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**CERTIFIED PUBLIC ACCOUNTANTS
(CPA) EXAMINATION**

**REVISED SYLLABUS
(ADVANCE EDITION)**

JULY 2021

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CERTIFIED PUBLIC ACCOUNTANTS (CPA)

FOUNDATION LEVEL

PAPER NO. 1 FINANCIAL ACCOUNTING

UNIT DESCRIPTION

This paper is intended to introduce the candidate to the overall purpose of accounting, applicable regulations, the accounting treatment and presentation of basic transactions and preparation and analysis of financial statements.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

1. **Introduction to Accounting**
 - 1.1 Nature and Purpose of Accounting
 - 1.2 The objective of Financial Accounting
 - 1.3 The Elements of Financial Statements
 - 1.4 The Accounting Equation
 - 1.5 The Users of Accounting Information
2. **The Accounting Process and Systems**
 - 2.1 The Source documents such as receipts and invoices
 - 2.2 The Books of Prime entry/Original Entry from the journals, cashbooks, Petty cash books and registers
 - 2.3 The Ledger and the concept of double entry
 - 2.4 The Trial Balance
 - 2.5 The Financial Statements
3. **Regulation and other principles guiding the accounting profession**
 - 3.1 The legal sources of regulation
 - 3.2 The professional sources of regulation (local and international bodies) and ethical requirements
 - 3.3 Accounting Standards
 - 3.4 Common accounting principles/concepts
 - 3.5 Qualities of useful financial information
4. **Accounting for Assets and Liabilities**
 - 4.1 Property, Plant and Equipment (depreciation, acquisition, disposal, exchange, excluding revaluations)
 - 4.2 Intangible Assets
 - 4.3 Financial Assets and Financial Liabilities (Definition, Examples and Classification only)
 - 4.4 Inventory

- 4.5 Cash in hand and cash at bank (bank reconciliation statements)
- 4.6 Trade Receivables (Measurement and credit Losses)
- 4.7 Trade payables
- 4.8 Accrued Incomes/Expenses and Prepaid Incomes/Expenses

- 5. **Financial Statements of a sole trader**
 - 5.1 Statement of Profit or Loss
 - 5.2 Statement of Financial Position

- 6. **Financial Statements of a partnership**
 - 6.1 The partnership deed/agreement
 - 6.2 The statement of Profit or Loss and appropriation
 - 6.3 Partners' capital and current accounts
 - 6.4 The statement of financial position
 - 6.5 Accounting treatment and presentation when there is a change in profit/loss sharing ratio, admission/retirement of a partner, dissolution of a partnership

- 7. **Financial Statements of a company**
 - 7.1 Important concepts of a company (Ordinary and Preference share capital, issuing new shares by way of full market price, bonus shares and rights issue, Reserves, retained profits and corporation tax)
 - 7.2 Statement of Profit or Loss
 - 7.3 Other comprehensive incomes
 - 7.4 Statement of Financial Position
 - 7.5 Statement of Cash flows

- 8. **Financial Statements of a manufacturing entity**
 - 8.1 Manufacturing Statement of production
 - 8.2 Statement of Profit or Loss
 - 8.3 Statement of Financial Position

- 9. **Statements of a not-for-profit entity**
 - 9.1 Objectives of Not-for-profit organisations
 - 9.2 Statement of Income and Expenditure
 - 9.3 Statement of Financial Position

- 10. **Correction of errors and preparing financial statements with incomplete records**
 - 10.1 Types and causes of errors
 - 10.2 Correcting errors in source documents, the books of prime entry, the ledger, the trial balance and financial statements
 - 10.3 Reasons for incomplete information
 - 10.4 Preparation of financial statements from incomplete information

- 11. **Analyzing Financial Statements**
 - 11.1 The objective of analysing financial statements
 - 11.2 Analysing financial statements using financial ratios (Liquidity, Profitability, Solvency, Efficiency, Investor/Value and Cash Flow categories)

- 12. **Accounting in the Public Sector**
 - 12.1 Features of public sector entities (as compared to private sector)

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- 12.2 Structure of the public sector (National and county governments, State Corporations, Departments and Agencies)
- 12.3 Regulation and oversight (International Public Sector Accounting Standards Board, Director of Accounting Services, National Treasury, Parliamentary Committees, Accounting Officers at national and county levels)
- 12.4 Objectives of public sector financial statements and Standards (IPSAS)
- 12.5 Accounting techniques in public sector such as budgeting, cash, accrual, commitment and fund accounting)

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PAPER NO. 2 COMMUNICATION SKILLS

UNIT DESCRIPTION

This paper is intended to equip the candidate with the knowledge, skills and attitude that will enable him/her to communicate clearly and concisely, orally and in writing in formal and informal situations.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Communicate effectively and ethically in an organization using different media
- Use non-verbal cues effectively in communication
- Demonstrate effective presentation skills
- Apply the protocols of team and virtual groups' communication
- Write formal reports and proposals
- Apply information technology in communication

CONTENT

1. **Introduction to communication**
 - 1.1 Meaning of communication
 - 1.2 Role of communication in an organisation
 - 1.3 Elements of communication
 - 1.4 The communication process
 - 1.5 Principles of effective communication
 - 1.6 Essential of an effective communication system
 - 1.7 Barriers to effective communication
2. **Types of communication**
 - 2.1 Formal and informal communication
 - 2.2 Flow of communication in an organisation
 - 2.3 Grapevine communication
 - 2.4 Internal and external communication
 - 2.5 Interpersonal and intrapersonal communication
 - 2.6 Cross-cultural communication
 - 2.7 E-mail
 - 2.8 Visual communication - graphs/charts/tables/diagrams/pictures
3. **Oral communication**
 - 3.1 Meaning of oral communication
 - 3.2 Importance of oral communication
 - 3.3 Types of oral communication - Face to face and telephone conversations
 - 3.4 Effective listening -The listening process, principles of effective listening, listening techniques, barriers to effective listening
 - 3.5 Interviews - Types, purpose, preparation and conduct of interviews
 - 3.6 Persuasive communication - Meaning, objectives, creating persuasive messages, approaches to persuasion
4. **Non-verbal communication**
 - 4.1 Meaning and importance of non-verbal communication
 - 4.2 Forms of non-verbal communication
 - 4.3 Effective use of non-verbal communication

- 4.4 Barriers to effective non-verbal communication
5. **Writing skills**
- 5.1 Sentence construction and paragraph development
 - 5.2 Business letters
 - 5.3 Memorandum
 - 5.4 Posters and notices
 - 5.5 Forms and questionnaires
 - 5.6 Circulars and newsletters
 - 5.7 Advertisements and publicity materials
 - 5.8 Documents used in business transactions - letter of enquiry, catalogue, quotation, purchase order, invoice, credit note, debit note, others
 - 5.9 CVs and resume
6. **Public speaking and presentation**
- 6.1 Effective presentation skills
 - 6.2 Audience analysis
 - 6.3 Selecting and researching the topic
 - 6.4 Preparation and organisation of an effective presentation
 - 6.5 Structure of presentation
 - 6.6 Presentation aids
 - 6.7 Public speeches - Structure and delivery of public speeches
 - 6.8 PowerPoint presentations
7. **Group and team communication**
- 7.1 Group communication networks
 - 7.2 Team communication
 - 7.3 Communicating in virtual groups and teams-group e-mails, what's app groups, social media
 - 7.4 Meetings - Types, role of members, preparation, conduct, documents used in meetings
 - 7.5 Conferences and symposia
8. **Report and proposal writing**
- 8.1 Types and purpose of reports
 - 8.2 Structure and content of reports
 - 8.3 Types and uses of proposals
 - 8.4 Structure and content of proposals
 - 8.5 Writing of formal reports and proposals
9. **Information technology and communication**
- 9.1 Role and impact of technology in communication
 - 9.2 Communication networks - Internet, intranet and extranet
 - 9.3 Teleconferencing and video conferencing
 - 9.4 Webinar
 - 9.5 Wireless technology
10. **Ethics in communication**
- 10.1 Role of ethical communication in an organisation
 - 10.2 Principles of ethical communication
 - 10.3 Ethical issues in communication

- 10.4 Enhancing ethical communication in an organisation
- 10.5 Factors influencing ethical communication
- 10.6 Ethical dilemmas in communication
- 10.7 Handling ethical dilemmas in communication

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PAPER NO. 3 INTRODUCTION TO LAW AND GOVERNANCE

UNIT DESCRIPTION

This paper is intended to equip the candidate with the knowledge, skills and attitude that will enable him/her to apply the principles of law and legal systems in an entity and ensure compliance with basic principles of governance and ethics.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate knowledge of essential elements of the legal system
- Demonstrate knowledge of legal personality
- Apply law of contract and tort in various scenarios
- Apply general principles of business law in practice
- Apply fundamental principles of ethics in practice
- Comply with fundamental principles of governance

CONTENT

1. Nature, Purpose and Classification of Law

- 1.1 Meaning of law
- 1.2 Nature of law
- 1.3 Purpose of law
- 1.4 Classification of law
- 1.5 Law and morality
- 1.6 The Constitution
- 1.7 Legislation and delegated legislation
- 1.8 Substance of common law and doctrines of equity
- 1.9 African customary law
- 1.10 Islamic law, Hindu law and African customary law
- 1.11 Judicial precedence
- 1.12 General rules of International law and ratified treaties

2. Administrative Law

- 2.1 Meaning of administrative law
- 2.2 Sources of administrative law
- 2.3 Functions of administrative laws
- 2.4 Doctrine of separation of powers
- 2.5 Delegated legislation
- 2.6 Control of delegated legislation
- 2.7 Discretion and Judicial control of executive
- 2.8 Liability of state (contractual/ tortious)
- 2.9 Principles of natural justice
- 2.10 Judicial control of the Executive
- 2.11 Independence of Judiciary
- 2.12 Remedies in administrative law (mandamus, certiorari, prohibition, habeas corpus; injunction and declaration)

3. The Court System

- 3.1 Establishment, structure, composition and jurisdiction of courts
- 3.2 Supreme Court

