowed to leave the examinations room during the last fifteen (15) minutes of the examination.
- 3.6.19 Candidates **must not** leave the examination room with any answer booklet or answer sheets.
- 3.6.20 Candidates **must not** leave the examination room before their answer booklets are collected by the invigilators.
- 3.6.21 Candidates **must not** write notes on the examination timetable (Authority to sit the Examination).
- 3.6.22 Candidates with confirmed disabilities may apply to kasneb to be allowed extra time during examinations. Such application should be made at least two months prior to the examination.
- 3.6.23 Candidates must produce the timetables (Authority to sit the Examination) in order to be allowed to take the examination. Candidates may download their timetables (Authority to sit the Examination) from the kasneb website or through the e-kasneb. The downloaded timetables may be used as authority to sit the examination.

### 3.7 **Action for Breach of Examination Rules and Regulations**

- 3.7.1 kasneb is mandated by the Accountants Act, 2008 under Section 17 (1)(e) to investigate and determine cases involving indiscipline by students registered with kasneb. Section 42 of the Act further defines examination offences that are punishable under the law and the applicable penalties.
- 3.7.2 Disciplinary action will be taken against candidates who breach the examination rules and regulations of kasneb. A breach of the examination rules and regulations of kasneb shall include but is not limited to the following:
- (a) Deficiency in identification.
  - (b) Impersonation.
  - (c) Collusion.
  - (d) Possession of a mobile phone in the examination room.
  - (e) Possession of notes in the examination room.
  - (f) Taking away answer booklets.
  - (g) Writing of names on the scripts.
  - (h) Possession of mobile phones in the examination room.
  - (i) Carrying the examination question papers from the examination room.
- 3.7.3 The action for breach of the examination rules and regulations of kasneb shall include but not limited to the following:
- (a) De-registration as a student of kasneb.
  - (b) Cancellation of registration number.

- (c) Nullification of candidate's results.
- (d) Prohibition from taking examinations of kasneb.
- (e) Written reprimand and warning.

3.7.4 Certain breaches of the rules and regulations amount to breaches of the law. In such cases, candidates will be handed over to the police for investigations and appropriate legal action.

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

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

## **LEVEL I**

### **PAPER NO. 1 INTRODUCTION TO FINANCIAL ACCOUNTING**

#### **UNIT DESCRIPTION**

This unit specifies competencies required to maintain financial accounts of the business. It involves applying the legal and conceptual framework in preparation of financial accounts, accounting for revenues and expenses, accounting for assets and liabilities, accounting for assets and liabilities, correcting errors in accounting records and preparing financial statements for different business entities

#### **LEARNING OUTCOMES**

- Apply the legal and conceptual framework in preparation of financial accounts
- Account for revenues and expenses
- Account for assets and liabilities
- Correct errors in accounting records
- Prepare financial statements for different business entities

#### **CONTENT:**

##### **1. Apply the legal and conceptual framework in preparation of financial accounts**

- 1.1 Definition of key terms
  - 1.1.1 Accounting
  - 1.1.2 Accounting period
  - 1.1.3 Accrual basis of accounting
  - 1.1.4 Credit
  - 1.1.5 Debit
  - 1.1.6 Accruals
  - 1.1.7 Closing the books
  - 1.1.8 International Financial Reporting Standards
- 1.2 Introduction to Accounting
  - 1.2.1 Nature and purpose of accounting
  - 1.2.2 The objective of financial accounting
- 1.3 The elements of financial statements
  - 1.3.1 Assets
  - 1.3.2 Liabilities
  - 1.3.3 Equity
  - 1.3.4 Revenues
  - 1.3.5 Expenses
  - 1.3.6 Gains
  - 1.3.7 Losses
  - 1.3.8 Investments by owners
  - 1.3.9 Distributions to owners
  - 1.3.10 Comprehensive income
- 1.4 Accounting concepts (Principles)
  - 1.4.1 Accrual principle
  - 1.4.2 Conservatism principle
  - 1.4.3 Consistency principle
  - 1.4.4 Cost principle
  - 1.4.5 Economic entity principle

- 1.4.6 Full disclosure principle
  - 1.4.7 Going concern principle
  - 1.4.8 Matching principle
- 1.5 Types of accounts
  - 1.5.1 Real accounts
  - 1.5.2 Personal accounts
  - 1.5.3 Nominal accounts
- 1.6 The accounting equation
- 1.7 The users of accounting information
  - (External users)
    - 1.7.1 Creditors
    - 1.7.2 Investors
    - 1.7.3 Government
    - 1.7.4 Trading partners
    - 1.7.5 Regulatory agencies
    - 1.7.6 International standardisation agencies
    - 1.7.7 Journalists
  - (Internal users)
    - 1.7.8 Owners
    - 1.7.9 Directors
    - 1.7.10 Managers
    - 1.7.11 Employees
- 2. **Account for revenues and expenses**
  - 2.1 The source documents
    - 2.1.1 Receipts
    - 2.1.2 Bills
    - 2.1.3 Invoices
    - 2.1.4 Statements
    - 2.1.5 Cheques
  - 2.2 The books of prime entry/original entry
  - 2.3 Relating source documents and journals
  - 2.4 Journals
    - 2.4.1 Sales journal
    - 2.4.2 Purchases Journal
    - 2.4.3 Sales returns journal
    - 2.4.4 Purchases returns journal
  - 2.5 Cash books
    - 2.5.1 Single column cashbook
    - 2.5.2 Double column cashbook
    - 2.5.3 Triple column cashbook
  - 2.6 Petty cash book
  - 2.7 The ledger
    - 2.7.1 Definition of a ledger
  - 2.8 Types of ledgers
    - 2.8.1 Sales ledger
    - 2.8.2 Purchases ledger
    - 2.8.3 General ledger
  - 2.9 Use of ledger
  - 2.10 Concept of double entry
  - 2.11 The trial balance

- 2.11.1 Definition
    - 2.11.2 Format
    - 2.11.3 Use
  - 2.12 The financial statements
  - 2.13 Statement of profit and loss
    - 2.13.1 Definition
    - 2.13.2 Format
    - 2.13.3 Use
  - 2.14 Statement of financial position
    - 2.14.1 Definition
    - 2.14.2 Format
    - 2.14.3 Use
  - 2.15 Manual accounting systems Vs computerised accounting systems
- 3. **Account for assets and liabilities**
  - 3.1 Definition of an Asset, Liabilities, Incomes and Expenses
  - 3.2 Property, plant and equipment (depreciation, acquisition, disposal, excluding revaluations)
    - 3.2.1 Fixed asset schedule
  - 3.3 Accounting for current assets:
    - 3.3.1 Inventory
    - 3.3.2 Cash in hand
    - 3.3.3 Cash in bank
    - 3.3.4 Bank reconciliation statement
  - 3.4 Intangible assets
    - 3.4.1 Softwares
    - 3.4.2 Licenses
  - 3.5 Trade receivables
    - 3.5.1 Definition
    - 3.5.2 Valuation
    - 3.5.3 Accounting for trade receivables
    - 3.5.4 Debtors control account
  - 3.6 Trade payables
    - 3.6.1 Definition
    - 3.6.2 Accounting for trade payables
    - 3.6.3 Creditors Control account
  - 3.7 Accrued incomes/expenses and prepaid incomes/expenses
    - 3.7.1 Definition of accrued incomes/expenses and prepaid incomes/expenses
    - 3.7.2 Accounting for accrued incomes/expenses and prepaid incomes/expenses
- 4. **Correct errors in accounting records**
  - 4.1 Definition of error in accounting records
  - 4.2 Causes of errors
  - 4.3 Types of errors
    - (Errors affecting trial balance)
    - 4.3.1 Error of casting
    - 4.3.2 Error of carrying forward
    - 4.3.3 Error of balancing
    - 4.3.4 Error of posting to the correct account but with the wrong amount
    - 4.3.5 Error of posting to the correct account but wrong side

- 4.3.6 Error of posting to the wrong side with the wrong amount
- 4.3.7 Error of omitting to show an account in the trial balance
- 4.3.8 Error of partial omission  
(Errors not affecting trial balance)
- 4.3.9 Error of complete omission
- 4.3.10 Error of original entry
- 4.3.11 Transposition errors
- 4.3.12 Compensating errors
- 4.3.13 Errors of principle
- 4.4 Correcting errors in source documents, the books of prime entry, the ledger, the trial balance and financial statements
- 4.5 Use of a suspense account
- 4.6 Adjusted trial balance
- 5. **Preparing financial reports for different entities**
  - 5.1 Financial statements of a sole trader
    - 5.1.1 Statement of Profit or Loss
      - 5.1.1.1 Definition
      - 5.1.1.2 Format
      - 5.1.1.3 Use
    - 5.1.2 Statement of Financial Position
      - 5.1.2.1 Definition
      - 5.1.2.2 Format
      - 5.1.2.3 Use
  - 5.2 Financial statements of a partnership
    - 5.2.1 Definition
    - 5.2.2 Format
    - 5.2.3 Use
    - 5.2.4 The partnership deed/agreement
    - 5.2.5 The statement of profit or loss and appropriation
    - 5.2.6 Partners' capital and current accounts
  - 5.3 The statement of financial position
    - 5.3.1 Definition
    - 5.3.2 Format
    - 5.3.3 Use
  - 5.4 Financial statements of a company
    - 5.4.1 Important concepts of a company (types of share capital, reserves, retained profits and corporation tax)
    - 5.4.2 Statement of profit or loss
      - 5.4.2.1 Definition
      - 5.4.2.2 Format
      - 5.4.2.3 Use
    - 5.4.3 Statement of changes in equity
      - 5.4.3.1 Definition
      - 5.4.3.2 Format
      - 5.4.3.3 Use
    - 5.4.4 Statement of financial position
      - 5.4.4.1 Definition
      - 5.4.4.2 Format
      - 5.4.4.3 Use
    - 5.4.5 Statement of Profit or Loss

5.4.5.1 Definition

5.4.5.2 Format

5.4.5.3 Use

### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Supervised activities in class; Group discussions

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting lecturer/trainer from the Business sector;
- Industrial visits.

### **Recommended Resources**

1. Accounting software
2. Stationery
3. E-mail
4. Internet
5. IFRSs
6. Computer
7. Calculators

### **Materials and supplies**

- Digital instructional material including DVDs and CDs

### **Sample Reading and Reference materials**

1. Wood, F & Robinson, S. (2018). Book-Keeping and Accounts (9th edition). Harlow. Pearson Education Ltd.
2. Glautier, M., Underdown, B., & Morris, D. (2011). Accounting: Theory and Practice (8th edition.). Harlow. Pearson Education Ltd.
3. Sangster, A. & Wood, F. (2018). Frank Wood's Business Accounting Volume 1 (14th edition.) Harlow. Pearson Education Ltd.
4. Kasneb e-learning resources (link on the Kasneb website).
5. Kasneb approved study packs.

## **PAPER NO. 2 INTRODUCTION TO LAW AND ETHICS**

### **UNIT DESCRIPTION**

This unit covers the competencies required to apply law and ethics in an organisation. Competencies include: demonstrating foundational concepts in business law and ethics, illustrating the structure of court systems in Kenya, applying legal requirements in establishing a business, addressing civil wrongs using law of torts, preparing commercial contracts, applying partnership law in registering and administration of a partnership business and applying property law in registering interest in property.