- 3.3 Court of Appeal
- 3.4 High Court
- 3.5 Employment and Labour Relations Court
- 3.6 Environmental and Land court
- 3.7 International Court of Justice
- 3.8 Magistrates Court
- 3.9 Court Martial
- 3.10 Kadhi's Court
- 3.11 Distinction between Courts and Tribunals

- 4. **Alternative Dispute Resolutions (ADR)**
 - 4.1 Nature of alternative dispute resolutions (ADR)
 - 4.2 Nature and types of disputes
 - 4.3 Legal framework governing ADR
 - 4.4 General principles of ADR
 - 4.5 Negation and Conciliation
 - 4.6 Mediation
 - 4.7 Arbitration
 - 4.8 Dispute Review Boards
 - 4.9 Traditional dispute resolution mechanisms

- 5. **Law of Persons**
 - 5.1 Natural and artificial persons
 - 5.2 Nationality, citizenship and domicile
 - 5.3 Unincorporated and incorporated associations
 - 5.4 Co-operative societies

- 6. **Law of Tort**
 - 6.1 Nature of tort
 - 6.2 General defenses under tort
 - 6.3 Negligence
 - 6.4 Types of liabilities in tort
 - 6.5 Trespass
 - 6.6 Limitation and survival of actions
 - 6.7 Remedies in tort
 - 6.8 Principles in awards damages
 - 6.9 Defamation

- 7. **Law of Contract**
 - 7.1 Definition of a contract
 - 7.2 Classification of contracts
 - 7.3 Essentials of a valid contract
 - 7.4 Terms of a contract
 - 7.5 Exemption clauses
 - 7.6 Vitiating factors
 - 7.7 Discharge of contract
 - 7.8 Remedies for breach of a contract
 - 7.9 Limitation of actions
 - 7.10 Contract negotiation
 - 7.11 Information technology and the law of contract

8. **Sale of Goods**
- 8.1 Nature of the contract of sale of goods
 - 8.2 Types of goods
 - 8.3 Formalities of the contract
 - 8.4 Terms of the contract
 - 8.5 Implied terms by statute, custom/usage
 - 8.6 Rights and duties of the parties
 - 8.7 Remedies for price and breach of contract
 - 8.8 Auction sales
 - 8.9 International contracts of sale: FAS, FOB, CIF, FCA, CPT, CIP, DAT, DAP, DDP, CFR, DAF, DDU, Ex-works and Ex-ship
9. **Agency**
- 9.1 Meaning and nature of the agency contract
 - 9.2 Types of agents
 - 9.3 Parties to the agency relationship
 - 9.4 Creation of agency
 - 9.5 Authority of an agent
 - 9.6 Rights and duties of the parties
 - 9.7 Personal liability of agents
 - 9.8 Liability of the parties
 - 9.9 Termination of agency
10. **Partnership**
- 10.1 Nature of partnership
 - 10.2 Registration process and requirements of partnership business
 - 10.3 Types of partnerships
 - 10.4 Rights, duties and liabilities of existing, incoming and minor partners
 - 10.5 Management of partnerships
 - 10.6 Dissolution of partnerships and its consequences
11. **Indemnity and Guarantees**
- 11.1 Essential features of indemnity
 - 11.2 Nature and extent of liability of indemnifier
 - 11.3 Commencement of liability of indemnifier
 - 11.4 Nature of the contracts; essential features of contract guarantee; distinction between contract of guarantee/ indemnity extent of nature and surety
 - 11.5 Obligations of surety
 - 11.6 Discharge of surety
 - 11.7 Letters of credit
 - 11.8 Rights and duties of the parties
 - 11.9 Termination of the contract
 - 11.10 Remedies for breach of contract
12. **Insurance**
- 12.1 Nature of the contract; types, parties to negotiable instrument
 - 12.2 Formalities of the contract
 - 12.3 Types of risks
 - 12.4 Parties to the contract of insurance
 - 12.5 Principles of insurance
 - 12.6 Types of insurance

- 12.7 Transfers and amalgamation
- 12.8 Termination of the contract
- 12.9 ICT and insurance

- 13. **Negotiable Instruments**
 - 13.1 Nature and characteristics
 - 13.2 Negotiability of the instrument
 - 13.3 Types: Cheques, promissory notes, bills of exchange
 - 13.4 Types of crossings
 - 13.5 Obligations of the parties
 - 13.6 Banker- customer relationship
 - 13.7 Presentment; purpose, time, place
 - 13.8 Discharge from liability
 - 13.9 Modes of discharge
 - 13.10 Dishonour, mode of dishonour, nature of protest, penalties for dishonour
 - 13.11 Acceptance for honour
 - 13.12 Criminal liability

- 14. **The Law of Property**
 - 14.1 Definition of property
 - 14.2 Classification of property (real and personal, movable and immovable, tangible and intangible)
 - 14.3 Property in land: Private, public and community land
 - 14.4 Interests in land: Estates, servitudes and encumbrances
 - 14.5 Intellectual property: Plant breeder's patents, trademarks, copyrights and industrial designs
 - 14.6 Administration and management of land
 - 14.7 Sectional properties
 - 14.8 Management company
 - 14.9 Obligations of lessor and lessee in sessional property Act
 - 14.10 Transfer of land rights
 - 14.11 Role of professionals (Advocates, Certified Secretaries) in land transactions

- 15. **Introduction to corporate governance**
 - 15.1 Corporate governance – Definition and objects
 - 15.2 Principles of corporate governance
 - 15.3 Best practice in corporate governance
 - 15.4 Role of stakeholders (shareholders, Board of Directors, Government)
 - 15.5 Conflict of interest - Investor education and protection of shareholders
 - 15.6 Compliance obligations
 - 15.7 Legal Audit- definition and objects

- 16. **Professional Ethics**
 - 16.1 Introduction and overview of professional ethics
 - 16.2 Professional misconduct
 - 16.3 Publicity and advertisement
 - 16.4 Morality and etiquette
 - 16.5 Professional ethics for accountants, corporate secretaries
 - 16.6 Ethics and practice within a firm
 - 16.7 Enforcement of professional ethics and standards

PAPER NO. 4 ECONOMICS

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitude to identify the impact and interaction of economic principles in various situations and apply the principles in decision making.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply basic mathematical and graphical techniques to analyse economic relationships
- Apply the knowledge of economics in decision making
- Analyse economic problems and suggest possible policy related recommendations
- Apply knowledge of economics in international trade and finance
- Relate economics to income levels and development in a country

CONTENT

1. Microeconomics

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

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

1.2 Demand, supply and determination of equilibrium

1.2.1 Demand analysis

1.2.1.1 Definition

1.2.1.2 Law of demand

1.2.1.3 Exceptional demand curves

1.2.1.4 Individual demand versus market demand

1.2.1.5 Factors influencing demand

1.2.1.6 Types of demand

1.2.1.7 Movement along and shifts of demand curves

1.2.1.8 Elasticity of demand

1.2.1.9 Types of elasticity: price, income and cross elasticity

1.2.1.10 Measurement of elasticity; point and arc elasticity

1.2.1.11 Factors influencing elasticity of demand

1.2.1.12 Application of elasticity of demand

1.2.2 Supply analysis

1.2.2.1 Definition

1.2.2.2 Individual versus market supply

1.2.2.3 Factors influencing supply

1.2.2.4 Movements along and shifts of supply curves

1.2.2.5 Definition of elasticity of supply

1.2.2.6 Price elasticity of supply

1.2.2.7 Factors influencing elasticity of supply

1.2.2.8 Application of elasticity of supply

1.2.3 Determination of equilibrium

- 1.2.3.1 Interaction of supply and demand, equilibrium price and quantity
- 1.2.3.2 Mathematical approach to equilibrium analysis
- 1.2.3.3 Stable versus unstable equilibrium
- 1.2.3.4 Effects of shifts in demand and supply on market equilibrium
- 1.2.3.5 Effect of taxes and subsidies on market equilibrium
- 1.2.3.6 Price controls: Maximum and Minimum price control
- 1.2.3.7 Price decontrol: Effect of Minimum and Maximum price decontrol
- 1.2.3.8 Reasons for price fluctuations in agriculture

1.2.4 The theory of consumer behaviour

- 1.2.4.1 Approaches to the theory of the consumer - cardinal versus ordinal approach
- 1.2.4.2 Utility analysis, marginal utility (MU), law of diminishing marginal utility (DMU)
- 1.2.4.3 Limitations of cardinal approach
- 1.2.4.4 Indifference curve analysis; Indifference curve and budget line
- 1.2.4.5 Consumer equilibrium; effects of changes in prices and incomes on consumer equilibrium
- 1.2.4.6 Derivation of a demand curve
- 1.2.4.7 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
- 1.2.4.8 Consumer surplus/Marshallian surplus

1.2.5 The theory of a firm

- 1.2.5.1 The theory of production
 - 1.2.5.1.1 Factors of production
 - 1.2.5.1.2 Mobility of factors of production
 - 1.2.5.1.3 Short run analysis
 - 1.2.5.1.4 Total product, average and marginal products
 - 1.2.5.1.5 Stages in production and the law of variable proportions/the law of diminishing returns
 - 1.2.5.1.6 Long run analysis
 - 1.2.5.1.7 Isoquant and isocost lines
 - 1.2.5.1.8 The concept of producer equilibrium and firm's expansion curve
 - 1.2.5.1.9 Law of diminishing returns to scale
 - 1.2.5.1.10 Demand and supply of factors of production
 - 1.2.5.1.11 Wage determination: demand and supply for labour
 - 1.2.5.1.12 Wage differential
 - 1.2.5.1.13 Trade unions: functions, effectiveness and challenges
 - 1.2.5.1.14 Transfer earnings and economic rent

1.2.6 **The theory of costs**

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

1.2.7 **Market structures**

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

2. **Macroeconomics**

2.1 **National income**

- 2.1.1 Definition of national income
- 2.1.2 Circular flow of income
- 2.1.3 Methods/approaches to measuring national income
- 2.1.4 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
- 2.1.5 Difficulties in measuring national income
- 2.1.6 Uses of income statistics
- 2.1.7 Analysis of consumption, saving and investment and their interaction in a simple economic model
- 2.1.8 Mathematical approach to the determination of equilibrium national income
- 2.1.9 Inflationary and deflationary gaps
- 2.1.10 The multiplier and accelerator concepts
- 2.1.11 Business cycles/cyclical fluctuations

2.2 **Economic growth, economic development and economic planning**

- 2.2.1 The differences between economic growth and economic development
- 2.2.2 Actual and potential growth
- 2.2.3 The benefits and costs of economic growth
- 2.2.4 Determinants of economic development
- 2.2.5 Common characteristics of developing countries
- 2.2.6 Obstacles to economic development
- 2.2.7 The need for development planning
- 2.2.8 Short term, medium term and long term planning tools
- 2.2.9 Challenges to economic planning in developing countries

2.3 **Money and banking**

2.3.1 **Money**

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

- 2.3.2 **The banking system**
 - 2.3.2.1 Definition of commercial banks
 - 2.3.2.2 The role of commercial banks and non-banking financial institutions in the economy
 - 2.3.2.3 Credit creation
 - 2.3.2.4 Definition of central bank
 - 2.3.2.5 The role of the central bank; traditional and changing role in a liberalised economy, such as financial sector reform, exchange rate reform
 - 2.3.2.6 Monetary policy, definition, objectives, instruments and limitations
 - 2.3.2.7 Classical theory of interest rate determination
 - 2.3.2.8 Interest rates and their effects on the level of investment, output, inflation and employment
 - 2.3.2.9 Harmonisation of fiscal and monetary policies
 - 2.3.2.10 Simple IS - LM Model
 - 2.3.2.11 Partial equilibrium and general equilibrium
- 2.4 **Inflation and unemployment**
 - 2.4.1 **Inflation**
 - 2.4.1.1 Definition and types of inflation
 - 2.4.1.2 Causes of inflation: cost push and demand pull
 - 2.4.1.3 Effects of inflation
 - 2.4.1.4 Measures to control inflation
 - 2.4.2 **Unemployment**
 - 2.4.2.1 Definition of unemployment
 - 2.4.2.2 Types and causes of unemployment
 - 2.4.2.3 Control measures of unemployment
 - 2.4.2.4 Relationship between unemployment and inflation: The Phillips curve
 - 2.4.3 **Agriculture and Industry**
 - 2.4.3.1 Role of agriculture in economic development
 - 2.4.3.2 Challenges facing agricultural sector in developing countries
 - 2.4.3.3 Policies to improve the agricultural sector
 - 2.4.3.4 Role of industry in economic development
 - 2.4.3.5 Benefits of small scale industries in developing countries
 - 2.4.3.6 Obstacles to industrial development in developing countries
 - 2.4.3.7 Policies to enhance industrial development in developing countries
 - 2.4.4 **International trade and finance**
 - 2.4.4.1 Definition of International trade, advantages and disadvantages
 - 2.4.4.2 Theory of absolute advantage and comparative advantage
 - 2.4.4.3 World trade organisation (WTO) and concerns of developing countries
 - 2.4.4.4 Protection in international trade
 - 2.4.4.5 Regional integration organisations, commodity agreements and the relevance to less developed countries (LDCs)

- 2.4.4.6 Terms of trade, balance of trade, balance of payments (causes and methods of correcting deficits in balance of payments)
- 2.4.4.7 Exchange rates: Types of foreign exchange regimes, factors influencing exchange rates, foreign exchange reserves
- 2.4.4.8 Foreign Direct Investment: case for and case against FDI
- 2.4.4.9 Foreign Aid: Case for and case against foreign aid
- 2.4.4.10 Bretton Woods financial institutions: International Monetary Fund (IMF) and World Bank
- 2.4.4.11 Foreign debt management: causes, consequences of excessive debt and interventions
- 2.4.4.12 Structural Adjustment Programmes (SAPs) and their impacts on the LDCs

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PAPER NO. 5 QUANTITATIVE ANALYSIS

UNIT DESCRIPTION

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

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Use mathematical techniques to solve business problems.
- Apply set and probability theories in business decision making
- Apply operation research techniques in decision making
- Apply hypothesis testing in analysing business situations
- Apply linear programming to solve practical business problems

CONTENT

1. Mathematical Techniques

1.1 Functions

- 1.1.1 Definition
- 1.1.2 Functions, equations, inequalities and graphs; linear, quadratic, cubic, Exponential and logarithmic functions
- 1.1.3 Application of mathematical functions in solving business problems

1.2 Matrix Algebra

- 1.2.1 Definition
- 1.2.2 Types and operations (addition, subtraction, multiplication, transposition and inversion of up to order 3×3)
- 1.2.3 Application of matrices; statistical modelling, Markov analysis, input-output analysis and general applications

1.3 Calculus

1.4 Differentiation

- 1.4.1 Definition
- 1.4.2 Rules of differentiation (general rule, chain, product, quotient)
- 1.4.3 Differentiation of exponential and logarithmic functions
- 1.4.4 Turning points (maxima, minima and inflexion)
- 1.4.5 Application of differentiation to business problems

1.5 Integration

- 1.5.1 Definition
- 1.5.2 Rules of integration (general rule)
- 1.5.3 Integration of exponential and logarithmic functions

1.5.4 Applications of integration to business problems

1.6 Descriptive Statistics

1.6.1 Measures of central tendency: mean: arithmetic mean, weighted arithmetic mean; geometric mean, harmonic mean, median and mode

1.6.2 Measures of dispersion: range, quartile, deciles, percentiles, mean deviation, standard deviation and coefficient of variation

1.6.2.1 Measures of skewness: Pearson's coefficient of skewness, product coefficient of skewness

1.6.2.2 Measures of kurtosis: Pearson's coefficient of kurtosis, product coefficient of kurtosis

2. Probability

2.1 Set Theory

2.2 Definition

2.3 Types of sets

2.4 Set description; enumeration and descriptive properties of sets

2.5 Venn diagrams (order - Venn diagrams precede operation of sets)

2.6 Operations of sets; union, intersection, complement and difference

2.7 Probability Theory and Distribution

2.7.1 Probability Theory

2.7.2 Definitions; event, outcome, experiment, sample space, probability space

2.7.3 Types of events: elementary, compound, dependent, independent, mutually exclusive, exhaustive, mutually inclusive

2.7.4 Laws of probability; additive and multiplicative laws

2.7.5 Conditional probability and probability trees

2.7.6 Expected value, variance, standard deviation and coefficient of variation using frequency and probability

2.7.7 Application of probability and probability distributions to business problems

2.8 Probability Distributions

2.8.1 Discrete and continuous probability distributions Z, F, test statistics (geometric, uniform, normal, t distribution, binomial, Poisson and exponential and chi-square)

2.8.2 Application of probability distributions to business problems

3. Hypothesis Testing and Estimation

3.1 The arithmetic mean and standard deviation

3.2 Hypothesis tests on the mean (when population standard deviation is unknown)

3.3 Hypothesis tests on proportions

3.4 Hypothesis tests on the difference between two proportions using Z and t statistics

3.5 Chi-Square tests of goodness of fit and independence

3.6 Hypothesis testing using R statistical software

4. Correlation and Regression Analysis

4.1 Correlation Analysis

4.1.1 Scatter diagrams

4.1.2 Measures of correlation - product-moment and rank correlation coefficients (Pearson and Spearman) using R software

5. **Regression Analysis**

5.1.1 Simple and multiple linear regression analysis

5.1.2 Assumptions of linear regression analysis

5.1.3 Coefficient of determination, standard error of the estimate, standard error of the slope, t and F statistics

6. **Time series**

6.1 Definition of time series

6.2 Components of time series (circular, seasonal, cyclical, irregular/ random, trend)

6.3 Application of time series

6.4 Methods of fitting trend; freehand, semi-averages, moving averages, least-squares methods

6.5 Models - additive and multiplicative models

6.6 Measurement of seasonal variation using additive and multiplicative models

6.7 Forecasting time series value using moving averages, ordinary least squares method and exponential smoothing

7. **Linear programming**

7.1 Definition of decision variables, objective function and constraints

7.2 Assumptions of linear programming

7.3 Solving linear programming using graphical method

7.4 Solving linear programming using simplex method (basic scenarios)

8 **Decision Theory**

8.1 Definition

8.2 Decision-making process

8.3 Decision-making environment; deterministic situation (certainty)

8.4 Decision making under risk - expected monetary value, expected opportunity loss, risk using the coefficient of variation, the expected value of perfect information

8.5 Decision trees - sequential decision, the expected value of sample information

8.6 Decision making under uncertainty - maximin, maximax, minimax regret, Hurwicz decision rule, Laplace decision rule.

PAPER NO. 6 INFORMATION COMMUNICATION TECHNOLOGY

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply information communication technology effectively in solving business problems, decision making and in adapting to new working environments.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate proficiency in decision making using contemporary information communication technology tools
- Use various application packages to solve business issues
- Use data communication networks, the Internet and e-commerce in optimising business opportunities
- Apply data security measures and procedures
- Implement information systems legal, ethical and social issues.

Note to trainers: Trainers are advised to use a practical approach in offering tuition for this unit through infusing practical demonstrations in a computerized environment.