### **LEARNING OUTCOMES**

- Demonstrate foundational concepts in Business law and ethics
- Illustrate the structure of court system in Kenya
- Apply legal requirements in establishing a business
- Address civil wrongs using law of Torts
- Preparing a commercial contract and identifying the major laws regulating business
- Apply partnership law in registering and administration of a partnership business
- Apply property law in registering interest in property

### **CONTENT:**

1. Demonstrate foundational concepts in Business law and ethics
  - 1.1 Nature, purpose and classification of law
    - 1.1.1 Definition key terms
      - 1.1.1.1 Law
      - 1.1.1.2 The jurisdiction of the state
      - 1.1.1.3 Enforcement
    - 1.1.2 Nature of law
    - 1.1.3 Purpose of law
    - 1.1.4 Classification of law
      - 1.1.4.1 Administrative law
      - 1.1.4.2 Revenue law
      - 1.1.4.3 Criminal law
      - 1.1.4.4 Civil law
      - 1.1.4.5 Common law
      - 1.1.4.6 Statutory law
      - 1.1.4.7 Constitution law
      - 1.1.4.8 Private and public law
    - 1.1.5 Law and morality
    - 1.1.6 Sources of law
      - 1.1.6.1 The Constitution of Kenya 2010
      - 1.1.6.2 Legislation
      - 1.1.6.3 Delegated legislation
      - 1.1.6.4 Common law and doctrines of equity
      - 1.1.6.5 African customary law
      - 1.1.6.6 Religious laws: Islamic law and Hindu law
      - 1.1.6.7 Judicial precedent
    - 1.1.7 General rules of international law
    - 1.1.8 Administrative law
      - 1.1.8.1 Meaning of administrative law
      - 1.1.8.2 Functions of administrative law



- 1.1.8.3 Control of administrative bodies: executive, legislative and judicial
  - 1.1.9 Natural justice
  - 1.1.10 Constitutional concepts
  - 1.1.11 Doctrine of separation of powers and independence of the judiciary
  - 1.1.12 Judicial control of the Executive
- 1.2 Foundations of Ethics
  - 1.2.1 Ethical norms
  - 1.2.2 Theories morality
  - 1.2.3 Universal moral principles
  - 1.2.4 Ethical dilemmas and unethical conduct
  - 1.2.5 Code of ethics
  - 1.2.6 Integrity
  - 1.2.7 Confidentiality
  - 1.2.8 Independence
  - 1.2.9 Conflict of Interest and Related Party Transactions
  - 1.2.10 Whistle blowing and relevant protection mechanisms
- 1.3 Solving disputes through alternative dispute (ADR) resolution mechanisms
  - 1.3.1 Nature of alternative dispute resolution
  - 1.3.2 General principles of ADR Negotiation
  - 1.3.3 Mediation
  - 1.3.4 Traditional dispute resolution mechanisms
  - 1.3.5 Arbitration
- 1.4 Linking ethics, laws and regulations
  - 1.4.1 Legislative provisions on ethical conduct
  - 1.4.2 The Constitution
  - 1.4.3 Public Officers Ethics Act
  - 1.4.4 Leadership and Integrity Act, other legislative and regulatory requirements
  - 1.4.5 Role of KASNEB, professional bodies and other regulatory bodies in enforcing ethical conduct
  - 1.4.6 Penalties and sanctions for unethical conduct
- 1.5 Emerging issues and trends
  - 1.5.1 Online commercial transactions
  - 1.5.2 Impact of COVID-19 pandemic on commercial transactions
  - 1.5.3 Online business registration services

## 2. Illustrate the structure of court system in Kenya

- 2.1 The court system
  - 2.1.1 Establishment
  - 2.1.2 Structure
  - 2.1.3 Composition
  - 2.1.4 Jurisdiction of courts
  - 2.1.5 Supreme Court
  - 2.1.6 Court of Appeal
  - 2.1.7 High Court
  - 2.1.8 Employment and Labour Relations Court
  - 2.1.9 Environment and Land Court
  - 2.1.10 Magistrates Court
  - 2.1.11 Court Martial
  - 2.1.12 Kadhis' Court

#### 2.1.13 Tribunals

### 3. **Apply legal requirements in establishing a business**

- 3.1 The law of persons
  - 3.1.1 Natural persons
  - 3.1.2 Nationality, citizenship and domicile
  - 3.1.3 Artificial person
  - 3.1.4 Unincorporated associations
  - 3.1.5 Incorporated associations

### 4. **Address civil wrongs using law of Torts**

- 4.1 The law of tort
  - 4.1.1 Nature of tort
  - 4.1.2 Types of tort
    - 4.1.2.1 Negligence
    - 4.1.2.2 Vicarious liability
    - 4.1.2.3 Occupiers' liability
    - 4.1.2.3 Strict liability
- 4.2 General defences of tort
- 4.3 Proving negligence
  - 4.3.1 Duty
  - 4.3.2 Breach of duty
  - 4.3.3 Causation
  - 4.3.5 Damages
- 4.4 Defamation
- 4.5 Limitation of actions

### 5. **Preparing a commercial contract and identifying the major laws regulating business**

- 5.1 The law of contract
  - 5.1.1 Definition of contract
  - 5.1.2 Classification of contracts
  - 5.1.3 Essentials of a valid contract
  - 5.1.4 Terms of a contract
  - 5.1.5 Vitiating elements of a contract
  - 5.1.6 Discharge of contract
  - 5.1.7 Remedies for breach of a contract
  - 5.1.9 Limitation of actions
- 5.2 Sale of goods law
  - 5.2.1 Definitions:
    - 5.2.2.1 Sale of goods contract
    - 5.2.1.2 Property in goods
    - 5.2.1.3 Consideration
    - 5.2.1.4 A contract of sale
    - 5.2.1.5 Agreement to sell
    - 5.2.1.6 Nemo dat
  - 5.2.2 Nature of the contract
  - 5.2.3 Formalities of the contract
  - 5.2.4 Terms of the contract
  - 5.2.5 Implied terms by statute

- 5.2.6 Lien remedy
- 5.2.7 Personal remedy
- 5.2.8 Real remedy
- 5.3 Hire purchase law
  - 5.3.1 Nature of the hire purchase contract
  - 5.3.2 Difference between hire purchase and conditional sale (credit sale)
  - 5.3.3 Formation of the hire purchase contract
  - 5.3.4 Implied terms of the hire purchase contract
  - 5.3.5 Rights and duties of the parties
  - 5.3.6 Termination and completion of the hire purchase contract
- 5.4 The law of agency
  - 5.4.1 Meaning and nature of the agency contract
  - 5.4.2 Principle
  - 5.4.3 Agent
  - 5.4.4 Types of agents
    - 5.4.4.1 General agent
    - 5.4.4.2 Special agent
    - 5.4.4.3 Universal agent Brokers
    - 5.4.4.4 Commission Agents
    - 5.4.4.5 Forwarding Agents
  - 5.4.5 Creation of agency
    - 5.4.5.1 Express Agreement
    - 5.4.5.2 By Implied Agreement
    - 5.4.5.3 By Necessity
    - 5.4.5.4 By Ratification
    - 5.4.5.5 Duties and rights of an agent
  - 5.4.6 Duties and rights of a principal
  - 5.4.7 Termination of agency
- 5.5 Contract of Indemnity and Contract of Guarantee
  - 5.5.1 Nature of the contracts
  - 5.5.2 Rights and duties of the parties
  - 5.5.3 Termination of the contract
  - 5.5.4 Remedies for breach of contract
- 5.6 The law of insurance
  - 5.6.1 Definition of key terms
  - 5.6.2 Insurance
  - 5.6.3 Insurer
  - 5.6.4 Insured
  - 5.6.5 Premiums
  - 5.6.6 Claims
  - 5.6.7 Nature of the contract
  - 5.6.8 Classification of insurance contracts
  - 5.6.9 Formation of the contract
  - 5.6.10 Essentials of an insurance contract
  - 5.6.11 Principles of insurance
  - 5.6.12 Termination of the contract
- 5.7 Negotiable instruments
  - 5.7.1 Nature and characteristics of negotiable instruments
  - 5.7.2 Negotiability of the instrument
  - 5.7.3 Types negotiable instruments
    - 5.7.3.1 Cheques

- 5.7.3.2 Promissory notes
- 5.7.3.3 Bills of exchange
- 5.7.4 Obligations of the parties
- 5.7.5 Remedies for breach of duties

## 6. **Apply partnership law in registering and administration of a partnership business**

- 6.1 Partnership law
  - 6.1.1 Nature of partnership
  - 6.1.2 Types of partnerships
    - 6.1.2.1 General
    - 6.1.2.2 Limited
    - 6.1.2.3 Limited liability partnerships
  - 6.1.3 Rights, duties and liabilities of existing, incoming and minor partners
  - 6.1.4 Dissolution of a partnership
    - 6.1.4.1 With court intervention
    - 6.1.4.2 Without court intervention

## 7. **Apply property law in registering interest in property**

- 7.1 The law of property
  - 7.1.1 Definition of key terms
    - 7.1.1.1 Intellectual property
    - 7.1.1.2 Real property
  - 7.1.2 Classification of property
    - 7.1.2.1 Real and personal
    - 7.1.2.2 Movable
    - 7.1.2.3 Immovable tangible
    - 7.1.2.4 Intangible
  - 7.1.3 Property in land
    - 7.1.3.1 Private
    - 7.1.3.2 Public
    - 7.1.3.3 Community
  - 7.1.4 Estate in Land
    - 7.1.4.1 Freehold
    - 7.1.4.2 Leasehold
  - 7.1.5 Interests in land
    - 7.1.5.1 Servitudes encumbrances
    - 7.1.5.2 Easements
    - 7.1.5.3 Analogous rights
- 7.2 Intellectual property
  - 7.2.1 Types of intellectual properties patents
    - 7.2.1.1 Trademarks
    - 7.2.1.2 Copyrights
    - 7.2.1.3 industrial designs
  - 7.2.2 Registration of intellectual properties
    - 7.2.2.1 Procedure for registration o
    - 7.2.2.2 Rights and Obligations
  - 7.2.3 Infringement of intellectual property rights and remedies

### **Suggested Methods of Delivery**

- Interactive presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Supervised activities and projects in simulated environment
- Discussions & class activities including Group Work & debates based on case studies that support legal theories learned in class

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting professionals from law firms (lawyers specialising in commercial law)
- Court visits.

### **Recommended Resources**

#### **Tools**

1. Monitoring tools
2. Constitution of Kenya, 2010.
3. Judicature Act, Revised Edition 2012 (2010).
4. Limited Liability Partnership Act, No. 42 of 2011.
5. Kadhis' Court Act, Revised Edition 2012. (2010).
6. Kenya Citizenship & Immigration Act, 2011.
7. Companies Act, 2015.
8. Business Registration Service Act.
9. Hire Purchase Act, Revised Edition 2017.

#### **Equipment**

Computers

#### **Materials and supplies**

- Digital instructional material including videos for court proceedings, e cases and decided cases

#### **Sample Reading and Reference materials**

1. Jackson, T. The Law of Kenya (Third Edition). Nairobi: Kenya Literature Bureau.
2. Ogola J. J., Business Law. (Revised Edition): Focus publications limited.
3. Furmston M., (2017). Cheshire, Fifoot and Furmston's Law of Contract (17th edition) London: Butterworth's.
4. Finch, E. & Fafinski, S. (2013) Tort Law (4th edition) London: Pearson.
5. Steel, J. (2017). Tort Law: Text, Cases, and Materials (4th edition). Oxford: Oxford University Press.
6. Environment and Land Court Act, Chapter 12 A, Revised Edition 2012 (2011).
7. Kariuki Muigua, Resolving Conflicts through Mediation in Kenya, Glenwood Publishers, 2012.
8. Kariuki Muigua, Alternative Dispute Resolution and Access to Justice, Glenwood Publishers, 2015.
9. Kasneb e-learning resources (link on the Kasneb website).
10. Kasneb approved study packs.

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

### **UNIT DESCRIPTION**

This unit covers the competencies required to apply entrepreneurial and communication skills in business management. It involves identifying concepts of entrepreneurship, identifying business opportunities, venturing into a new business, identifying appropriate business expansion strategies, developing a business plan, applying appropriate entrepreneurial marketing strategies and applying the concepts of business communication to manage an organisation.

### **LEARNING OUTCOMES**

- Identify concepts of entrepreneurship
- Identify entrepreneurial opportunities
- Venture in to a new venture
- Identify appropriate business expansion strategies
- Develop a business plan
- Apply appropriate entrepreneurial marketing strategies
- Apply the concepts of business communication to manage an organisation

### **CONTENT:**

1. **Identify concepts of entrepreneurship**
  - 1.1 Definition of key terms
    - 1.1.1 Entrepreneur
    - 1.1.2 Entrepreneurship
    - 1.1.3 Intrapreneurship
    - 1.1.4 Corporate entrepreneurship
    - 1.1.5 Entrepreneurial culture
  - 1.2 Types of entrepreneurs
    - 1.2.1 Innovators
    - 1.2.2 Drone
    - 1.2.3 Fabian
    - 1.2.4 Imitating
  - 1.3 Difference between entrepreneurs and small business owners
  - 1.4 Characteristics of entrepreneurs
  - 1.5 Entrepreneurial environment
    - 1.5.1 Micro-environment
    - 1.5.2 Macro-environment
  - 1.6 The role of an entrepreneur in business
  - 1.7 Benefits of becoming an entrepreneur
  - 1.8 Contributions of entrepreneurship in socio-economic development
  - 1.9 Current trends and issues in entrepreneurship
  - 1.10 Challenges faced by entrepreneurs
2. **Identify entrepreneurial opportunities**
  - 2.1 Definition of key terms:
    - 2.1.1 Entrepreneurial opportunity
  - 2.2 Importance of selecting business opportunities
  - 2.3 Sources of entrepreneurial opportunities
    - 2.3.1 External environment

- 2.3.2 Business-level environment
    - 2.3.3 Personal-level opportunities
  - 2.4 Qualities of a good entrepreneurial opportunity
  - 2.5 Key approaches in identifying a business opportunity
    - 2.5.1 Observing trends
    - 2.5.2 Solving a problem
    - 2.5.3 Identifying gaps in the market
  - 2.6 A feasibility analysis for a business opportunity
- 3. **Venture in to a new venture**
  - 3.1 Sources of business ideas
  - 3.2 Evaluating business ideas
  - 3.3 Selecting a business incubator
    - 3.3.1 Definition of an incubator
    - 3.3.2 Factors to consider when choosing an incubator
  - 3.4 Steps of testing a business idea
  - 3.5 Factors to consider when starting a new venture
  - 3.6 Sources of funding for a new venture
    - 3.6.1 Personal finances
    - 3.6.2 Debt financing
    - 3.6.3 Equity financing
    - 3.6.4 Venture capitalists; Business Angels
    - 3.6.5 Government Agents
  - 3.7 Factors that determine success of a new venture
  - 3.8 Problems encountered in selecting new ventures
  - 3.9 Types of business ownership structures for new ventures
    - 3.9.1 Sole proprietorship
    - 3.9.2 Partnership
    - 3.9.3 Limited liability company
    - 3.9.4 Corporation
    - 3.9.5 Cooperative
  - 3.10 Reasons why new ventures fail
- 4. **Identify appropriate business expansion strategies**
  - 4.1 Definition of customer needs
  - 4.2 Types of customer needs
  - 4.3 How to identify customer needs
  - 4.4 Customer needs analysis
  - 4.5 Business expansion strategies for a new venture
    - 4.5.1 Mergers
    - 4.5.2 Acquisitions
    - 4.5.3 Franchising
  - 4.6 Protecting intellectual property through copyrights, trademarks and patents
- 5. **Develop a business plan**
  - 5.1 Definition of terms
    - 5.1.1 Business plan
    - 5.1.2 Financial plan
    - 5.1.3 Operations plan