CONTENT

1. **Introduction to information communication technology (ICT)**
 - 1.1 Introduction to information communication technology
 - 1.2 Computer hardware
 - 1.3 Computer software
 - 1.4 Programming languages and tools
 - 1.5 Information systems personnel and hierarchy
 - 1.6 Role of ICT in business environments
 - 1.7 Information centres
 - 1.8 Impact of ICT in business
2. **Overview of operating systems**
 - 2.1 Overview of an operating system
 - 2.2 Functions of an operating system
 - 2.3 Types of operating systems
 - 2.4 Computer booting
 - 2.5 Selection and acquisition of operating systems
3. **An overview of application packages**
 - 3.1 Word processing
 - 3.1.1 Features of a word processor
 - 3.1.2 Formatting and editing text
 - 3.1.3 Creating and formatting tables
 - 3.2 Spreadsheets

- 3.2.1 Features of a spreadsheet program
- 3.2.2 Formatting and editing spreadsheet
- 3.2.3 Formulas
- 3.2.4 Functions; sum, average,min, max, IPMT, NPV,PMT,PV, VLOOKUP, HLOOKUP, COUNT, IF, sumif
- 3.2.5 Charts and graphs
- 3.2.6 Working with pivot tables
- 3.2.7 Linking formulas in different worksheets
- 3.2.8 What if analysis; Goal seek and solver
- 3.3 Presentation software
 - 3.3.1 Features of a presentation program
 - 3.3.2 Typing and formatting text in slide
 - 3.3.3 Slide show
- 3.4 Computerised accounting software
 - 3.4.1 Capturing data
 - 3.4.2 Features of accounting software
- 4 Computer networks**
 - 4.1 Computer networks concepts
 - 4.2 Computer network hardware and software
 - 4.3 Data transmission media
 - 4.4 Types of computer networks
 - 4.5 Advantages and limitations of networking
 - 4.6 Cloud computing concepts, features and models
 - 4.7 Internet of things (IoT)
- 5 The Internet**
 - 5.1 Introduction to the Internet
 - 5.2 Applications of Internet
 - 5.2.1 Using search engines
 - 5.2.2 E-mails
 - 5.2.3 Electronic communication
 - 5.3 Internet services – e-mails, www, instant messaging
 - 5.4 Internet service providers (ISPs)
 - 5.5 Applications of internet
 - 5.6 Online collaborative tools; cloud sheets and cloud documents
 - 5.7 Impact of internet on society
- 6 Data security**
 - 6.1 Overview of data security
 - 6.2 Threats and controls
 - 6.3 Data backup and restoration procedures
- 7 Information systems in an enterprise**
 - 7.1 Overview of information systems
 - 7.2 Components of an information system
 - 7.3 Types and characteristics of information systems
 - 7.4 Systems in a functional perspective
 - 7.5 Enterprise applications and the business process integration

- 8 **e-Commerce**
- 8.1 e-commerce concepts and features
 - 8.2 Models of e-commerce
 - 8.3 Impact of the internet on business
 - 8.4 E-commerce enabling software
 - 8.5 Business opportunities in e-commerce
 - 8.6 E-commerce infrastructure and platforms
 - 8.7 E-commerce payments methods
 - 8.8 Challenges of e-commerce
 - 8.9 Securing e-commerce transactions
 - 8.10 M-commerce and applications
 - 8.11 Digital marketing methods
9. **Mobile devices and applications**
- 9.1 Overview of mobile computing
 - 9.2 Types of mobile devices
 - 9.3 Uses of mobile devices
 - 9.4 Overview of mobile applications
 - 9.5 Mobile browsers
10. **Systems analysis and design**
- 10.1 Elements of information systems
 - 10.2 Systems theory
 - 10.3 Types of information systems
 - 10.4 Personnel involved in systems analysis and design
 - 10.5 Systems analysis and design concepts
 - 10.6 Systems development life cycle (SDLC)
 - 10.6.1 Definition of systems development life cycle
 - 10.6.2 Phases of SDLC
 - 10.6.3 Advantages and disadvantages of SDLC
 - 10.7 Requirements elicitation
 - 10.7.1 Stakeholder analysis
 - 10.7.2 Need for requirements gathering
 - 10.7.3 Process for requirements gathering
 - 10.7.4 Requirements gathering tools and techniques
 - 10.7.5 Gap analysis
 - 10.7.6 Prioritisation of requirements
11. **Legal, ethical and social issues in information systems**
- 11.1 Information systems ethical and social concerns
 - 11.2 The moral dimension of information systems
 - 11.3 The legal issues in information systems

INTERMEDIATE LEVEL
PAPER NO. 7 COMPANY LAW

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply and comply with the provisions of Company Law in relevant circumstances and environments and further to demonstrate knowledge of the law and regulations governing corporate entities and ensure compliance in practice.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply legal principles relating to formation of companies
- Evaluate the rights and obligations of members and shareholders
- Comply with the legal principles governing liquidation of corporates
- Comply with the legal principles governing restructuring of companies
- Comply with the legal principles relating to companies incorporated outside the country
- Comply with the legal requirements relating to the financing of companies.

CONTENT

1. **Nature and classification of companies**
 - 1.1 Nature and characteristics of a company
 - 1.2 Types of companies
 - 1.3 Principle of legal personality and veil of incorporation
 - 1.4 Distinction between companies and other forms of business associations sole proprietorships, partnerships and cooperative societies.
2. **Formation of companies**
 - 2.1 Promoters and pre-incorporation contracts and deeds.
 - 2.2 Process and drafting documents required to form a company.
 - 2.3 Rules relating to company names
 - 2.4 Memorandum and articles of association
 - 2.5 Certificate of incorporation
 - 2.6 Effects of incorporation
 - 2.7 Execution of a company's documents
 - 2.8 Alteration of status of companies
3. **Membership of a company**
 - 3.1 Acquisition of membership
 - 3.2 Register of members
 - 3.3 Rights and liabilities of members
 - 3.4 Cessation of membership
 - 3.5 Register of a company's beneficial owners
 - 3.6 Derivative actions.
4. **Shares**
 - 4.1 Classes of shares

- 4.2 Variation of class rights
 - 4.3 Share certificates
 - 4.4 Issue and allotment
 - 4.5 Transfer and transmission
 - 4.6 Transfer of shares under central depository system
 - 4.7 Mortgaging and charging of shares
5. **Share capital**
- 5.1 Meaning and types of share capital
 - 5.2 Raising of share capital
 - 5.3 Prospectus/information memorandum
 - 5.4 Maintenance of capital
 - 5.5 Alteration and Consolidation of share capital
 - 5.6 Dividends
6. **Debt capital**
- 6.1 Borrowing powers of a company
 - 6.2 Company assets that can secure a company's borrowings
 - 6.3 Company debentures
 - 6.4 Company charges
 - 6.5 Meetings and resolutions in respect of debt capital
 - 6.6 Registration of charges
 - 6.7 Remedies for debenture holders
7. **Company meetings**
- 7.1 Nature and classification of company meetings
 - 7.2 Types of company meetings held to execute various functions of company meetings
 - 7.3 Methods of holding company meetings
 - 7.4 Essentials of a valid physical, virtual and hybrid meeting Voting
 - 7.5 Resolutions
 - 7.6 Drafting resolutions
 - 7.7 Protection of minority shareholders
8. **Company Directors**
- 8.1 Qualifications, appointment and disqualification
 - 8.2 Powers and duties of directors
 - 8.3 Removal and vacation of office
 - 8.4 Register of directors
 - 8.5 Remuneration of directors
 - 8.6 Loans to directors
 - 8.7 Compensation for loss of office
 - 8.8 Disclosure of director's interest in contracts
 - 8.9 The rule in Turquand's case/Indoor Management rule
 - 8.10 Insider dealing
9. **The Company Secretary**
- 9.1 Qualification, appointment and removal
 - 9.2 Powers and duties of the Company Secretary
 - 9.3 Liability of the Company Secretary
 - 9.4 Register of Secretaries

10. **Auditors**
 - 10.1 Qualification, appointment and removal
 - 10.2 Remuneration of auditors
 - 10.3 Powers and duties
 - 10.4 Rights and liabilities
11. **Company accounts**
 - 11.1 Books of accounts
 - 11.2 Form and content of accounts
 - 11.3 Group accounts
 - 11.4 Director's report
12. **Audit of Company Accounts**
 - 12.1 Auditor's report
 - 12.2 Annual returns
13. **Company Investigation**
 - 13.1 Investigation of company affairs
 - 13.2 Appointment and powers of inspectors
 - 13.3 Inspector's report
14. **Corporate restructuring**
 - 14.1 Need for restructuring
 - 14.2 Mergers
 - 14.3 Post - merger reorganisation of a company's share capital
 - 14.4 Takeovers and acquisitions
 - 14.5 Mergers and divisions of public companies
 - 14.6 Compromises, arrangements, reconstructions and amalgamations
15. **Receivership, Administration, Liquidation and Dissolution of companies**
 - 15.1 Meaning of receivership, administration and dissolution
 - 15.2 Appointment and vacation of office by the Official Receiver
 - 15.3 Powers and duties of a receiver
 - 15.4 Termination of receivership
 - 15.5 Appointment of an administrator
 - 15.6 Functions and powers of an administrator
 - 15.7 Process of administration
 - 15.8 Termination of appointment and replacement of administrators
 - 15.9 Company voluntary arrangements
 - 15.10 Meaning of liquidation
 - 15.11 Types of liquidation
 - 15.12 Appointment, powers and duties of liquidators
 - 15.13 Discharge of liquidators
 - 15.14 Distribution of assets and dissolution of companies
16. **Foreign Companies**
 - 16.1 Process of registering a company
 - 16.2 Certificate of registration
 - 16.3 Power to hold land
 - 16.4 Registration of charges
 - 16.5 Accounts of foreign companies
 - 16.6 Service of process and notices on foreign companies
 - 16.7 Returns

- 16.8 Penalties
- 16.9 Cessation of business

PAPER NO.8 FINANCIAL MANAGEMENT

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to effectively manage, control and optimize on institutional finances.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Explain the nature and scope of financial management
- Describe the nature and functions of financial institutions and markets
- Analyse the sources of finance for an organisation and evaluate various financing options
- Evaluate various investment decision scenarios available to an organisation
- Evaluate the performance of a firm using relevant financial tools
- Make appropriate capital structure decisions for a firm, Value financial assets and firms
- Make appropriate liquidity and dividend decisions for a firm
- Evaluate current developments in the field of finance and their impact on financial decisions

CONTENT

1. Overview of financial management

- 1.1 Theoretical framework of financial management - The role and responsibilities of a finance manager towards shareholders, employees, society, government and other stakeholders.
- 1.2 Goals of a firm and corporate strategy; financial and non-financial objectives, overlaps and conflicts among the objectives
- 1.3 Agency theory, stakeholder's theory and corporate governance
- 1.4 Measuring managerial performance, compensation and incentives
- 1.5 Ethical issues in financial management

2. The financing decision

- 2.1 Nature and objectives of the financing decision
- 2.2 Factors to consider when making financing decisions
- 2.3 Sources of finances for enterprises; internally generated funds and the externally generated funds, long term sources (equity, debt, hybrids, lease finance, venture capital, business angel finance, private equity, asset securitisation and sale, Islamic finance and initial coin offerings), medium term sources such as medium term loans and hire purchase financing and short term sources of finance such as overdraft finance, trade credit, issue of commercial papers, accruals, deferred income; characteristics of each source of finance, pros and cons of the various sources of finance.
- 2.4 Evaluation of financing options
- 2.5 Methods of issuing ordinary shares - Public issue, private placement, bonus issue, employee stock option plans (ESOPS) and rights issues

3. Financial institutions and markets

- 3.1 Overview of a financial system - Financial markets, financial institutions and financial instruments

- 3.2 Nature and role of financial markets - primary and secondary securities market, money and the capital markets, over-the counter and organised market, derivatives market, mortgage market, forex market
 - 3.3 Nairobi securities exchange (NSE, or equivalent entity in other jurisdictions) - The role and functions of the securities exchange, securities exchange terminologies, security exchange listing and cross border listing, share indices, timing of investment at the securities exchange, Central depository system and automated trading system, de-mutualisation
 - 3.4 Stock market indices
 - 3.5 Central depository system and automated trading system
 - 3.6 Timing of investment at the securities exchange - Dow theory and Hatch system of timing
 - 3.7 The financial institutions and intermediaries: commercial banks, savings and loans associations and co-operative societies, foreign exchange bureaus, unit trusts and mutual funds, insurance companies and pension firms, insurance agencies and brokerage firms, investment companies, investment banks and stock brokerage firms, micro-finance institutions and small and medium enterprises (SMEs)
 - 3.8 Regulation of financial markets; Central bank of Kenya (CBK, or equivalent entity in other jurisdictions) - The role of the Central bank and the Monetary policy of the central bank; Capital market authority and the Insurance regulatory authority
 - 3.9 Factors responsible for the rapid development of financial institutions and markets
 - 3.10 Risks facing financial institutions
4. **Time-value of money**
- 4.1 Concept of time value of money
 - 4.2 Relevance of the concept of time value of money in financial management
 - 4.3 Time value of money versus time preference of money
 - 4.4 Time line
 - 4.5 Real versus nominal cash flows
 - 4.6 Compounding techniques - Compound interest, Future value (FV) of a single cash flow and series of cash flows; Compounding of annuity cash flows
 - 4.7 Discounting techniques - Present value (PV) of a future cash flow and series of future cash flows and discounting of annuity cash flows
 - 4.8 Loan amortisation and sinking funds
5. **Business/Financial asset Valuation models**
- 5.1 Concept of value; book value, going concern value, substitution value, replacement value, conversion value, liquidation value, intrinsic value and market value
 - 5.2 Reasons for valuing financial assets/business
 - 5.3 Theories on valuation of financial assets; fundamental theory, technical theory, random walk theory and the efficient market hypothesis
 - 5.4 Valuation of redeemable, irredeemable and convertible debentures/ corporate bonds
 - 5.5 Valuation of redeemable, irredeemable and convertible preference shares
 - 5.6 Valuation of ordinary shares; net asset basis, price-earnings ratio basis, capitalisation of earnings basis, Gordon's model, finite earnings growth model, Super-profit model, Walter's model, discounted free cash flow, residual income

- model, Use of relative measures such as Economic Value added (EVA) and Market Value Added (MVA)
- 5.7 Valuation of rights issues
 - 5.8 Valuation of unit trusts and mutual funds
 - 5.9 Valuation of private companies: income and market-based approaches
- 6. Introduction to capital structure decisions**
- 6.1 The meaning of capital structure and the factors to be taken into account when making capital structure decision.
 - 6.2 Cost of capital; Meaning of cost of capital, practical applications of cost of capital, component costs of capital
 - 6.3 The firm's overall cost of capital; Weighted average cost of capital (WACC), Weighted marginal cost of capital (WMCC) and factors influencing the firm's Cost of capital.
 - 6.4 Leverage and Risk; Operating leverage and Operating risk, financial leverage and financial risk and total leverage and total risk.
 - 6.5 Analysis of Operating profit (EBIT), Earning per share (EPS) at the point of indifference in the firm's earnings; Determination of the range of firm's operating profit (EBIT) within which each financing option will be recommended
- 7. Introduction to Capital budgeting decisions**
- 7.1 The nature and importance of capital investment decisions
 - 7.2 Capital budgeting process
 - 7.3 Capital investment's cash flows - initial cash outlay, terminal cash flows and annual net operating cash flows, incremental approach to cash flow estimation
 - 7.4 Capital investment appraisal techniques
 - 7.5 Non-discounted cash flow methods - payback period and accounting rate of return
 - 7.6 Discounted cash flow methods - net-present value, internal rate of return, profitability index, discounted payback period and modified internal rate of return (MIRR)
 - 7.7 Strengths and weaknesses of the investment appraisal techniques
 - 7.8 Expected relations among an investment's NPV, company value and share price
 - 7.9 Capital investment options - timing option, strategic investment option, replacement option and abandonment option
 - 7.10 Problems/difficulties encountered when making capital investment decisions in reality
- 8. Financial statements analysis and forecasting**
- 8.1 Scope of financial statement analysis, major financial statements and other information sources, financial statement analysis frame work and users of financial statements and their information needs
 - 8.2 Financial Statement analysis verses Business analysis
 - 8.3 Techniques of financial Statement analysis; Cross-Sectional analysis, Time series analysis and a combination of both techniques.
 - 8.4 Types of financial statement analysis
 - 8.5 Ratio analysis; nature of financial ratios, classification and calculation of financial ratios and limitation of financial ratios
 - 8.6 Common size statements - Vertical and horizontal analysis
 - 8.7 Financial forecasting; cash budgeting and percentage of sales method of forecasting

9. **Working capital management**
 - 9.1 Introduction and concepts of working capital
 - 9.2 Working capital versus working capital management
 - 9.3 Factors influencing working capital requirements of a firm
 - 9.4 Types of working capital
 - 9.5 Importance and objectives of working capital management
 - 9.6 Working capital operating cycle; the importance and computation of the working capital operating cycle
 - 9.7 Working capital financing policies: Aggressive, conservative and matching financing policy
 - 9.8 Determining the finance mix: basic approaches for determining an appropriate Working Capital finance mix; Hedging or matching approach, conservative approach, aggressive approach.
 - 9.9 Management of inventory: kinds of inventory, objectives of Inventory Management, Techniques of Inventory Management; stock levels, Economic Order Quantity (EOQ) and Just-In-Time(JIT).
 - 9.10 Cash Management; Motives of holding cash, techniques of managing cash, cash management models-Baumol model, Miller-Orr model and Orgler's model
 - 9.11 Management of accounts receivable and accounts payable; assessing creditworthiness, collecting amounts owing, trade credit
10. **Dividend decision**
 - 10.1 Meaning and significance of dividend policy
 - 10.2 Factors influencing dividend policy
 - 10.3 Forms of dividend: script dividend, cash dividend, stock dividend, bond dividend, property dividend
 - 10.4 Dividend theories; Bird in hand theory, Clientele effect theory, Information signalling theory, Walter's model, Gordon Model, Tax differential theory, Modigliani and Miller dividend irrelevance theory
 - 10.5 Types of dividend policy: regular dividend policy, stable dividend policy, irregular dividend policy, zero dividend policy.
 - 10.6 The impact of dividend payout on share price
11. **Introduction to portfolio analysis**
 - 11.1 Introduction - Risk-return trade off/relationship, Distinction between risk free and risky assets
 - 11.2 Expected return, Standard deviation of returns and the Relative risk of an individual asset
 - 11.3 Expected return of a 2 asset-portfolio
 - 11.4 The Covariance and correlation coefficient of returns of assets.
 - 11.5 The actual portfolio risk of a 2-asset portfolio using the analytical and mathematical model and its interpretation
12. **Islamic finance**
 - 12.1 Justification for Islamic Finance; history of Islamic finance; capitalism; halal; haram; riba; gharar; usury
 - 12.2 Benefits and deficiencies of Islamic Finance
 - 12.3 Principles underlying Islamic finance: principle of not paying or charging interest, principle of not investing in forbidden items; ethical investing; moral purchases

- 12.4 The concept of interest (riba) and how returns are made by Islamic financial securities
 - 12.5 Sources of finance in Islamic financing
 - 12.6 Types of Islamic financial products:- sharia-compliant products: Islamic investment funds; takaful the Islamic version of insurance Islamic mortgage, murabahah, Leasing - ijara; safekeeping - Wadiah; sukuk - islamic bonds and securitisation; sovereign - sukuk; Islamic investment funds; Joint venture - Musharaka, Islamic banking, Islamic contracts, Islamic treasury products and hedging products, Islamic equity funds; Islamic derivatives
 - 12.7 International standardisation/regulations of Islamic Finance: case for standardisation using religious and prudential guidance, National regulators, Islamic Financial Services Board
13. **Personal financial management**
- 13.1 Financial Problems encountered in managing individual financial affairs
 - 13.2 Savings and investment considerations
 - 13.3 Personal risk management
 - 13.4 Cost of credit
 - 13.5 Financial Alterations - Retirements; Estate and Tax planning and family budgeting
14. **Contemporary issues and emerging trends**
- 14.1 Globalisation and growth of derivative markets and securitisation
 - 14.2 Cryptocurrency
 - 14.3 Block chain technology
 - 14.4 Cloud funding
 - 14.5 Digitisation of financial transactions
 - 14.6 Behavioural finance
 - 14.7 Big data project finance

PAPER NO. 9 FINANCIAL REPORTING AND ANALYSIS

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to account for more complex financial transactions and to prepare as well as analyse financial statements in the private and public sectors.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

1. **Accounting for Assets and Liabilities [Assets and liabilities as covered in Financial Accounting (Foundation Level) are also relevant here]**
 - 1.1 Investment Property
 - 1.2 Assets used in exploring for and evaluation of mineral resources
 - 1.3 Non-current assets held for sale
 - 1.4 Financial Assets and Financial Liabilities (Recognition, Classification, Initial measurement, subsequent measurement, reclassifications and de-recognition)
 - 1.5 Leases (Exclude Sale and Leaseback and dealers in leasing assets)
 - 1.6 Current and Deferred tax
 - 1.7 Government grants
 - 1.8 Provisions, contingent liabilities and assets
2. **Accounting for Specialized Transactions**
 - 2.1 Revenue recognition (Basic application of revenue recognition principles to Hire Purchase, Consignment sales, construction contracts and joint arrangements)
 - 2.2 Effects of changes in exchange rates (Only foreign currency denominated transactions)
 - 2.3 Borrowing Costs
3. **Preparation of Financial Statements for different entities/Transactions**
 - 3.1 Conversion of a partnership into a company
 - 3.2 Professional firms (Accountants, Lawyers, doctors, engineers)
 - 3.3 Agricultural activities and farming