- 5.1.4 Marketing plan
- 5.2 Importance of business plan
- 5.3 Information required to develop a business plan
- 5.4 Guidelines for writing a business plan
- 5.5 Components of a business plan
  - 5.5.1 Cover page
  - 5.5.2 Table of contents
  - 5.5.3 Executive summary
  - 5.5.4 Business description
  - 5.5.5 Market analysis
  - 5.5.6 Customer analysis
  - 5.5.7 Competition analysis
  - 5.5.8 Operations and production plan
  - 5.5.9 Marketing plan
  - 5.5.10 Human resource plan
  - 5.5.11 Financial plan
  - 5.5.12 Appendix
- 5.6 Importance of reviewing a business plan
- 5.7 Challenges of writing a business plan
- 5.8 Reasons why some business plans fail
- 6. **Apply appropriate entrepreneurial marketing strategies**
  - 6.1 Definition of key terms
    - 6.1.1 Marketing
    - 6.1.2 Marketing research
  - 6.2 Importance of marketing
  - 6.3 Types of market segmentation
  - 6.4 Benefits of segmentation
  - 6.5 Target markets for products and services
  - 6.6 Marketing strategies applied in each stage of product life cycle
  - 6.7 Strategies of positioning new products and services in the market
  - 6.8 Digital marketing approaches of marketing products and services are demonstrated
    - 6.8.1 Social media marketing
    - 6.8.2 Email marketing
    - 6.8.3 Mobile Marketing
    - 6.8.4 Artificial intelligence in marketing
- 7. **Apply the concepts of business communication to manage an organisation**
  - 7.1 Concepts of communication
    - 7.1.1 Meaning of communication
    - 7.1.2 Purpose of communication
    - 7.1.3 Elements of communication
    - 7.1.4 Benefits of effective communication
    - 7.1.5 Stages in the communication process
    - 7.1.6 Principles of effective communication
    - 7.1.7 Barriers to effective communication
    - 7.1.8 Overcoming barriers to effective communication
    - 7.1.9 Choosing a channel of communication



	7.1.10	Types of communication
	7.1.10.1	Internal and external communication
	7.1.10.2	Formal and informal communication
	7.1.10.3	Flow of formal communication
	7.1.10.4	Intrapersonal and interpersonal communication
	7.1.10.5	Small group and public communication
	7.1.10.6	Forms of communication
	7.1.10.7	Oral communication
	7.1.10.8	Effective listening
	7.1.10.9	Non-verbal communication
	7.1.10.10	Written communication
	7.1.10.11	Visual communication
	7.1.10.12	Audio-visual communication
	7.1.11	Advantages and disadvantages of various forms of communication
7.2	Writing skills	
	7.2.1	Steps in writing business documents
	7.2.1.1	Prewriting
	7.2.1.2	Drafting
	7.2.1.3	Revising
	7.2.1.4	Editing
	7.2.2	Rules of writing business documents
	7.2.3	Written business documents
	7.2.3.1	Business letters
	7.2.3.2	Memorandum
	7.2.3.3	Circulars
	7.2.3.4	Advertisements
	7.2.3.5	Notices
	7.2.3.6	E-mail
7.3	Presentation skills	
	7.3.1	Definition of presentation
	7.3.2	Effective presentation skills
	7.3.3	Elements of a presentation
	7.3.4	Methods of delivering a presentation
	7.3.4.1	Manuscript
	7.3.4.2	Memorised
	7.3.4.3	Extemporaneous
	7.3.4.4	Impromptu
	7.3.5	Basic parts of a presentation
	7.3.6	Public speech
	7.3.7	Audience analysis
	7.3.8	Use of visual aids in presentation
7.4	Interviews	
	7.4.1	Meaning of:
	7.4.1.1	Interview
	7.4.1.2	Interviewer
	7.4.1.3	Interviewee
	7.4.2	Purpose of interviews
7.4.3	Types of interviews	
	7.4.3.1	Unstructured
	7.4.3.2	Semi-structured

- 7.4.3.3 Structured
- 7.4.4 Skills for effective interviewing
- 7.4.5 Importance of non- verbal communication in interviews
- 7.4.6 Purpose of maintaining interview documents
- 7.4.7 Purpose of holding meetings in an organisation
- 7.4.8 Types of meetings
  - 7.4.8.1 Formal
  - 7.4.8.2 Informal
- 7.4.9 Stages of conducting formal meetings
- 7.4.10 Importance of agenda of the meeting
- 7.4.11 Role of the chairperson and the secretary in a meeting
- 7.4.12 Importance of minutes
- 7.4.13 Online meetings
  - 7.4.13.1 Video conferencing
  - 7.4.13.2 Teleconferencing
  - 7.4.13.3 Webinar

### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Supervised activities and projects in a workshop;

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting lecturer/trainer from the Business sector;
- Company visits.

### **Recommended Resources**

#### **Tools**

1. Textbooks
2. Dictionaries
3. Sample business plans
4. Sample market plans
5. Sample business letters

#### **Equipment**

Computer  
Internet

### **Materials and supplies**

- Digital instructional material including DVDs and CDs

### **Sample Reading and Reference materials**

1. Kuratko, D. D. (2019). Entrepreneurship: Theory, Process, Practice (11th edition). Australia: South-Western.
2. Scarborough, N., & Cornwall, J. (2018). Essentials of Entrepreneurship and Small Business Management (9th edition). Pearson.
3. Ndeda, S.P (2015). Entrepreneurship and Communication. Nairobi: Manifested Publishers Ltd.
4. Kasneb e-learning resources (link on the Kasneb website).
5. Kasneb approved study packs.

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

### **UNIT DESCRIPTION**

This unit covers the competencies required to demonstrate foundational concepts of ICT, operate computer hardware, use appropriate computer software, connect to computer networks and secure data in computer devices.

### **LEARNING OUTCOMES**

- Demonstrate foundational concepts of computers
- Operate computer hardware
- Use appropriate computer software
- Connect to computer networks
- Secure data in computer devices

### **CONTENT:**

#### **1. Demonstrate foundational concepts of computers**

- 1.1 Definition of key terms
- 1.2 Computer
- 1.3 Computing
- 1.4 Computer system
- 1.5 Hardware
- 1.6 Software
- 1.7 Program
- 1.8 Information communication technology
- 1.9 Computer generations
  - 1.9.1 First generation
  - 1.9.2 Second generation
  - 1.9.3 Third generation
  - 1.9.4 Fourth generation
  - 1.9.5 Fifth generation
- 1.10 Classification of computers
  - 1.10.1 Size
  - 1.10.2 Type
  - 1.10.3 Purpose

#### **2. Operate computer hardware**

- 2.1 Types of computer hardware
  - 2.1.1 Input
  - 2.1.2 Output
  - 2.1.3 Storage
  - 2.1.4 Process
- 2.2 Operating computer hardware
  - 2.2.1 Keyboard
  - 2.2.2 Mouse
  - 2.2.3 Printer

- 3. **Use appropriate computer software**
  - 3.1 Classification of computer software
    - 3.1.1 System software
    - 3.1.2 Application software
    - 3.1.3 Utility program
    - 3.1.4 Computer programming language
  - 3.2 Functions of operating software
  - 3.3 Types of operating software
    - 3.3.1 Graphical user interface
    - 3.3.2 Command line
  - 3.4 Managing files using operating system
    - 3.4.1 Creating folders and subfolders
    - 3.4.2 Create a file
    - 3.4.3 Delete file
    - 3.4.5 Copy and cut files
    - 3.4.6 Edit file
    - 3.4.7 Share file
    - 3.4.8 Print file
  - 3.5 Computer application software
    - 3.5.1 Word processing
      - 3.5.1.1 Features of word processor
      - 3.5.1.2 Formatting and editing text
      - 3.5.1.3 Creating and formatting tables
    - 3.5.2 Spreadsheet
      - 3.5.2.1 Features of a spreadsheet program
      - 3.5.2.2 Formatting and editing spreadsheet
      - 3.5.2.3 Formulas and functions; sum, min, max, date and average
      - 3.5.2.4 Insert Charts and graphs
    - 3.5.3 Presentation software
      - 3.5.3.1 Features of a presentation program
      - 3.5.3.2 Typing and formatting text in slide
      - 3.5.3.3 Slide show
      - 3.5.3.4 Printing a hand-outs
    - 3.5.4 Computerised accounting software
      - 3.5.4.1 Capturing data
      - 3.5.4.2 Features of accounting software
- 4. **Connect to computer networks**
  - 4.1 Advantages and disadvantages of computer network
  - 4.2 Types of computer network
    - 4.2.1 LAN
    - 4.2.2 PAN
    - 4.2.3 MAN
    - 4.2.4 WAN
  - 4.3 Network devices
    - 4.3.1 Hub
    - 4.3.2 Switch
    - 4.3.3 Router
    - 4.3.4 CAT 6 cable

4.4 Creating user accounts

4.5 Network resources

4.5.1 Folders

4.5.2 Files

4.5.3 Printers

### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Supervised activities and projects in a computer laboratory;

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting lecturer/expert from the ICT sector;
- Industrial visits.

### **Recommended Resources**

#### **Tools:**

1. CAT 6 cables
2. Switch
3. Hub
4. Router
5. Firewalls
6. Antivirus

#### **Equipment**

- Computer
- Printer

#### **Materials and supplies**

- Digital instructional material including DVDs and CDs

### **Sample Reading and Reference materials**

1. Tymann, P., & Reynolds, C. (2008). Schaum's Outline of Principles of Computer Science (Schaum's Outlines. New York: McGraw-Hill.
2. Rainer, R. K., & Prince, B. (2020). Introduction to Information Systems (8th Edition). New Jersey: Wiley.
3. Vermaat, M. E., Sebok, S. L., Freund, S. M., Campbell, J. T., & Frydenberg, M. (2017). Discovering Computers (2018): Digital Technology, Data, and Devices. Boston: Cengage Learning.
4. Kasneb e-learning resources (link on the Kasneb website).
5. Kasneb approved study packs.

## **LEVEL II**

### **PAPER NO. 5 FINANCIAL ACCOUNTING**

#### **UNIT DESCRIPTION**

This unit covers the competencies required to maintain the financial accounts for profit and not for profit entities. Competencies include: applying the legal and conceptual framework in preparation of financial statements, accounting for assets and liabilities for different entities, using financial ratios to analyse financial statements, preparing financial statements for different entities, preparing financial statements from incomplete records and identifying concepts and techniques used in accounting for public entities.

#### **LEARNING OUTCOMES**

- Apply the legal and conceptual framework in preparation of financial statements
- Account for assets and liabilities for different entities
- Prepare financial statements for different entities
- Use financial ratios to analyse financial statements
- Prepare financial statements from incomplete records
- Identify concepts and techniques used in accounting for public entities

#### **CONTENT:**

1. **Apply the legal and conceptual framework in preparation of financial statements**
  - 1.1 The legal sources of regulation
    - 1.1.1 Accountants Act
  - 1.2 The Professional sources of regulation
    - 1.2.1 Local
    - 1.2.2 International bodies
  - 1.3 Accounting Standards:
    - 1.3.1 International Financial Reporting Standards (IFRS)
    - 1.3.2 International Accounting Standards (IASs)
    - 1.3.3 International Public Sector Accounting Standards (IPSAS)
  - 1.4 The conceptual Framework of Accounting
    - 1.4.1 Purpose and status of the framework
    - 1.4.2 The objective of financial Accounting
    - 1.4.3 Accounting theory
    - 1.4.4 Accounting concepts (Principles)
      - 1.4.4.1 Accrual principle
      - 1.4.4.2 Conservatism principle
      - 1.4.4.3 Consistency principle
      - 1.4.4.4 Cost principle
      - 1.4.4.5 Economic entity principle
      - 1.4.4.6 Full disclosure principle
      - 1.4.4.7 Going concern principle
      - 1.4.4.8 Matching principle