- 3.4 Pension plans
- 3.5 Cooperative Societies
- 4. **Preparation of Published Financial Statements**
 - 4.1 Presentation of Financial Statements (Statement of Profit or Loss, other comprehensive incomes, Statement of Financial Position and Statement of cash flows)
 - 4.2 Accounting Policies, Changes in Accounting Estimates and Errors
 - 4.3 Events after the Reporting Period
 - 4.4 Discontinued Operations
- 5. **Accounting and Financial Statements for Interests in Other Entities**
 - 5.1 Subsidiaries (Basic Consolidated Financial Statements with one subsidiary - excluding disposals and statement of cash flows)
 - 5.2 Associates and Joint ventures
 - 5.3 Accounting treatment of investments in subsidiaries, associates and jointly controlled entities in the financial statement of the investor (Separate financial statements)
 - 5.4 Branches (Only autonomous and local branches)
- 6. **Public Sector Accounting Standards**
 - 6.1 Presentation of Financial Statements
 - 6.2 Accounting Policies, Changes in Accounting Estimates and Errors
 - 6.3 Effects of Changes in Foreign Exchange Rates
 - 6.4 Revenue from exchange transactions and revenue from non-exchange transactions
 - 6.5 Property, plant and equipment, investment property and intangible assets
 - 6.6 Provisions, contingent liabilities and contingent assets
 - 6.7 Presentation of budget information in Financial Statements
- 7. **Analysing Financial Statements**
 - 7.1 Analysing financial statements using ratios covered in Financial Accounting
 - 7.2 Analysing Financial Statements using common size approach for the statement of profit or loss and statement of financial position

PAPER NO. 10 AUDITING AND ASSURANCE

UNIT DESCRIPTION

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

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate an understanding of the regulatory framework governing the external audit of financial statements
- Demonstrate an understanding of International Standards on Auditing where appropriate and *the International Code of Ethics for Professional Accountants (including International Independence Standards)*
- Implement the process of planning an audit, prepare audit programs and effectively conduct an audit
- Undertake audit risk assessments (excluding group accounts)
- Apply the risk based audit approach to audit of limited companies
- Prepare non - complex audit reports for audit engagements.

CONTENT

1. **Nature and purpose of an audit**
 - 1.1 Nature and objectives of an audit
 - 1.2 Development of audit (early audit and modern audit)
 - 1.3 Users of audited financial statements
 - 1.4 Features of audits
 - 1.5 Distinction between auditing and accounting
 - 1.6 Types and classification of audits
 - 1.7 Situations when different audits are performed (interim, continuous, final, operational)
 - 1.8 Advantages and disadvantages of various types of audits
 - 1.9 Nature of work done for different audits
 - 1.10 Inherent limitations of an audit
2. **Assurance and non- assurance engagements**
 - 2.1 Definition and objectives of assurance engagements
 - 2.2 Audit as an assurance engagement
 - 2.3 Elements of an assurance engagement
 - 2.4 Types of assurance engagements (Audit, Review assignments)
 - 2.5 Differences between audit and review engagements
 - 2.6 International Standard on Assurance Engagement-ISA 3000
 - 2.7 Accepting appointment to perform assurance engagement
 - 2.8 Review of interim financial information - ISRE 2410

- 2.9 Levels of assurance and reports issued on assurance engagements
- 2.10 Non-assurance engagements (Agreed upon procedures engagement -ISRS 4400 and compilation assignments-ISRS 4410)
- 2.11 Attestation and direct reporting engagements

3. Legal and professional framework

- 3.1 Regulatory framework for external audits
 - 3.1.1 Appointment of the auditors
 - 3.1.2 Qualifications and disqualifications of auditors
 - 3.1.3 Removal and resignation of auditors
 - 3.1.4 Remuneration of the auditors
 - 3.1.5 Rights and duties of auditors
 - 3.1.6 Mechanisms of regulations of auditors-role of professional bodies, Audit committee, rotation of audit firms
- 3.2 Professional ethics/code of ethics for professional accountants
 - 3.2.1 Importance of the professional ethics
 - 3.2.2 Basic/fundamental principles for Code of Ethics for accountants
 - 3.2.3 Other professional guidelines on audit fees, conflict of interest, advertising and publicity and opinion shopping by clients
 - 3.2.4 Auditors independence /objectivity and its importance
 - 3.2.5 Threats to independence and safeguards.
- 3.3 Threats on adherence to other fundamental principles and safeguards to the threats
- 3.4 Development and status of ISAs in execution of audits
- 3.5 Relationship between International Standards of Auditing and National Auditing Standards
- 3.6 Purposes/importance of adoption of ISA in the audit.

4. Planning and Risk Assessment

- 4.1 Obtaining, accepting and retention of an audit engagement
 - 4.1.1 Matters to consider before and after acceptance of nomination
 - 4.1.2 Pre-conditions of an audit
 - 4.1.3 Engagement letter, procedure of sending letter, purposes and contents of the letter-ISA 210
 - 4.1.4 Circumstances for revision of engagement terms
 - 4.1.5 Understanding the entity and its environment
 - 4.1.5.1 Background information about the entity or client.
 - 4.1.5.2 Ways of gathering knowledge about the business
 - 4.1.5.3 Reasons/importance of information gathered about the client
 - 4.1.5.4 Reasons of review of previous audit files and communication with previous auditors
 - 4.1.6 Overview of audit process

5. Audit risk assessment

- 5.1 Components of audit risk (Inherent, Control and Inherent risks)
- 5.2 Assessment of different types of audit risks
- 5.3 Factors leading to increase or decrease of inherent, control and detection risks
- 5.4 Adoption of risk based audit, reasons and procedure
- 5.5 Advantages and Disadvantages of the approach
- 5.6 Evaluating and prioritising risk and control factors
- 5.7 Mechanisms to minimise the risks associated with client audits.

6. Audit planning

- 6.1 Purpose and challenges in audit planning
- 6.2 Planning for new and existing clients
- 6.3 Development of the overall audit strategy
- 6.4 Contents of audit planning memorandum/ overall plan
- 6.5 Relationship between audit strategy and audit plan
- 6.6 Design of audit programs, importance and problems of the programs
- 6.7 Impact of material misstatements on audit strategy and degree of work done
- 6.8 Influence of interim audit work on the year end/final audit.

7. Audit documentation

- 7.1 Reasons and importance of audit documentation
- 7.2 Sources, features and purposes of working papers
- 7.3 Storage of working papers-permanent audit file and current audit file, auditors note book or diary
- 7.4 Lien or custody on working papers
- 7.5 Standardisation of working papers - advantages and disadvantages
- 7.6 Safe custody and retention of working papers
- 7.7 Form and content of working papers
- 7.8 Automated working papers
- 7.9 Quality control policies and procedures implemented by audit firm
- 7.10 Objectives of quality controls to the audit firm/ auditors
- 7.11 Peer review and its objectives

8. Internal control systems and Internal Audit Function

8.1 Internal control systems (ICS)

- 8.1.1 Objectives of internal control system
- 8.1.2 Component of internal control system
- 8.1.3 Features of Internal control system
- 8.1.4 Designing of internal control system.
- 8.1.5 Auditors and management responsibility over ICS
- 8.1.6 Advantages and disadvantages /inherent limitations of ICS
- 8.1.7 Indicators of weaknesses in ICS and actions taken by management
- 8.1.8 The evaluation of internal control systems by auditors using Internal Control Questionnaire, Flow charts and narrative notes
- 8.1.10 Tests of controls on specific control environments
- 8.1.11 Internal controls theory and practice-sales and debtors, purchases and creditors, inventories and work in progress, fixed assets, salaries and wages

- 8.1.12 Communication of improvements on ICS weaknesses/ risks associated - Management letter.

9. Internal Audit Function

- 9.1 Scope and objectives of internal audit
- 9.2 Criteria of using internal audit work
- 9.3 Areas of support on external auditors' work
- 9.4 Internal audit review reports and actions by management and those charged with governance
- 9.5 Design of risk based internal audit plan
- 9.6 Internal audit key performance indicators
- 9.7 Managing and monitoring follow up of audit recommendations made to board/ management.
- 9.8 Outsourcing internal audit function-advantages and disadvantages.
- 9.9 Audit committee-functions, merits and demerits.
- 9.10 Internal check systems-scope, features, advantages and disadvantages
- 9.11 Information technology threats and control
- 9.12 Auditors duty on compliance with laws and regulations.

10. Overview of Forensic Accounting, Errors, Frauds and Irregularities

- 10.1 Overview of forensic accounting
 - 10.1.1 Nature, purpose and scope of forensic accounting
 - 10.1.2 Types of forensic investigations: corruption, asset misappropriation, financial statement fraud, others
 - 10.1.3 Asset Recovery process and legal framework

11. Errors, Frauds and Irregularities

- 11.1 Differences between error and frauds
- 11.2 Types of errors-omission, commission, principle, reversal of entries
- 11.3 Types of Frauds-Teeming and lading, ghost employees, window dressing, misappropriation of goods and fraudulent financial reporting
- 11.4 Causes of frauds and fraud triangle
- 11.5 Indicators of errors and frauds
- 11.6 Detection and prevention of errors and frauds and deterrence-role of internal audit
- 11.7 Materiality and Implications of errors and frauds in the financial statements
- 11.8 Impact of errors and frauds on the audit plan
- 11.9 Reporting on error and frauds
- 11.10 External auditors and Management responsibility on error and frauds
- 11.11 Auditors professional skepticism.

12. Audit evidence

12.1 Financial statement assertions and audit evidence

- 12.2 Types and features of audit evidence (sufficiency, reliability and relevance)
- 12.3 Audit evidence gathering procedures/ techniques
- 12.4 Materiality and limitations of audit evidence
- 12.5 Financial statement assertions and audit evidence
- 12.6 Audit sampling techniques - statistical and non-statistical
- 12.7 Analytical reviews procedures- nature, objectives, timing and extent of support

- evidence
- 12.8 Types of analytical Procedures-Variance analysis, reasonableness tests, trend analysis
- 12.9 Using the work of experts- areas of support and considerations
- 12.10 Using management representations (importance, procedures adopted and matters covered).

13. Auditing in the public sector

- 13.1 Introduction to auditing in the public sector and regulatory provisions**
- 13.2 Objective and scope of public sector audit (compliance, performance, financial, value for money)
- 13.3 Establishment, mandate and functions of public sector auditors
- 13.4 The parties to audit in public sector-auditor, responsible party and intended users
- 13.5 Role of internal audit function in public entities
- 13.6 Relationship between external and internal auditors in the public sector
- 13.7 Audit reports by office of Auditor General.
- 13.8 Functions of audit advisory board and executive committee in Auditor General office.

14. Auditors Reports

- 14.1 Purposes of auditors' report and concept of true and fair view
- 14.2 Legal /Statutory provisions on audit reports
- 14.3 Basic elements contents of audit reports
- 14.4 Emphasis of the matter paragraph and key audit matters
- 14.5 Types and Consequences of different types of audit reports issued.
- 14.6 Features of unqualified and qualified audit reports
- 14.7 Reasons for qualifications of audit reports (Limitation of scope, inherent uncertainties, disagreements)
- 14.8 Types of qualifications-disclaimer, except for and adverse opinions.
- 14.9 Overall audit review and finalisation
- 14.10 Subsequent events/Post balance sheet events review (adjusting and non - adjusting events, auditor's responsibility and audit procedures)
- 14.11 Going concern review (Auditors and management responsibility, indicators of going concern difficulties, audit procedures, mitigation plans and reporting)
- 14.12 Management representations on contentious matters affecting financial statements like guarantees made, capital commitments, borrowings, unusual accounting adjustments.
- 14.13 Review of compliance with accounting policies, opening balances, prior period audits by other auditors
- 14.14 Format for presentation of independent auditor's report.

15. Auditing in a computerised system

- 15.1 Audit objectives in computerised systems
- 15.2 Differences between computerised and manual systems
- 15.3 Benefits and drawbacks of computerised accounting systems
- 15.4 Types of controls in computerised systems (Administrative, system development, processing controls, application controls, master files and standing data)

- 15.5 Auditors use of computers in the course of audit
- 15.6 Planning the audit in computerised systems
- 15.7 Audit approaches - audit around, with and through the computer and circumstances when each is applied
- 15.8 Loss of audit trail, causes and measures to mitigate the loss of audit trail
- 15.9 Computer Assisted Audit Techniques (CAATS) - Audit software and test data
- 15.10 Types of audit software and functions and types of test data
- 15.11 Factors considered before using CAATS and steps in CAATS application
- 15.12 Advantages and disadvantages of CAATS
- 15.13 Use of embedded audit modules and integrated test facilities
- 15.14 Information security controls (Encryption, Firewalls, Passwords, Antivirus)

16. Contemporary and emerging issues in audit

- 16.1** E- commerce auditing
- 16.2 Cloud documentation
- 16.3 Use of data analytics tools in audit (Anomaly detection, diagnostic analysis, predictive analysis).

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PAPER NO. 11 MANAGEMENT ACCOUNTING

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply the principles of cost estimation and cost and management accounting techniques and methods for decision making.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

1. **The context of management accounting:**
 - 1.1 Definition and scope of Cost and Management accounting
 - 1.2 Role of Management Accounting in decision making
 - 1.3 Users of Management accounting information
 - 1.4 Cost accounting as a subset of management accounting
 - 1.5 Management accounting and financial accounting
 - 1.6 Difference between management accounting and financial accounting
 - 1.7 Relationship between Management accountant and other managers
 - 1.8 Limitations of management accounting
2. **Costing terms and concepts**
 - 2.1 Cost definition and identification
 - 2.2 Cost classification
 - 2.3 Cost classification bases; by time; by behaviour; by function; identification with stock; by relevance for decision making; by management control
 - 2.4 Types of cost systems
 - 2.5 Maintaining a cost database
3. **Introduction to cost estimation**
 - 3.1 Non-mathematical methods
 - 3.1.1 Accounts Analysis method
 - 3.1.2 High-Low method

- 3.1.3 Industrial Engineering method
- 3.2 Mathematical methods
 - 3.2.1 Scatter graph method
 - 3.2.2 Ordinary Least Square method (simple regression only)
- 4. **Cost accumulation**
 - 4.1 **Accounting for direct material cost**
 - 4.1.1 Introduction to Material costing
 - 4.1.2 Objectives of material control
 - 4.1.3 Essential requirements of material control system
 - 4.1.4 Centralised and decentralized purchasing
 - 4.1.5 Periodic inventory system
 - 4.1.6 Perpetual inventory system
 - 4.1.7 Setting stock levels
 - 4.1.8 Factors influencing stock levels
 - 4.1.9 Relevant cost for inventory management
 - 4.1.10 The Economic Order Quantity
 - 4.2 Valuing inventory issues using FIFO, LIFO, standard cost method, weighted average, simple average and replacement cost method
 - 4.3 Accounting for direct labour cost
 - 4.3.1 Methods of labour remuneration
 - 4.3.2 Bonus schemes
 - 4.3.3 Factors influencing wages
 - 4.4 Accounting for overhead cost
 - 4.4.1 Overhead apportionment
 - 4.4.2 Primary overhead distribution
 - 4.4.3 Secondary overhead distribution methods (continuous allocation method, algebraic method, direct allocation method, sequential allocation method)
 - 4.4.4 Absorption of overheads
- 5. **Activity based costing**
 - 5.1 Meaning of activity-based costing
 - 5.2 Distinction between activity-based costing and the Traditional absorption costing
 - 5.3 Classification of cost drivers
 - 5.4 The hierarchy of cost drivers
 - 5.5 Overhead absorption rates - ABC
 - 5.6 Income statements - one unit
 - 5.7 Income statement - total output/sales
- 6. **Product costing methods**
 - 6.1 Introduction to costing methods
 - 6.2 Specific order costing; Job order costing; Batch costing
 - 6.3 Continuous operation costing; Process costing (normal process losses; abnormal process losses/gains); treatment of closing work in progress; treatment of opening work in progress (FIFO and Weighted Average cost methods); Process costing for joint products and by-products; distinction between joint-products and by-products
 - 6.4 Service costing
- 7. **Marginal and absorption costing**

- 7.1 Differences between marginal costing and absorption costing
 - 7.2 comparative income statements
 - 7.3 Arguments for the use of marginal costing
 - 7.4 Arguments for the use of absorption costing
 - 7.5 Reconciliation statement
8. **Cost-volume profit analysis (break-even analysis)**
- 8.1 Introduction to C-V-P analysis
 - 8.2 Assumptions of C-V-P analysis
 - 8.3 Break-even chart
 - 8.4 Profit-volume chart
 - 8.5 Single product C-V-P analysis
 - 8.6 Multiple product C-V-P analysis
 - 8.7 Limitations of C-V-P Analysis
 - 8.8 Applications of marginal costing in decision making (make/buy decisions; discontinue a product; choice of a product where limiting factor exists; acceptance of a special offer); overriding considerations to the above decisions
9. **Budgetary control**
- 9.1 Introduction to budgets
 - 9.1.1 Essential features of a budget
 - 9.1.2 Objectives of budgetary control
 - 9.1.3 Difference between forecasts and budgets
 - 9.2 Types of budgets
 - 9.2.1 Classification based on time (long-term budgets, short-term budgets and current budgets)
 - 9.2.2 Classification based on functions (functional/subsidiary budgets, master budgets)
 - 9.2.3 Classification based on capacity (fixed budgets, flexible budgets)
 - 9.3 Preparation of budgets
 - 9.3.1 Functional budgets including cash budget and master budget
 - 9.3.2 Fixed and flexible budgets
10. **Standard costing and variance analysis**
- 10.1 Introduction
 - 10.1.1 Types of standards (basic standards, ideal standards, attainable standards)
 - 10.1.2 Advantages and disadvantages of standard costing
 - 10.2 Variance analysis
 - 10.2.1 Material cost variances (usage variance, price variance)
 - 10.2.2 Labour cost variances (efficiency variance, rate variance)
 - 10.2.3 Variable overhead variances (expenditure variance, efficiency variance)
 - 10.2.4 Fixed overhead variances (expenditure variance, capacity variance, efficiency variance and volume variance)
 - 10.2.5 Sales variances
 - 10.3 Causes of the various variances and remedies

PAPER NO. 12 PUBLIC FINANCE AND TAXATION

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply public financial management principles, implement public financial management regulations at middle management levels and to prepare non-complex tax computations for individuals and corporates.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Apply public financial management requirements in practice in non-complex environments in both the public and private sectors
- Compute taxes for various individuals and entities
- Apply the written taxation laws in addressing various tax issues
- File tax returns
- Undertake non-complex tax reviews.

CONTENT

1. **Introduction to Public Financial Management**
 - 1.1 Nature and scope of public finance
 - 1.2 Sources of public finance
 - 1.3 Objectives of the Public Financial Management Act and Financial regulations
 - 1.4 Budget process for national, county and public entities, Development plan preparation, Treasury circulars, Cash flow projections, Budget estimates and revenue raising measures.
 - 1.5 Role of the National Treasury and County Treasuries with respect to the management and control of public finance.