- 1.5 Qualities of useful financial Information
- 1.6 Users of financial information
  - (External users)
    - 1.6.1 Creditors
    - 1.6.2 Investors
    - 1.6.3 Government
    - 1.6.4 Trading partners
    - 1.6.5 Regulatory agencies
    - 1.6.6 International standardisation agencies
    - 1.6.7 Journalists
  - (Internal users)
    - 1.6.8 Owners
    - 1.6.9 Directors
    - 1.6.10 Managers
    - 1.6.11 Employees
- 1.7 Financial statements and the reporting entity
- 1.8 The elements of financial statements
  - 1.8.1 Incomes
  - 1.8.2 Expenses
  - 1.8.3 Assets
  - 1.8.4 Liabilities
  - 1.8.5 Equity
  - 1.8.6 Profits etc.
- 1.9 Statement of profit or loss
- 1.10 Statement of financial position
- 1.11 Recognition, measurement and derecognition of assets
- 1.12 Presentation and disclosure of financial statements
- 1.13 Sustainability accounting
  - 1.13.1 Definition
  - 1.13.2 Benefits and limitations
- 2. Account for assets and liabilities for different entities**
  - 2.1 Property, Plant and Equipment (Including revaluations)
  - 2.2 Intangible assets
    - 2.2.1 Software
    - 2.2.2 Licenses
    - 2.2.3 Copyrights
    - 2.2.4 Goodwill
  - 2.3 Financial assets and financial liabilities
    - 2.3.1 Definition of financial assets and liabilities
    - 2.3.2 Examples of financial assets and liabilities
    - 2.3.3 Classification of financial assets and liabilities
  - 2.4 Accrued and prepaid incomes and expenses
- 3. Prepare financial statements for different entities**
  - 3.1 Financial Statements of a sole trader
    - 3.2.1 Adjustments and preparation of statement of profit or loss
    - 3.2.2 Adjustment and preparation of statement of financial position
  - 3.2 Financial Statements of a partnership

- 3.2.1 Define the partnership deed/agreement
- 3.2.2 Explain the contents of partnership deed/agreement
- 3.2.3 Adjustment and preparation of statement of profit or loss and appropriation
- 3.2.4 Adjustment and preparation of partners' capital and current accounts
- 3.2.5 Adjustment and preparation of statement of financial position
- 3.2.6 Accounting treatment and presentation when there is a change in profit/loss sharing ratio, admission/retirement of a partner and dissolution of a partnership.
- 3.3 Financial Statements of a Company
  - 3.3.1 Key concepts of a company (definition and calculation)
    - 3.3.1.1 Ordinary share capital
    - 3.3.1.2 Preference share capital
    - 3.3.1.3 Issuing new shares by way of full market price,
    - 3.3.1.4 Bonus issue of shares
    - 3.3.1.5 Rights issue of shares
    - 3.3.1.6 Reserves
    - 3.3.1.7 Retained profits
    - 3.3.1.8 Corporation tax
  - 3.3.2 Adjustment and preparation of statement of profit or loss
  - 3.3.3 Adjustment of other comprehensive incomes
  - 3.3.4 Adjustment and preparation of Statement of financial position
  - 3.3.5 Introduction to the statement of cash flows
- 3.4 Financial Statements of a manufacturing entity
  - 3.4.1 Adjustment and preparation of manufacturing statement for production
  - 3.4.2 Adjustment and preparation of statement of profit or loss
  - 3.4.3 Adjustment and preparation of statement of financial position
- 3.5 Financial Statements of a not-for-profit entity
  - 3.5.1 Objectives of not-for-profit entities
  - 3.5.2 Adjustment and preparation of statement of incomes and expenditures
  - 3.5.3 Adjustment and preparation of statement of revenue and expenditure
  - 3.5.4 Adjustment and preparation of statement of financial position
- 4. **Use financial ratios to analyse financial statements**
  - 4.1 The objectives of analysing financial statements
  - 4.2 Analysing financial statements using financial ratios:
    - 4.2.1 Liquidity
    - 4.2.2 Profitability
    - 4.2.3 Solvency
    - 4.2.4 Efficiency
    - 4.2.5 Investor/Value
  - 4.3 Cash Flow statement
    - 4.3.1 Definition
    - 4.3.2 Preparation using the direct method
- 5. **Prepare financial statements from incomplete records**
  - 5.1 Reasons for incomplete information
  - 5.2 Preparation of financial statements with incomplete information
    - 5.2.1 Preparation of adjusted statement of profit or loss
    - 5.2.2 Preparation of adjusted statement of financial position



6. **Identify concepts and techniques used in accounting for public entities**
  - 6.1 Definition of public sector entities
  - 6.2 Features of public sector entities
  - 6.3 Public sector entities compared to private sector entities
  - 6.4 Structure of the public sector
    - 6.4.1 National and county governments
    - 6.4.2 State corporations, departments and agencies
  - 6.5 Regulation and oversight
    - 6.5.1 International Public Sector Accounting Standards Board
    - 6.5.2 Director of Accounting Services
    - 6.5.3 Public Finance Management (PFM) Act
  - 6.6 National Treasury, Parliamentary Committees, Accounting Officers at national and county levels
  - 6.7 Objectives of public sector financial statements
  - 6.8 Objectives of International Public Sector Accounting Standards (IPSAS)
  - 6.9 Accounting techniques in the public sector: Budgeting, Commitment and Fund accounting

### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Group discussions

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting lecturer/trainer/practitioner from the accounting sector;
- Industrial visits.

### **Recommended Resources**

#### **Tools**

- Computers
- Calculators
- Accounting software
- E-mail
- Stationery
- Internet

#### **Materials and supplies**

- Digital and online instructional material

### **Sample Reading and Reference materials**

1. Wood, F & Robinson, S. (2018). Book-Keeping and Accounts (9th edition). Harlow. Pearson Education Ltd.
2. Glautier, M., Underdown, B., & Morris, D. (2011). Accounting: Theory and Practice (8th edition.). Harlow. Pearson Education Ltd.
3. Sangster, A. & Wood, F. (2018). Frank Wood's Business Accounting Volume 1 (14th edition.) Harlow. Pearson Education Ltd.
4. Kasneb e-learning resources (link on the Kasneb website).
5. Kasneb approved study packs.

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

### **UNIT DESCRIPTION**

This unit specifies competencies required to apply principles of management in an organisation. It involves: Identification of management concepts in an organisation, application of theories of management to run an organisation, application of appropriate tools to analyse business environment, application of management functions in the organisation and managing change in an organisation.

### **LEARNING OUTCOMES:**

- Identify management concepts in an organisation
- Apply theories of management to run an organisation
- Apply appropriate tools to analyse business environment
- Apply management functions in the organisation
- Manage change in an organisation

### **CONTENT:**

1. **Identify management concepts in an organisation**
  - 1.1 Definition of terms
    - 1.1.1 Management
    - 1.1.2 Manager
  - 1.2 Levels of management
    - 1.2.1 Top level management
    - 1.2.2 Middle level management
    - 1.2.3 Lower level management
  - 1.3 Management roles
  - 1.4 Management skills
  - 1.5 Qualities of an effective manager
  - 1.6 Management, administration and leadership
2. **Apply theories of management to run an organisation**
  - 2.1 Classical approaches to management
    - 2.1.1 Taylor's view point
    - 2.1.2 Fayol's administrative theory
    - 2.1.3 Max Weber's bureaucratic theory
  - 2.2 Behavioural management approach
    - 2.2.1 Elton Mayo-Human relation theory
    - 2.2.2 Abraham Maslow's theory
    - 2.2.3 McGregor's X and Y theory
    - 2.2.4 Mary Parker Follett
  - 2.3 Modern management theories
    - 2.3.1 Quantitative thinking
    - 2.3.2 Systems thinking
    - 2.3.3 Contingency thinking
3. **Apply appropriate tools to analyse environment**
  - 3.1 Internal environment analysis
  - 3.2 External environment analysis business
    - 3.2.1 PESTEL

- 3.2.2 SWOT
- 3.3 Changing business environment
- 3.4 Importance of environmental scanning
  - 3.4.1 Identification of strengths, weaknesses, opportunities and threats
  - 3.4.2 Optimum use of resources
  - 3.4.3 Survival and growth
  - 3.4.4 To plan long-term business strategy
  - 3.4.5 Environmental scanning aids decision-making
- 4. **Apply management functions in the organisation**
  - 4.1 Planning function
    - 4.1.1 Definition of planning
    - 4.1.2 Importance of planning
    - 4.1.3 Types of plans
    - 4.1.4 Planning process
    - 4.1.5 Approaches to planning
  - 4.2 Organising function
    - 4.2.1 Meaning of organising
    - 4.2.2 Importance of organising
    - 4.2.3 Principles of organising
    - 4.2.4 Process of organising
    - 4.2.5 Factors affecting the organising function
  - 4.3 Leading function
    - 4.3.1 Leadership
    - 4.3.2 Supervision
    - 4.3.3 Delegation
    - 4.3.4 Motivation
    - 4.3.5 Coordination
    - 4.3.6 Organisational structures
  - 4.4 Staffing function
    - 4.4.1 Importance of staffing
    - 4.4.2 Human resource management process
    - 4.4.3 Factors that affect the staffing function
    - 4.4.4 Components of the staffing function
  - 4.5 Controlling function
    - 4.5.1 Meaning and importance of control
    - 4.5.2 Types of control
    - 4.5.3 Steps in the control process
    - 4.5.4 Tools for measuring performance
  - 4.6 Essentials of an effective control system
- 5. **Manage change in an organisation**
  - 5.1 Definition of change
  - 5.2 The change process
  - 5.3 Types of organisational change
  - 5.4 Managing resistance to change

### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting managers;

### **Recommended Resources**

#### **Tools:**

1. Textbooks
2. Strategic plans
3. Tactical plans
4. Stationery

#### **Equipment**

Computer

#### **Materials and supplies**

- Digital instructional material including DVDs and CDs
- Modelled strategic plans

#### **Sample Reading and Reference materials:**

1. Cole, G. A., & Kelly, P. (2020). Management Theory & Practice (9th edition). Cengage Learning.
2. Robbins, S. P., & Coulter, M. A. (2021). Management (15th edition). New Delhi: Pearson India.
3. Robbins, S. P., Coulter, M., & Decenzo, D. A. (2017). Fundamentals of Management: Essential Concepts and Applications (10th edition). Boston: Pearson.
4. Kasneb e-learning resources (link on the Kasneb website).
5. Kasneb approved study packs.

## **PAPER NO. 7 BUSINESS MATHEMATICS AND STATISTICS**

### **UNIT DESCRIPTION**

This unit covers the competencies required to record and manage business operations using mathematics. Competencies include: formulating and structuring relationships using algebraic expressions, determining cost and revenue using calculus, applying the concepts of commercial mathematics to compute cost and revenue, presenting statistical data using appropriate techniques, applying probability to anticipate potential business outcomes and using index numbers to compare related variables over time

### **LEARNING OUTCOMES**

- Describe relationships using algebraic expressions
- Determine amounts using sequence and series and calculus
- Apply the concepts of commercial mathematics to compute costs and revenue
- Use statistics to analyse and present data
- Apply probability to anticipate potential business outcomes
- Use index numbers to compare related variables

### **CONTENT:**

1. **Describe relationships using algebraic expressions**
  - 1.1 Equations and Inequalities
    - 1.1.1 Linear equations and inequalities; solving and graphing
    - 1.1.2 Simultaneous equations and inequalities; solving and graphical presentation
    - 1.1.3 Quadratic equations; solving and graphing
    - 1.1.4 The function  $y = e^x$
    - 1.1.5 Application of errors; absolute/relative
  - 1.2 Algebraic Expressions
    - 1.2.1 The number line
    - 1.2.2 Known and unknowns (variables)
    - 1.2.3 Algebraic terms and expressions operation
    - 1.2.4 Factorisation
    - 1.2.5 Simplification of algebraic expressions using BODMAS
    - 1.2.6 Simplification of fractions
  - 1.3 Matrices
    - 1.3.1 Introduction: order of matrices, types of matrices
    - 1.3.2 Matrix algebra: Addition, subtraction and multiplication of matrices
    - 1.3.3 Determinants of 2x2 matrices
    - 1.3.4 Inverses of 2x2 matrices
    - 1.3.5 Application of matrices in solving business problems
  - 1.4 Logarithms
    - 1.4.1 Logarithms and anti-logarithms
    - 1.4.2 Natural logarithm
    - 1.4.3 Application of logarithms in business
2. **Determine amounts using sequence and series and calculus**
  - 2.1 Sequences and series
    - 2.1.1 Arithmetic progression (A.P): nth term, sum of first n terms including proofs

- 2.1.2 Geometric progression (G.P): nth term, sum of first n terms including proofs
    - 2.1.3 Sum to infinity
    - 2.1.4 Compound interest yield
    - 2.1.5 Annuities and the sinking fund problems
  - 2.2 Calculus: Differentiation and Integration
    - 2.2.1 Basic calculus; differentiation: General polynomial rule, product rule, quotient rule and chain rule; integration: general polynomial rule, by parts and by partial fractions.
    - 2.2.2 Solving total revenue, total cost and profit equations using calculus
- 3. **Apply the concepts of commercial mathematics to compute costs and revenues**
  - 3.1 Buying and selling
    - 3.1.1 Types of discounts
    - 3.1.2 Percentage profit and loss
    - 3.1.3 Mark-ups
    - 3.1.4 Margins
  - 3.2 Simple interest and compound interest computation
    - 3.2.1 Basics of simple interest
    - 3.2.2 Compound interest formulae
    - 3.2.3 Finding principal, rate and time using simple interest formula and compound interest rate formula
    - 3.2.4 Preparation of a loan amortisation schedule
  - 3.3 Appreciation and depreciation calculation
    - 3.3.1 Straight line method
    - 3.3.2 Declining balance method
    - 3.3.3 Sum of the year's digits method correctly apply values and variables to any given formula
  - 3.4 Wages and salaries computation
    - 3.4.1 Piecework rate
    - 3.4.2 Hourly rate
    - 3.4.3 Commissions
  - 3.5 Basic income tax calculations
    - 3.5.1 Gross and net pay
    - 3.5.2 Statutory deductions- PAYE, NHIF, NSSF
  - 3.6 Foreign exchange rates computation
- 4. **Use statistics to analyse and present data**
  - 4.1 Introduction
    - 4.1.1 Definitions
    - 4.1.2 Branches of statistics
  - 4.2 Methods of data collection
    - 4.2.1 Primary data
    - 4.2.2 Secondary data
  - 4.3 Sampling techniques
  - 4.4 Data presentation techniques
    - 4.4.1 Tables
    - 4.4.2 Bar charts
    - 4.4.3 Pie charts

- 4.4.4 Graphs: Time series graphs, Z-charts, Lorenz curves and semi-logarithmic graphs
- 4.4.5 Frequency distribution tables
- 4.4.6 Histograms and frequency polygon
- 4.5 Descriptive statistics
  - 4.5.1 Measures of central tendency
  - 4.5.2 Mean
  - 4.5.3 Arithmetic mean
  - 4.5.4 Weighted arithmetic mean
  - 4.5.5 Geometric mean
  - 4.5.6 Harmonic mean
  - 4.5.7 Mode
  - 4.5.8 Median
- 4.6 Measures of dispersion
  - 4.6.1 Range
  - 4.6.2 Quartile
  - 4.6.3 Deciles
  - 4.6.4 Percentiles
  - 4.6.5 Mean deviation
  - 4.6.6 Variance
  - 4.6.7 Standard deviation
  - 4.6.8 Coefficient of variation
- 4.7 Measures of skewness
  - 4.7.1 Pearson's coefficient of skewness
  - 4.7.2 Product coefficient of skewness
- 4.8 Measures of kurtosis
  - 4.8.1 Pearson's coefficient of kurtosis
  - 4.8.2 Product coefficient of kurtosis.

## 5. **Apply probability to anticipate potential business outcomes**

- 5.1 Set Theory
  - 5.1.1 Types of sets; universal, empty/null, subsets, finite and infinite
  - 5.1.2 Operation of set; unions, intersections, complements and set difference
  - 5.1.3 Venn diagrams
  - 5.1.4 Introduction to set theory
- 5.2 Basic Probability Theory
  - 5.2.1 Definition
  - 5.2.2 Sample space
  - 5.2.3 Events
  - 5.2.4 Experiment
  - 5.2.5 Outcome
  - 5.2.6 Types of events
    - 5.2.6.1 Simple events
    - 5.2.6.2 Compound events
    - 5.2.6.3 Independent
    - 5.2.6.4 Dependent events
    - 5.2.6.5 Mutually exclusive events
    - 5.2.6.6 Mutually inclusive
  - 5.2.7 Explain rules/laws of probability

- 5.2.7.1 Additive rules
- 5.2.7.2 Multiplicative rules
- 5.2.8 Counting techniques
  - 5.2.8.1 Combinations and permutations
- 5.2.9 Baye's Theorem
- 5.2.10 Draw probability trees
- 5.2.11 Solving business problems using probability

**6. Use index numbers to compare related variables**

- 6.1 Define index numbers
- 6.2 Describe purpose of index numbers
- 6.3 Construct index numbers:
  - 6.3.1 Simple index numbers (fixed base method and chain base method)
  - 6.3.2 Weighted index numbers; Laspeyres, Paasche, Fisher's ideal and Marshall- Edgeworth's methods (both price and quantity index numbers)
  - 6.3.3 Consumer Price Index (CPI)
- 6.4 Applications of CPI
- 6.5 Limitations of index numbers

**Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Supervised activities and projects in a workshop;

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting lecturer/trainer from the ICT sector;
- Industrial visits.

**Recommended Resources**

**Equipment**

- Computer
- Financial calculators

**Materials and supplies**

- Digital instructional material including DVDs and CDs

**Sample Reading and Reference materials**

1. Swift, L., & Piff, S. (2014). Quantitative Methods: For Business, Management and Finance (4th edition). Palgrave Macmillan.
2. Jacques, I. (2018). Mathematics for Economics and Business (9th edition). Harlow: Pearson.
3. Andre, F. (2004). Business Mathematics and Statistics (6th edition) Australia: Thomson.
4. Lind, D. A., Marchal, W. G., & Wathen, S. A. (2021). Basic Statistics in Business and Economics (10th edition). New York: McGraw-Hill Education.
5. Clendenen, G., & Salzman, S. (2019). Business Mathematics (14th edition). Pearson.
6. Present value tables
7. Annuity tables
8. Kasneb e-learning resources (link on the Kasneb website).
9. Approved study packs.



## **PAPER NO. 8 PRINCIPLES OF TAXATION**

### **UNIT DESCRIPTION**

This unit covers the competencies required to compute tax obligations for individuals and business entities. Competencies include: Applying taxation concepts and regulations in determining tax obligations, determining tax liabilities for different sources of income, computing investment allowances, accounting for value added tax in business transactions and accounting for customs duty and excise duty, and Miscellaneous charges.

### **LEARNING OUTCOMES**

- Identify the types of taxes
- Apply the rules of taxation
- Compute tax and prepare income tax returns for employed individuals
- Compute tax and prepare income tax returns for small business establishments
- Account for VAT and file returns
- Compute customs and excise duty and miscellaneous levies and file their returns

### **CONTENT:**

#### **1. Apply taxation concepts and regulations in computing tax obligations**

- 1.1 Definitions
  - 1.1.1 Tax
  - 1.1.2 Income tax
  - 1.1.3 Value Added Tax
  - 1.1.4 Excise duty
  - 1.1.5 Customs duty
  - 1.1.6 Advance tax
  - 1.1.7 Instalment tax
  - 1.1.8 Capital gain tax
- 1.2 Purposes of taxation
- 1.3 Statutory deductions
  - 1.3.1 Pay As You Earn (PAYE)
  - 1.3.2 NSSF
  - 1.3.3 NHIF
- 1.4 Classification of taxes by rates
  - 1.4.1 Progressive
  - 1.4.2 Digressive
  - 1.4.3 Regressive
  - 1.4.4 Proportional
- 1.5 Classification of taxes by effect
  - 1.5.1 Tax effect
  - 1.5.2 Tax impact
  - 1.5.3 Tax incidence
  - 1.5.4 Direct taxes
  - 1.5.5 Indirect taxes
- 1.6 Tax shifting
  - 1.6.1 Forward shifting
  - 1.6.2 Backward shifting
  - 1.6.3 Factors that determine the tax shifting

- 1.7 Principles of taxation
  - 1.7.1 Equity
  - 1.7.2 Economy
  - 1.7.3 Convenience
  - 1.7.4 Certainty
  - 1.7.5 Simplicity
  - 1.7.6 Elasticity
  - 1.7.7 Flexibility
  - 1.7.8 Productivity
  - 1.7.9 Diversity
- 1.8 Tax evasion
  - 1.8.1 Ways of tax evasion
  - 1.8.2 Measures the government can put in place to prevent tax evasion
- 1.9 Tax avoidance
  - 1.9.1 Ways of tax avoidance
- 1.10 Sources of taxable income
- 1.11 Rules of taxing an income
- 1.12 Residence
  - 1.12.1 Body corporates
  - 1.12.2 Individuals

## 2. Determine tax liabilities for different sources of income

- 2.1 Employment income
  - 2.1.1 Definitions
    - 2.1.1.1 Employment
    - 2.1.1.2 Employer
    - 2.1.1.3 Employee
  - 2.1.2 Taxable cash and non-cash benefits
  - 2.1.3 Allowable deductions against employment income
  - 2.1.4 Non-taxable employment benefits
  - 2.1.5 Computation of taxable employment income and tax thereon
- 2.2 Business income
  - 2.2.1 Definitions
    - 2.2.1.1 Trade
    - 2.2.1.2 Profession
    - 2.2.1.3 Vocation
    - 2.2.1.4 Adventure
    - 2.2.1.5 Concern
  - 2.2.2 Criteria of taxing a business income
  - 2.2.3 Reasons why accounting profit and taxable profit are different
  - 2.2.4 Format of computation of adjusted taxable business income and tax thereon
- 2.3 Investment income
  - 2.3.1 Dividends
  - 2.3.2 Interests
  - 2.3.3 Capital gains
  - 2.3.4 Rental
  - 2.3.5 Royalty income
- 2.4 Farming income
  - 2.4.1 Allowable farming expenses
  - 2.4.2 Computing of the adjusted taxable income

- 2.4.3 Hobby farming
- 2.5 Withholding tax
  - 2.5.1 Incomes subject to withholding tax
  - 2.5.2 Withholding tax rates
  - 2.5.3 Advantages and disadvantages of withholding tax
- 3. **Compute investment allowances**
  - 3.1 Buildings
    - 3.1.1 Hotel building
    - 3.1.2 Building used for manufacture
    - 3.1.3 Hospital buildings
    - 3.1.4 Petroleum or gas storage facilities
    - 3.1.5 Educational/hostels building
    - 3.1.6 Commercial Building
  - 3.2 Machinery
    - 3.2.1 Manufacturing machinery
    - 3.2.2 Hospital equipment
    - 3.2.3 Ships or aircraft
    - 3.2.4 Motor vehicles and heavy earth moving equipment
    - 3.2.5 Computer software, calculators, copiers and duplicating machines
    - 3.2.6 Furniture and fittings
    - 3.2.7 Telecommunication equipment
    - 3.2.8 Film equipment by a local producer
    - 3.2.9 Machinery used to undertake operations under prospecting rights and exploration under mining rights
    - 3.2.10 Purchase of right to use fibre optic cable by telecommunication operation
    - 3.2.11 Farmworks
    - 3.2.12 Other machinery
- 4. **Account for value added tax (VAT) in business transactions**
  - 4.1 Definitions
    - 4.1.1 Value Added Tax
    - 4.1.2 Input tax
    - 4.1.3 Output tax
    - 4.1.4 Supply
    - 4.1.5 Time of supply - tax point
  - 4.2 Registration and deregistration of business for VAT
  - 4.3 Rights of a VAT registered person obligations of VAT registered person
  - 4.4 Offences in relation to VAT Value of a supply - Value for VAT
  - 4.5 Types of supplies
    - 4.5.1 Standard rate
    - 4.5.2 Zero rate
    - 4.5.3 Exempt
  - 4.6 VAT rates and computations
  - 4.7 Privileged persons and institutions
  - 4.8 Changes that must notified to the commissioner.
  - 4.9 VAT records
  - 4.10 VAT returns
  - 4.11 Remission, rebate and refund of VAT

## **5. Account for Customs and excise duty, miscellaneous charges and levies**

- 5.1 Definitions
  - 5.1.1 Customs duty
  - 5.1.2 Excise duty
  - 5.1.3 Specific duty
  - 5.1.4 Advarolem duty
  - 5.1.5 Bill of lading
  - 5.1.6 Clean report of finding
  - 5.1.7 Import declaration form
  - 5.1.8 Bond security
  - 5.1.9 Port release order
  - 5.1.10 Customs receipt
- 5.2 Warehousing
  - 5.2.1 Bonded warehouse
  - 5.2.2 Customs warehouse
- 5.3 Goods subject to customs control
  - 5.3.1 Dutiable goods
  - 5.3.2 Excisable goods
  - 5.3.3 Restricted goods
  - 5.3.4 Imported goods
  - 5.3.5 Goods pending importation
- 5.4 Refund of duty
  - 5.4.1 Circumstances under which duty may be refunded
- 5.5 Prohibited and restricted measures
  - 5.5.1 Prohibited imports
  - 5.5.2 Prohibited exports
  - 5.5.3 Restricted imports
  - 5.5.4 Restricted exports
- 5.6 Goods liable to forfeiture.
- 5.7 Dumping
  - 5.7.1 Government measures to prevent dumping.
- 5.8 Pseudo taxes
  - 5.8.1 Stamp duty
  - 5.8.2 Airport tax
  - 5.8.3 Catering levy
  - 5.8.4 Petroleum levy
- 5.9 Levies and charges imposed by the county government
- 5.9.10 Property Rates
- 5.9.11 Cess
- 5.9.12 Entertainment taxes

## **6. Administration of income tax**

- 6.1 Personal identification number: Issue, uses, cancellation of a PIN
- 6.2 Registration and deregistration of tax payers
- 6.3 Administration of tax laws
- 6.4 Function and powers of the commissioner
- 6.5 Taxpayer's tax representative: Appointment, liabilities and obligations
- 6.6 Tax Returns and Assessments: Self-assessment, Default assessment, Advance assessment, Amendment of assessments

- 6.7 Collection, recovery, enforcement and refund of taxes
- 6.8 Tax Decisions, Objections, Appeals, Relief of mistakes and Rulings
- 6.9 Voluntary Tax Disclosure Program
- 6.10 Administrative penalties and offences
- 6.11 Digital service tax
- 6.12 Electronic Tax Register (ETR)- Specifications
- 6.13 Electronic Tax invoice – (Regulation 2020)
- 6.14 Application of ICT in taxation: Practical use of iTax to file the returns

### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Supervised activities - filing of returns;

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting KRA
- Visiting Tax consultancy firms for enquiries and training/trainer from the KRA sector;

### **Recommended Resources**

#### **Tools**

Computers  
Calculators

#### **Materials and supplies**

- Digital instructional materials

### **Sample Reading and Reference materials**

1. NCLR (2009). Laws of Kenya: East African Community Customs Management Act, 2004.
2. NCLR (2017). Laws of Kenya: Excise Duty Act No. 23 Of 2015
3. NCLR (2018). Laws of Kenya: Income Tax Act
4. NCLR (2012). Laws of Kenya: The Public Finance Management Act
5. NCLR (2018). Laws of Kenya: Tax Procedures Act of 2015
6. NCLR (2018). Laws of Kenya: Value Added Tax Act of 2013
7. Revenue Authorities Circulars/Notices
8. Kasneb e-learning resources (link on website) and approved study packs.
9. Select books in taxation by local authors

## LEVEL III

### PAPER NO. 9 PRINCIPLES OF ECONOMICS

#### UNIT DESCRIPTION

This unit covers the competencies required to apply economics concepts to solve business problems. Competencies include: Apply foundational economic concepts to manage limited resources, determine the pricing of commodities using the forces of demand and supply, apply the theory of consumer behaviour in determining consumer satisfaction, apply the theory of production to determine appropriate mix of factors of production, apply the theory of costs to determine the cost of production, use mathematical approach to determine profit maximisation in various market structures and evaluate the impact of macro-economic factors on an organisation

#### LEARNING OUTCOMES

- Apply foundational economic concepts to manage limited resources
- Determine the pricing of commodities using the forces of demand and supply
- Apply the theory of consumer behaviour in determining consumer satisfaction
- Apply the theory of production to determine appropriate mix of factors of production
- Apply the theory of costs to determine the cost of production
- Use mathematical approach to determine profit maximisation in various market structures
- Evaluate the impact of macro-economic factors on an organisation

#### CONTENT:

#### 1. Apply foundational economic concepts to manage limited resources

##### 1.1 Introduction to economics

###### 1.1.1 Definition of economics

###### 1.1.2 Basic economic concepts: Economic resources, human wants, scarcity and choice, opportunity cost, production possibility curves/frontiers, wealth, welfare

###### 1.1.3 Scope of economics: Micro and macro economics

###### 1.1.4 Methodology of economics: Positive and normative economics, scientific methods, economics as a social science

###### 1.1.5 Economic systems: Planned economy, free market economy, mixed economy

###### 1.1.6 Consumers' sovereignty and its limitations

#### 2. Determine the pricing of commodities using the forces of demand and supply

##### 2.1 Demand, supply and determination of equilibrium

###### 2.1.1 Demand analysis

###### 2.1.1.1 Definition

###### 2.1.1.2 Law of demand

###### 2.1.1.3 Exceptional demand curves

###### 2.1.1.4 Individual demand versus market demand

###### 2.1.1.5 Factors influencing demand

###### 2.1.1.6 Types of demand

###### 2.1.1.7 Movement along and shifts of demand curves

###### 2.1.1.8 Elasticity of demand

###### 2.1.1.9 Types of elasticity of demand: Price, income and cross elasticity

###### 2.1.1.10 Measurement of elasticity; point and arc elasticity

###### 2.1.1.11 Factors influencing elasticity of demand

###### 2.1.1.12 Applications of elasticity of demand

- 2.2 Supply analysis
  - 2.2.1 Definition
  - 2.2.2 Individual versus market supply
  - 2.2.3 Factors influencing supply
  - 2.2.4 Movements along and shifts of supply curves
  - 2.2.5 Definition of elasticity of supply
  - 2.2.6 Price elasticity of supply
  - 2.2.7 Factors influencing elasticity of supply
  - 2.2.8 Applications of elasticity of supply
  - 2.2.9 Determination of equilibrium
  - 2.2.10 Interaction of supply and demand, equilibrium price and quantity
  - 2.2.11 Mathematical approach to equilibrium analysis
  - 2.2.12 Stable versus unstable equilibrium
  - 2.2.13 Effects of shifts in demand and supply on market equilibrium
  - 2.2.14 Effect of taxes and subsidies on market equilibrium
  - 2.2.15 Price controls: Maximum and Minimum price control
  - 2.2.16 Price decontrols: Effect of Minimum and Maximum price decontrol
  - 2.2.17 Reasons for price fluctuations in agriculture and the cobweb theorem

### **3. Apply the theory of consumer behaviour in determining consumer satisfaction**

- 3.1 The theory of consumer behaviour
  - 3.1.1 Approaches to the theory of the consumer - cardinal versus ordinal approach
  - 3.1.2 Utility analysis, marginal utility (MU), law of diminishing marginal utility (DMU)
  - 3.1.3 Limitations of cardinal approach
  - 3.1.4 Indifference curve analysis: Indifference curves and budget line
  - 3.1.5 Consumer equilibrium: Effects of changes in prices and incomes on consumer equilibrium
  - 3.1.6 Derivation of a demand curve
  - 3.1.7 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
  - 3.1.8 Indifference curves for perfect substitutes and perfect complements
  - 3.1.9 Consumer surplus/Marshallian surplus

### **4. Apply the theory of production to determine appropriate mix of factors of production**

- 4.1 The theory of production
  - 4.1.1 Introduction to production
  - 4.1.2 Factors of production
  - 4.1.3 Mobility of factors of production
  - 4.1.4 Short run analysis
  - 4.1.5 Total product, average and marginal products
  - 4.1.6 Stages in production and the law of variable proportions/the law of diminishing returns
  - 4.1.7 Long run analysis
  - 4.1.8 Isoquant and isocost lines
  - 4.1.9 The concept of producer equilibrium and firm's expansion curve/path
  - 4.1.10 Law of decreasing returns to scale
  - 4.1.11 Isoquants for perfect substitutes and perfect complements
  - 4.1.12 Demand and supply of factors of production
  - 4.1.13 Wage determination: demand and supply for labour
  - 4.1.14 Marginal productivity Theory
  - 4.1.15 Wage differential

- 4.1.16 Trade unions: functions, effectiveness and challenges
- 4.1.17 Transfer earnings and economic rent/producers surplus

**5. Apply the theory of costs to determine the cost of production**

- 5.1 The theory of costs
  - 5.5.1 Short run costs analysis and size of the firm's total cost, fixed cost, average cost, variable costs and marginal cost
  - 5.5.2 Long run costs analysis
  - 5.5.3 Optimal size of a firm
  - 5.5.4 Economies and diseconomies of scale

**6. Use mathematical approach to determine profit maximisation in various market structures**

- 6.1 Market Structures
  - 6.1.1 Definition of a market
  - 6.1.2 Necessary and sufficient conditions for profit maximisation
  - 6.1.3 Mathematical approach to profit maximisation
  - 6.1.4 Output, prices and efficiency of: Perfect competition, monopoly, monopolistic competition, oligopolistic competition

**7. Evaluate the impact of macro-economic factors on an organisation**

- 7.1 Introduction to macroeconomics
  - 7.1.1 The basic concepts and scope of macroeconomic analysis
  - 7.1.2 The major goals/aims of macroeconomic policy
  - 7.1.3 Importance of macroeconomics
  - 7.1.4 The limitations of macroeconomics
- 7.2 National income
- 7.3 Definition of national income
- 7.4 Circular flow of income
- 7.5 Methods/approaches to measuring national income; output, income and expenditure method
- 7.6 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
- 7.7 Difficulties in measuring national income
- 7.8 Uses of income statistics
- 7.9 Analysis of consumption, saving and investment and their interaction in a simple economic model
- 7.10 Mathematical approach to the determination of equilibrium national income
- 7.11 Inflationary and deflationary gaps
- 7.12 The multiplier and accelerator concepts
- 7.13 Business cycles/cyclical fluctuations
- 7.14 Economic growth, economic development and economic planning
  - 7.14.1 The differences between economic growth and economic development
  - 7.14.2 Actual and potential growth
  - 7.14.3 The benefits and costs of economic growth
  - 7.14.4 Determinants of economic development
  - 7.14.5 Common characteristics of developing countries
  - 7.14.6 Obstacles to economic development
  - 7.14.7 The need for development planning
  - 7.14.8 Short term, medium term and long term planning tools
  - 7.14.9 Challenges to economic planning in developing countries
- 7.15 Money



- 7.15.1 The nature and functions of money
- 7.15.2 Demand and supply of money
- 7.15.3 Theories of demand for money: The quantity theory, the Keynesian liquidity preference theory
- 7.16 The banking system
  - 7.16.1 Definition of commercial banks
  - 7.16.2 The role of commercial banks and non-banking financial institutions in the economy
  - 7.16.3 Credit creation
  - 7.16.4 Definition of central bank
  - 7.16.5 The role of the central bank; traditional and changing role in a liberalised economy, such as financial sector reform, exchange rate reform
  - 7.16.6 Monetary policy, definition, objectives, instruments and limitations
  - 7.16.7 Classical theory of interest rate determination
  - 7.16.8 Interest rates and their effects on the level of investment, output, inflation and employment
  - 7.16.9 Harmonisation of fiscal and monetary policies
  - 7.16.10 Simple IS-LM Model
  - 7.16.11 Partial equilibrium and general equilibrium
- 7.17 Inflation
  - 7.17.1 Definition and types of inflation
  - 7.17.2 Causes of inflation: cost push and demand pull
  - 7.17.3 Effects of inflation
  - 7.17.4 Measures to control inflation
- 7.18 Unemployment
  - 7.18.1 Definition of unemployment
  - 7.18.2 Types and causes of unemployment
  - 7.18.3 Control measures of unemployment
  - 7.18.4 Relationship between unemployment and inflation: The Phillips curve
- 7.19 Agriculture and Industry
  - 7.19.1 Role of agriculture in economic development
  - 7.19.2 Challenges facing agricultural sector in developing countries
  - 7.19.3 Policies to improve the agricultural sector
  - 7.19.4 Role of industry in economic development
  - 7.19.5 Benefits of industrialisation in developing countries
  - 7.19.6 Obstacles to industrial development in developing countries
  - 7.19.7 Policies to enhance industrial development in developing countries

### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Supervised activities (cases and assignments)

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting lecturers or experts from colleges and universities;
- Visits to different institutions and firms

**Recommended Resources**

1. Laptops
2. Calculators
3. Internet

**Sample Reading and Reference materials**

1. Mudida R. Modern Economics. (2nd edition). Focus Publishers Ltd. Nairobi, Kenya.
2. Mukras. M. S. Elements of Mathematical Economics (Revised Edition). Kenya Literature Bureau. Nairobi, Kenya.
3. Kasneb e-learning resources (link on the Kasneb website).
4. Kasneb approved study packs.

## **PAPER NO. 10 FUNDAMENTALS OF MANAGEMENT ACCOUNTING**

### **UNIT DESCRIPTION**

This unit covers the competencies required to maintain management accounts for business decisions. Competencies include: Identifying concepts used in management accounting, using appropriate techniques to estimate business costs, Accounting for different business costs, applying costing methods in determining the cost of a product or service, preparing income statements using marginal costing and absorption costing techniques, applying break-even analysis in business decision making and preparing budgets for management decisions making.

### **LEARNING OUTCOMES**

- Identify concepts used in management accounting
- Use appropriate techniques to estimate business costs
- Account for different business costs
- Apply costing methods in determining the cost of a product or service
- Prepare income statements using marginal costing and absorption costing techniques
- Apply break-even analysis in business decision making
- Prepare budgets for management decisions making

### **CONTENT:**

1. **Identify concepts used in management accounting**
  - 1.1 Definitions of key terms:
    - 1.1.1 Cost
    - 1.1.2 Cost unit/object
    - 1.1.3 Cost accounting
    - 1.1.4 Cost accountant
    - 1.1.5 Management accounting
    - 1.1.6 Management accountant
    - 1.1.7 Cost centre
    - 1.1.8 Profit centre
    - 1.1.9 Responsibility centre
  - 1.2 Role of Management Accounting in decision making
  - 1.3 Users of Management accounting information
    - 1.3.1 Executives
    - 1.3.2 Production managers
    - 1.3.3 Sales managers
    - 1.3.4 Employees
  - 1.4 Difference between management accounting and financial accounting
  - 1.5 Relationship between cost accounting and management accounting
  - 1.6 Limitations of management accounting
  - 1.7 Cost control vs cost reduction
    - 1.7.1 Definitions
    - 1.7.2 Advantages of cost control
    - 1.7.3 Differences between cost control and cost reduction
  - 1.8 Selection of an ideal cost accounting system
    - 1.8.1 Definition of cost accounting system
    - 1.8.2 Factors to be considered in designing an ideal cost accounting system
  - 1.9 Professional ethics for management accounting
    - 1.9.1 Competence
    - 1.9.2 Confidentiality
    - 1.9.3 Integrity
    - 1.9.4 Credibility
  - 1.10 Cost classification:

- 1.10.1 Definition of cost classification
- 1.10.2 Purpose of cost classification
- 1.11 Bases of classification
  - 1.11.1 Functions
  - 1.11.2 Behaviour
  - 1.11.3 Nature of expense
  - 1.11.4 Relation to cost centre or cost unit
  - 1.11.5 Time
  - 1.11.6 Costs for management decision making
  - 1.11.7 Nature of production or process

## **2. Use appropriate techniques to estimate business costs**

- 2.1 Introduction to cost estimation
  - 2.1.1 Definition of cost estimation
  - 2.1.2 Purpose of cost estimation
  - 2.1.3 Methods of cost estimation:
  - 2.1.4 Non-mathematical methods;
    - 2.1.4.1 Accounts Analysis method;
    - 2.1.4.2 High-Low method;
    - 2.1.4.3 Industrial Engineering method
  - 2.1.5 Mathematical methods;
    - 2.1.5.1 Scatter graph method;
    - 2.1.5.2 Simple linear regression

## **3. Account for different business costs**

- 3.1 Accounting for materials and inventories
  - 3.1.1 Objectives of material control
  - 3.1.2 Essential requirements of material control system
  - 3.1.3 Centralised and decentralised purchasing:
    - 3.1.3.1 Definitions
    - 3.1.3.2 Advantages
    - 3.1.3.3 Disadvantages
  - 3.1.4 Periodic inventory system
  - 3.1.5 Perpetual inventory system
- 3.2 Stores ledger card
  - 3.2.1 Definition of a store ledger card
  - 3.2.2 Methods of preparation
    - 3.2.2.1 FIFO
    - 3.2.2.2 LIFO
    - 3.2.2.3 Weighted average methods
- 3.3 Determining optimal stock levels
  - 3.3.1 Stock levels and its control
  - 3.3.2 Factors influencing stock levels
  - 3.3.3 Relevant costs for inventory management:
    - 3.3.3.1 Purchase
    - 3.3.3.2 Ordering
    - 3.3.3.3 Holding/carrying
  - 3.3.4 The Economic Order Quantity (EOQ)
    - 3.3.4.1 Definition
    - 3.3.4.2 Assumptions
    - 3.3.4.3 Determination
- 3.4 Accounting for labour

- 3.4.1 Factors influencing wages
- 3.4.2 Methods of labour remuneration:
  - 3.4.2.1 Time rate
  - 3.4.2.2 Piece rate
  - 3.4.2.3 Bonus schemes (individual and Group)
- 3.4.3 Labour turnover
- 3.5 Accounting for overheads
  - 3.5.1 Definition
  - 3.5.2 Classification:
    - 3.5.2.1 Nature
    - 3.5.2.2 Function
    - 3.5.2.3 Element
    - 3.5.2.4 Behaviour
  - 3.5.3 Overhead allocation, apportionment and reapportionment
  - 3.5.4 Factors to be considered when apportioning overheads
  - 3.5.5 Methods of overheads distribution:
    - 3.5.5.1 Primary
    - 3.5.5.2 Secondary
  - 3.5.6 Absorption of overheads
    - 3.5.6.1 Definition
    - 3.5.6.2 Methods of overheads absorption
    - 3.5.6.3 Factors to consider in selection overhead absorption rates
  - 3.5.7 Over/under absorption of overheads
    - 3.5.7.1 Definition
    - 3.5.7.2 Causes
    - 3.5.7.3 Computation

#### 4. **Apply costing methods in determining the cost of a product or service**

- 4.1 Job order costing
  - 4.1.1 Definition
  - 4.1.2 Features
  - 4.1.3 Advantages
  - 4.1.4 Limitations
  - 4.1.5 Costing
- 4.2 Batch costing
  - 4.2.1 Definition
  - 4.2.2 Features
  - 4.2.3 Applications
  - 4.2.4 Costing
- 4.3 Process costing (excluding work in progress, joint and by-products)
  - 4.3.1 Definition
  - 4.3.2 Features
  - 4.3.3 Applications
  - 4.3.4 Differences between job costing and process costing
  - 4.3.5 Losses (Normal loss, abnormal loss/gain)
  - 4.3.6 Preparation of process accounts
- 4.4 Service costing
  - 4.4.1 Definition
  - 4.4.2 Features
  - 4.4.3 Costing

**5. Prepare income statements using marginal costing and absorption costing techniques**

- 5.1 Differences between marginal costing and absorption costing
  - 5.1.1 Features
  - 5.1.2 Merits/demerits
  - 5.1.3 Limitations
- 5.2 Comparative income statements
- 5.3 Reconciliation statement
  - 5.3.1 Difference in stock valuation
  - 5.3.2 Over/under absorbed overheads
  - 5.3.3 Preparation of the statement

**6. Apply break-even analysis in business decision making**

- 6.1 Introduction to cost volume profit (C-V-P) analysis
  - 6.1.1 Objectives of C-V-P analysis
  - 6.1.2 Assumptions/Limitations of C-V-P analysis
  - 6.1.3 Break-even chart
- 6.2 Profit-volume chart
  - 6.2.1 Definition
  - 6.2.3 Derivation
  - 6.2.4 Single product C-V-P analysis
- 6.3 Applications of marginal costing in decision making:
  - 6.3.1 Make/buy decisions
  - 6.3.2 Continue/discontinue a product
  - 6.3.3 Choice of a product where limiting factor exists
  - 6.3.4 Acceptance of a special offer
  - 6.3.5 Overriding considerations to the above decisions

**7. Prepare budgets for management decisions making**

- 7.1 Definition of terms:
  - 7.1.1 Budget
  - 7.1.2 Budget centre
  - 7.1.3 Budget bias(slack)
  - 7.1.4 Budget manual
    - 7.1.4.1 Essential features of a budget
    - 7.1.4.2 Objectives of the budgets
    - 7.1.4.3 Limitations of the budgets
    - 7.1.4.4 Difference between forecasts and budgets
- 7.2 Classification of budgets
  - 7.2.1 Classification based on time:
    - 7.2.1.1 Long-term budgets
    - 7.2.1.2 Short-term budgets
  - 7.2.2 Classification based on nature of expenditure and receipts:
    - 7.2.2.1 Capital budget
    - 7.2.2.2 Revenue budget
  - 7.2.3 Classification based on functions
    - 7.2.3.1 Sales budget
    - 7.2.3.2 Production budget
    - 7.2.3.3 Materials cost budget
    - 7.2.3.4 Materials purchase budget
    - 7.2.3.5 Cash budget
  - 7.2.4 Classification based on capacity

- 7.2.4.1 Fixed budgets
    - 7.2.4.2 Flexible budgets
  - 7.3 Preparation of budgets
    - 7.3.1 Functional budgets
    - 7.3.2 Fixed and flexible budgets

### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Group discussion
- Guided learner activities and research to develop underpinning knowledge;

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting expert/trainer from the chemicals manufacturing sector
- Industrial visits.

### **Recommended Resources**

#### **Tools**

- Computers
- Calculators
- Stationery
- Internet
- Digital instructional material including DVDs and CDs
- Online lectures and revision videos

### **Sample Reading and Reference materials**

1. Tayles, M., & Drury, C. (2020). Management and Cost Accounting (11th edition). Cengage Learning EMEA.
2. Arora, M. N. (2013). Cost Accounting: Principles & Practice (12th edition). New Delhi: Vikas Publishing.
3. Storey, R. (Revised Edition). Introduction to Cost and Management Accounting. New York: Palgrave Macmillan.
4. Kasneb e-learning resources (link on the Kasneb website).
5. Kasneb approved study packs.

## **PAPER NO. 11. FUNDAMENTALS OF FINANCE**

### **UNIT DESCRIPTION**

This unit covers the competencies required to manage finances in an organisation. Competencies include: Applying finance concepts in evaluating financial implications of relevant business decisions, applying time value of money principles in evaluating financing and investment decisions, evaluating appropriate source of business finance, applying appropriate capital budgeting techniques, maintaining liquidity through appropriate working capital management, applying risk and return concepts in making optimal investment decisions, identifying concepts that inform the dividend decision making process and identifying finance and investment opportunities using Islamic finance concepts

### **LEARNING OUTCOMES**

- Apply finance concepts to manage finance in an organisation
- Apply time value of money principles to evaluate financing and investment decisions
- Determine the optimal cost of capital of an organisation
- Make capital budgeting decision using appropriate techniques
- Make working capital management decisions using appropriate methods
- Apply risk and return concepts to make optimal investment decisions
- Identify concepts that inform the dividend decision making process
- Apply valuation models to determine the value of securities

### **CONTENT:**

1. **Apply finance concepts to manage finance in an organisation**
  - 1.1 Nature and scope of finance
    - 1.1.1 Investment decisions
    - 1.1.2 Dividend decisions
    - 1.1.3 Financing decisions
    - 1.1.4 Liquidity decisions
  - 1.2 Relationship between accounting and finance
    - 1.2.1 Similarities and differences
    - 1.2.2 Cost accounting
    - 1.2.3 Financial accounting
    - 1.2.4 Management accounting
  - 1.3 Finance Functions
    - 1.3.1 Routine
    - 1.3.2 Non-Routine (Managerial)
  - 1.4 Goals/Objectives of a Firm
    - 1.4.1 Financial
    - 1.4.2 Non-financial goals
    - 1.4.3 Overlaps and conflicts among the objectives
  - 1.5 Agency Theory
    - 1.5.1 Key definitions
      - 1.5.1.1 Principal
      - 1.5.1.2 Agent
  - 1.6 The nature of agency relationships
    - 1.6.1 Ordinary shareholders and management
    - 1.6.2 Shareholders and debenture holders
    - 1.6.3 Shareholders and external auditors
    - 1.6.4 Shareholders and Government
  - 1.7 Causes of conflict in each relationship and suggested remedial measures



2. **Evaluate appropriate source of business finance**
  - 2.1 Factors to consider when choosing a source of finance
  - 2.2 Sources of finance
    - 2.2.1 Short term
    - 2.2.2 Medium term and
    - 2.2.3 Long-term
  - 2.3 Types of finance
    - 2.3.1 Internally generated funds
    - 2.3.2 Externally generated funds
  - 2.4 The nature of each source of funds
  - 2.5 Characteristics for sources based on
    - 2.5.1 Short term sources
    - 2.5.2 Medium term sources
    - 2.5.3 Long-term sources
  - 2.6 Merits and demerit for:
    - 2.6.1 Short term sources
    - 2.6.2 Medium term sources
    - 2.6.3 Long-term sources
  - 2.7 Sources of finance for small and medium sized enterprises (SMEs)
    - 2.7.1 The SME owner, family and friends
    - 2.7.2 The business angel
    - 2.7.3 Trade credit
    - 2.7.4 Leasing
    - 2.7.5 Factoring and invoice discounting
    - 2.7.6 The venture capitalist
      - 2.7.6.1 Listing
      - 2.7.6.2 Supply chain financing
  - 2.8 Challenges encountered by SMEs in raising capital and remedial measures
    - 2.8.1 SMEs' difficulties in accessing finance
    - 2.8.2 Lack of information infrastructure for SMEs
    - 2.8.3 Low level of business R&D in SMEs sector
    - 2.8.4 Insufficient use of information technology in SMEs
  - 2.9 Remedies for the above challenges
    - 2.9.1 Diversifying Channels of Financing
    - 2.9.2 Development of SME Database and Credit Risk Analysis of SMEs
    - 2.9.3 R&D Tax Incentives
  - 2.10 Utilising Information for SMEs
3. **Apply time value of money principles to evaluate financing and investment decisions**
  - 3.1 The Time value of money
    - 3.1.1 Time value versus time preference for money
    - 3.1.2 The relevance of time value of money
  - 3.2 Estimating cash flows
    - 3.2.2 Compounding techniques
    - 3.2.3 Discounting techniques
  - 3.3 Preparation of the loan amortization schedule
    - 3.3.1 Principal amount
    - 3.3.2 Repayment period
    - 3.3.3 Rate of interest
4. **Apply valuation models to determine the value of securities**
  - 4.1 Nature and scope of valuation models
  - 4.2 Relevance of valuation of securities

- 4.2.1 Debentures
    - 4.2.2 Preference shares
    - 4.2.3 Ordinary shares
  - 4.3 Concept of value
    - 4.3.1 Going concern value
    - 4.3.2 Liquidation value
    - 4.3.3 Fair value
    - 4.3.4 Investment value
    - 4.3.5 Intrinsic value
  - 4.4 Valuation of:
    - 4.4.1 Debentures
    - 4.4.2 Preference shares
    - 4.4.3 Ordinary shares
- 5. **Determine cost of capital for a business entity**
  - 5.1 The Cost of capital
    - 5.5.1 Relevance of cost of capital to firms
    - 5.5.2 Usage
    - 5.5.3 Factors influencing a firm's cost of capital
  - 5.2 Components of cost of capital
    - 5.2.1 Debt
    - 5.2.2 Ordinary shares
    - 5.2.3 Preference shares
  - 5.3 The firm's overall cost of capital:
    - 5.3.1 Weighted average cost of capital
    - 5.3.2 Weighted Marginal cost of capital
  - 5.4 Limitations of the weighted average cost of capital
- 6. **Apply appropriate project appraisal technique to make capital budgeting decisions**
  - 6.1 Nature and importance of capital investment decisions
  - 6.2 Characteristics of capital investment decisions
    - 6.2.1 Large investments
    - 6.2.2 Irreversible decision
    - 6.2.3 High risk
    - 6.2.4 Long-term effect on profitability
    - 6.2.5 Impacts cost's structure
  - 6.3 Types of capital investment decisions
    - 6.3.1 On the basis of expansion
    - 6.3.2 On the basis of dependency
  - 6.4 Capital investment cash flows:
    - 6.4.1 Total initial cash outlay
    - 6.4.2 The total terminal cash flows and
    - 6.4.3 Annual net operating cash flows
  - 6.5 The features of an ideal capital budgeting technique:
    - 6.5.1 Based on size
    - 6.5.2 Based on duration
    - 6.5.3 Based on risk
    - 6.5.4 Based on impact to cost structure
    - 6.5.5 Based on difficulty
  - 6.6 Capital Budgeting techniques
    - 6.6.1 Non discounted techniques
      - 6.6.1.1 Accounting Rate of Return (ARR)
      - 6.6.1.2 Payback period

- 6.6.2 Discounted techniques
  - 6.6.2.1 Internal Rate of Return
  - 6.6.2.2 Net Present Value
  - 6.6.2.3 Profitability index and
  - 6.6.2.4 Discounted payback period approach
- 6.7 Merits and demerits of each capital budgeting technique
- 6.8 Conflict between NPV and IRR in Ranking Projects
- 6.9 Practical challenges of capital budgeting in the real world
  - 6.9.1 Small businesses
  - 6.9.2 Large businesses
  - 6.9.3 Public institutions
  - 6.9.4 Private institutions

## **7. Maintain liquidity through appropriate working capital management**

- 7.1 Nature and importance of working capital management
- 7.2 Factors influencing working capital needs of a firm based on the:
  - 7.2.1 Nature of business
  - 7.2.2 Size of business
  - 7.2.3 Production policy
  - 7.2.4 Manufacturing process/length of production cycle
  - 7.2.5 working capital cycle
  - 7.2.6 Based on credit policy
  - 7.2.7 business cycle
- 7.3 Working capital operating cycle
  - 7.3.1 The relevance
  - 7.3.2 Components of the cycle
  - 7.3.3 Computation of the cycle
- 7.4 Working capital financing policies
  - 7.4.1 Management of Cash
  - 7.4.2 Management of Debtors
  - 7.4.3 Management of creditors
  - 7.4.4 Management of inventory

## **8. Apply risk and return concepts to make optimal investment decisions**

- 8.1 The nature of risk and return
- 8.2 Distinction between risk-free and risky assets
- 8.3 Sources of risk
  - 8.3.1 Competitive risk
  - 8.3.2 Financial risk
  - 8.3.3 Market and opportunity risk.
  - 8.3.4 Political and economic risk
  - 8.3.5 Technology risk
  - 8.3.6 Operational risk
  - 8.3.7 Environmental risk
- 8.4 Expected Return
  - 8.4.1 For single asset
  - 8.4.2 For two assets
- 8.5 Risk
  - 8.5.1 Standard deviation and variance:
    - 8.5.1.1 For a single asset
    - 8.5.1.2 For two assets

- 8.5.2 Coefficient of variation
- 8.6 Relationship between risk and return on investment/Risk return trade off

**9. Identify concepts that inform the dividend decision making process**

- 9.1 Factors influencing the dividend decision of a firm
- 9.2 Forms of dividend payment
  - 9.2.1 Stock
  - 9.2.2 Cash
  - 9.2.3 Property
  - 9.2.4 Script
  - 9.2.5 Liquidating
- 9.3 The firm's dividend policy
  - 9.3.1 Stable predictable policy
  - 9.3.2 Constant pay-out Ratio policy
  - 9.3.3 Regular plus extra policy and
  - 9.3.4 Residual Dividend policy.
- 9.4 Dividend payment process
  - 9.4.1 Declaration date
  - 9.4.2 Ex-Dividend date
  - 9.4.3 Record date
  - 9.4.4 Payment date
- 9.5 Dividend theories
  - 9.5.1 The MM dividend irrelevance theory
  - 9.5.2 The residual dividend theory
  - 9.5.3 The bird-in-the-hand theory
  - 9.5.4 The tax preference theory

**10. Identify finance and investment opportunities using Islamic finance concepts**

- 10.1 History of Islamic finance
- 10.2 The nature of Islamic finance:
  - 10.2.1 Islamic banks
  - 10.2.2 Islamic insurance (Takaful) and Islamic financial instrument
- 10.3 Principles of Islamic finance
  - 10.3.1 Equity based contracts
  - 10.3.2 Sale based contracts
  - 10.3.3 Debt based contracts
  - 10.3.4 Charitable based contracts
- 10.4 Differences between Islamic and conventional finance
- 10.5 The concept of interest (riba) and how returns are made by Islamic financial securities
  - 10.5.1 Sources of Islamic finance
- 10.6 Islamic finance drivers
  - 10.6.1 Changing nature of regulation
  - 10.6.2 Technological advancements
  - 10.6.3 Cross border transactions
  - 10.6.4 Growing Muslim populations
  - 10.6.5 Emerging economic growth
- 10.7 Regulation of Islamic finance institutions
- 10.8 Emerging issues and trends
  - 10.8.1 Cryptocurrency
  - 10.8.2 Block chain technology
  - 10.8.3 Crowdfunding

**Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Supervised activities (cats and assignments)

**The delivery may also be supplemented and enhanced by the following, if the opportunity allows:**

- Visiting lecturers or experts from colleges and universities;
- Financial sector visits to firms.

**Recommended Resources**

1. Laptops/ computers
2. Calculators
3. Internet

**Sample Reading and Reference materials**

1. Pandey, I. M. (2015). Financial Management (11th edition). New Delhi: Vikas Publishing.
2. Damodaran, A. (2001). Corporate Finance: Theory and Practice (2nd edition). New York: John Wiley & Sons Inc.
3. McInaney, E. (2017). Business Finance: Theory and Practice (11th edition). Harlow: Pearson.
4. Brealey, R. A., Myers, S. C., & Allen, F. (2019). Principles of Corporate Finance (13th edition). Boston: McGraw-Hill Education.
5. Kasneb e-learning resources (link on the Kasneb website).
6. Kasneb approved study packs.

## **PAPER NO. 12 PRINCIPLES OF AUDITING**

### **UNIT DESCRIPTION**

This unit covers the competencies required to perform auditing functions in an organisation. Competencies include: applying auditing concepts in the conduct of an audit, planning for an audit, managing the various risks, errors and frauds that an organisation might face, testing the internal control systems of an organisation, gathering audit evidence, applying computer assisted audit techniques to carry out an audit and demonstration of understanding of the audit report.

### **LEARNING OUTCOMES**

- Identify foundational concepts in audit
- Plan for an audit
- Detect risks, errors and frauds in an organisation
- Gather audit evidence
- Apply Computer Assisted Audit Techniques to carry out an audit
- Demonstrate understanding of the audit report

### **CONTENT:**

1. **Identify foundational concepts in audit**
  - 1.1 Definition of key terms:
    - 1.1.1 Auditing
    - 1.1.2 Auditor
    - 1.1.3 An audit
  - 1.2 The principles and processes of an audit
    - 1.2.1 Integrity, Objectivity and independence
    - 1.2.2 Confidentiality
    - 1.2.3 Skills and competence
    - 1.2.4 Work performed by others
    - 1.2.5 Documentation
    - 1.2.6 Planning
    - 1.2.7 Audit evidence
    - 1.2.8 Accounting system and internal control
    - 1.2.9 Audit conclusions and reporting
  - 1.3 Differences between auditing and accounting
  - 1.4 The types and timing of audits
    - 1.4.1 Internal audit
    - 1.4.2 External audit
    - 1.4.3 Interim audit
    - 1.4.4 Final audit
  - 1.5 Benefits and limitations of an audit
  - 1.6 The users of audited financial statements and auditor reports
    - External users
      - 1.6.1 Creditors
      - 1.6.2 Investors
      - 1.6.3 Government
      - 1.6.4 Trading partners
      - 1.6.5 Regulatory agencies
      - 1.6.6 International standardisation agencies
      - 1.6.7 Journalists
    - Internal users
      - 1.6.8 Owners
      - 1.6.9 Directors
      - 1.6.10 Managers

- 1.6.11 Employees
- 1.7 Legal and professional requirements
  - 1.7.1 Appointment of an auditor according to Companies Act
  - 1.7.2 Appointment of an auditor through the tendering process
  - 1.7.3 Qualifications of an auditor
  - 1.7.4 Duties, obligations and rights of an auditor
  - 1.7.5 Dismissal of a company auditor
  - 1.7.6 Professional ethics
  - 1.7.7 Auditing standards and guidelines
  - 1.7.8 Outsourcing of the audit function by Auditor General
- 2. **Plan for an audit**
  - 2.1 Audit planning strategy:
    - 2.1.1 Knowledge of the client's business
    - 2.1.2 Degree of reliance on internal controls
    - 2.1.3 Nature, timing and extent of the work to be performed
  - 2.2 Objectives of audit planning
  - 2.3 Development of an overall audit plan
  - 2.4 Development of audit programmes
  - 2.5 Limitations of audit plans
  - 2.6 International Standards on Auditing (ISA) on Audit planning
- 3. **Detect risks, errors and frauds in an organisation**
  - 3.1 Audit risk
    - 3.1.1 Definition and concept of audit risk
    - 3.1.2 Components of audit risks
      - 3.1.2.1 Inherent risks
      - 3.1.2.2 Control risks
      - 3.1.2.3 Detection risks
  - 3.2 Internal control system
    - 3.2.1 Definition of:
      - 3.2.1.1 Internal controls
      - 3.2.1.2 Internal control systems
    - 3.2.2 Purpose of internal control system
    - 3.2.3 Benefits and limitations of internal control system
    - 3.2.4 Specific controls on:
      - 3.2.4.1 Purchases
      - 3.2.4.2 Sales
      - 3.2.4.3 Inventory
      - 3.2.4.4 Cash
      - 3.2.4.5 Procurement
      - 3.2.4.6 Non-current Assets
    - 3.2.5 Internal controls and the computerised information system environment
  - 3.3 Errors and fraud
    - 3.3.1 Definition of:
      - 3.3.1.1 Errors
      - 3.3.1.2 Frauds
  - 3.4 Differences between error and fraud
  - 3.5 Types of errors and frauds
  - 3.6 Causes of errors and frauds
  - 3.7 International Standards on
  - 3.8 Auditing on error and fraud

#### **4. Gather audit evidence**

- 4.1 Definition of audit evidence
- 4.2 Nature and source of audit evidence
- 4.3 Types of audit evidence
  - 4.3.1 External evidence
  - 4.3.2 Internal evidence
- 4.4 Reliability of audit evidence
- 4.5 Methods of collecting audit evidence
- 4.6 Reliance on the work of an internal auditor
- 4.7 Audit working papers
  - 4.7.1 Definition of working papers
  - 4.7.2 Contents of audit working papers (excluding their preparation)
  - 4.7.3 Permanent file
  - 4.7.4 Current file
  - 4.7.5 Audit note book
  - 4.7.6 Importance of working papers
- 4.8 Substantive tests
- 4.9 Analytical tests
- 4.10 International Standards on Auditing on audit evidence

#### **5. Apply Computer Assisted Audit Techniques to carry out an audit**

- 5.1 Computer Assisted Audit Techniques (CAATs) key terms:
- 5.2 Test data
- 5.3 Audit software
- 5.4 Benefits and limitations of using CAATs
- 5.5 Factors to be considered in using CAATs
- 5.6 Methodology for using CAATs
- 5.7 Tests performed using CAATs

#### **6. Demonstrate understanding of the audit report**

- 6.1 Purpose of the auditor's report
- 6.2 Legal provisions on auditor's report
- 6.3 Basic elements of the auditor's report
- 6.4 Format of an audit report
- 6.5 Key audit matters
- 6.6 Written representations
- 6.7 Forms of audit opinion
  - 6.7.1 Qualified opinion
  - 6.7.2 Unqualified opinion

#### **Suggested Methods of Delivery**

- Presentations and practical demonstrations by trainer;
- Guided learner activities and research to develop underpinning knowledge;
- Group discussions

The delivery may also be supplemented and enhanced by the following, if the opportunity allows:

- Visiting lecturer/trainer/practitioner from the auditing sector;
- Industrial visits.



## **Recommended Resources**

### **Tools**

- Computers
- Calculators
- Auditing software
- E-mail
- Stationery
- Internet
- International Standards on Auditing (ISA)

### **Materials and supplies**

- Digital and online instructional material

### **Sample Reading and Reference materials**

1. Kumar, R., & Sharma, V. (2004). Fundamentals of Practical Auditing. New Delhi: Prentice Hall India.
2. Millichamp, A., & Taylor, J. (2018). Auditing (11th edition). Cengage Learning EMEA.
3. Johnstone-Zehms, K. M., Gramling, A. A., & Rittenberg, L. E. (2018). Auditing: A Risk-Based Approach to Conducting Quality Audits. Australia: South-Western / Cengage Learning.
4. Whittington, R., & Pany, K. (2021). Principles of Auditing & Other Assurance Services (21st edition). New York: McGraw-Hill Education.
5. Arens, A., Elder, R., Beasley, M., & Hogan, C. (2016). Auditing and Assurance Services (16th edition). Boston: Pearson.
6. Kasneb e-learning resources (link on the Kasneb website).
7. Kasneb approved study packs.