2. **Relationship between National and County Governments on budget and economic matters**
 - 2.1 The process of sharing revenue between national and county governments and among the county governments: Factors considered and formula used
 - 2.2 Division of revenue bill and county allocation of revenue bill
 - 2.3 The role of the Commission on Revenue on Allocation (COR)
 - 2.4 The role of the Council of Governors in county financial management

- 2.5 National Government public funds: The Consolidated Fund; The Contingency fund; The Equalisation fund and Other National Government public funds
- 2.6 County Government public funds; County Revenue Fund; County Government Emergency Funds and other county public funds
- 2.7 County government revenue sources.
- 3. **Oversight Function in Public Finance Management**
 - 3.1 The role of National Assembly: Responsibilities of the National Assembly budget committee in public finance matters
 - 3.2 The role of Senate: Responsibilities of the Senate budget committee in public finance matters
 - 3.3 The role of Parliamentary Budget Office
 - 3.4 The role of Auditor General
 - 3.5 The role of Internal Audit
 - 3.6 Role of Controller of Budget
 - 3.7 The role of public sector accounting standards board
- 4. **Procurement in public entities**
 - 4.1 Introduction to Public Procurement and Disposal (PPD) Act
 - 4.2 Procurement guidelines as envisaged by PPD Act
 - 4.3 Procurement process by National, County and other public entities: The role of the National Treasury, Public Procurement Regulatory Authority and Public Procurement Administrative Review Board
 - 4.4 Tendering process and selection of suppliers in public sector
 - 4.5 Concept of e-procurement
- 5. **Public Private Partnerships Arrangements**
 - 5.1 Rationale and justification for Public Private Partnerships
 - 5.2 Establishment of Public Private Partnerships (PPP) Unit in the National Treasury
 - 5.3 Contract/project agreements, guidelines and standards
 - 5.4 Composition and role of PPP petition committee
 - 5.5 Establishment and role of PPP project facilitation fund
- 6. **Public Debt Management**
 - 6.1 Establishment of debt management office
 - 6.2 Objectives of debt management in public sector
 - 6.3 Sources of public debt in Kenya
 - 6.4 Management of debts by county governments and other public entities
 - 6.5 Role of the Cabinet Secretary of the National Treasury in public debt management
 - 6.6 Measures that can be adopted to reduce public debt
- 7. **Introduction to Taxation**
 - 7.1 Definition of Tax, Taxation and Types of taxes in Kenya
 - 7.2 History of taxation
 - 7.3 Classification of taxes; Tax shifting and Factors that determine tax shifting
 - 7.4 Principles of an optimal tax system
 - 7.5 Types of tax systems; Single versus multiple tax systems
 - 7.6 Purposes of taxation/Why the government levy taxes
 - 7.7 Tax evasion and tax avoidance
 - 7.8 Taxable capacity
 - 7.9 Budgetary and Fiscal policies

7.10 The Revenue Authority; Structure, Functions, Large and Medium Taxpayers Office mandate

8. Taxation of Income

8.1 Introduction

8.1.1 Basis of charging tax in Kenya: Section 3 of the Income Tax Act

8.1.2 Concept of residency and Criteria of taxing income in Kenya.

8.1.3 Taxable and non-taxable persons

8.1.4 Specified Sources of income

8.1.5 Incomes exempted from taxation

8.2 Taxation of Employment income

8.2.1 Taxable cash and non-cash benefits/rewards received from employment

8.2.2 Non-taxable cash and non-cash benefits/rewards received from employment

8.2.3 Allowable deductions against employment income

8.2.4 Tax credits (withholding tax, personal and insurance relief, others)

8.2.5 Taxation of lumpsum payment for services rendered and services that would have been rendered; Gratuity, terminal dues, compensation for loss of office.

8.2.6 Operations of PAYE systems: Preparation of PAYE returns, categories of employees, multiple sources of income, irregularly paid employees, casual workers, PAYE audit and triggers

8.2.7 Other Statutory deductions (NSSF and NHIF)

8.2.8 All these should be illustrated with relevant computations including PAYE computations

8.3 Taxation of Business Income

8.3.1 Introduction to taxation of business income including criteria of taxing business income

8.3.2 Income Tax Act provisions on computation of business income

8.3.3 Allowable and disallowable business expenses and taxable business income

8.3.4 Taxable business income and tax payable computations in respect of:

8.3.4.1 Sole proprietorship

8.3.4.2 Partnerships (excluding admissions, retirement of partners and conversions)

8.3.4.3 Incorporated entities (excluding specialised institutions)

8.4 Taxation of rental income and royalties

8.5 Taxation of Farming income

8.6 Taxation of Investment income (Dividend and interest income)

8.7 Turnover tax and Minimal tax

8.8 Taxation of Capital gains

8.9 Taxation of Digital income; digital service tax and Digital service tax agents

8.10 Withholding Tax

8.10.1 Income subject to withholding tax (Dividends, Interest, management and profession fees, royalties)

8.10.2 Withholding Tax Rates on Residents and non-residents

8.10.3 Introduction to Double Tax Agreements and the impact on withholding tax payments

All the above should be illustrated with relevant basic computations.

9. **Investment Allowances/deductions**
- 9.1 Introduction to capital allowances and Rationale for capital deductions
 - 9.2 Types of capital allowances; Theory and computations
 - 9.3 Investment deductions; Ordinary manufacturers
 - 9.4 Industrial building deductions
 - 9.5 Wear and tear allowances
 - 9.6 Farm works deductions
 - 9.7 Shipping investment deduction
 - 9.8 Other deductions
- All the above should be illustrated with relevant computations
10. **Administration of Income Tax and Tax Procedures**
- 10.1 Registration and deregistration of tax payers
 - 10.2 Personal identification number: Issue, uses, cancellation of a PIN
 - 10.3 Taxpayer's tax representative: Appointment, liabilities and obligations
 - 10.4 Tax Returns and Assessments: Self-assessment, Default assessment, Advance assessment, Amendment of assessments
 - 10.5 Collection, recovery and refund of taxes
 - 10.6 Tax Decisions, Objections, Appeals and Relief of mistakes
 - 10.7 Voluntary Tax Disclosure Program
 - 10.8 Administrative penalties and offences
 - 10.9 Application of ICT in taxation: Practical use of iTax to file the returns
11. **Administration of Value Added Tax (VAT)**
- 11.1 Introduction to VAT, Basis of charging VAT and VAT rates
 - 11.2 Rights and obligations of VAT taxable person
 - 11.3 Registration and deregistration of businesses for VAT
 - 11.4 Key terms in VAT: Input tax, Output tax, Supply, Time of supply/Tax point and Taxable value of a supply/Value for VAT supported with relevant calculations
 - 11.5 Deduction of input tax
 - 11.6 Accounting for VAT and VAT records
 - 11.7 Taxable and non-taxable supplies: Zero rated supplies, Exempt goods and exempt services including restriction of input tax claim.
 - 11.8 Privileged persons and institutions
 - 11.9 Withholding VAT and withholding VAT agents
 - 11.10 VAT returns and assessments including VAT Auto Assessments
 - 11.11 Remission, rebate and refund of VAT
 - 11.12 Changes to be notified to the commissioner
 - 11.13 Offences, fines, penalties and interest
12. **Customs Taxes and Excise Taxes**
- 12.1 Purpose of customs and excise duties
 - 12.2 Imposition of customs duty
 - 12.3 Customs procedure
 - 12.4 Bonded warehouse and bond securities
 - 12.5 Goods subject to customs control
 - 12.6 Refund of duty
 - 12.7 The Simba System/Integrated Customs Management System
 - 12.8 Imposition of excise duty
 - 12.9 Excisable goods under excise control
 - 12.10 Application for excise duty (licensing), issue of licences, Suspension and Cancellation of Licences

- 12.11 Excise stamps and Excisable goods management system
 - 12.12 Refund of excise duty
 - 12.13 Excise duty returns and payments
 - 12.14 Offences and penalties
13. **Miscellaneous fees and levies**
- 13.1 Export levy
 - 13.2 Import Declaration fee (IDF)
 - 13.3 Railway Development Levy (RDL)
 - 13.4 Stamp duty
 - 13.5 Catering levy
 - 13.6 Motor vehicle advance tax
 - 13.7 Betting, Lotteries & Gaming taxes

ADVANCED LEVEL

PAPER NO.13 LEADERSHIP AND MANAGEMENT

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply and demonstrate leadership and management skills to grow an enterprise under various circumstances and environments including under uncertainties.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Demonstrate an understanding of leadership techniques and management principles
- Apply knowledge of leadership and management theories in organizations
- Effectively undertake management functions
- Make rational management decisions in an organisational context
- Embrace and manage strategic change.

CONTENT

1. **Introduction to management**
 - 1.1 Nature of management
 - 1.2 Importance of management
 - 1.3 Levels of management
 - 1.4 Multi-disciplinary nature of management
 - 1.5 Roles of management as advocated by Henry Mintzberg
 - 1.6 The changing roles of management and managers
 - 1.7 Qualities of an effective manager
 - 1.8 Management and administration

2. **Evolution and development of management thought**
 - 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 theories

2.2.4 Mary Parker Follett's Management theory

2.3 Modern management theories

2.3.1 Quantitative thinking

2.3.2 Systems thinking

2.3.3 Contingency thinking

3. Leading as a function of management

3.1 Differences between management and leadership

3.2 Attributes and skills of a good leader

3.3 Delegation, responsibility and accountability

3.4 Power, authority and accountability

4. Other Functions of management

4.1 Planning function:

4.1.1 Introduction to planning

4.1.2 Importance of planning

4.1.3 Planning process

4.1.4 Types of plans

4.1.5 Approaches to planning

4.2 Organising function

4.2.1 Meaning and importance of organising

4.2.2 Factors affecting the organising function

4.2.3 Process of organising

4.2.4 Principles of organising

4.2.5 Organisational structures

4.3 Staffing function

4.3.1 Meaning and importance of staffing

4.3.2 Staffing process

4.3.3 Factors that affect the staffing function

4.3.4 Components of the staffing function

4.4 Controlling function

4.4.1 Meaning and importance of control

4.4.2 Steps in the control process

4.4.3 Types of control

- 4.4.4 Controlling for organisational and employee performance
- 4.4.5 Tools for measuring performance
- 4.4.6 Essentials of an effective control system

5. Environmental Analysis

- 5.1 Micro-environment
- 5.2 Macro-environment
- 5.3 Internal environment
- 5.4 External environment
- 5.5 Tools of environmental analysis

6. Leadership approaches and strategy

- 6.1 Leadership traits
- 6.2 Leadership styles
- 6.3 Leadership skills
- 6.4 Formulation of an organisation's strategic direction
- 6.5 Differences between transactional leadership and transformational leadership
- 6.6 Conflict resolution mechanisms
- 6.7 Ethics in leadership

7. Decision making

- 7.1 Importance of decision making
- 7.2 Decision making models/approaches
- 7.3 Types of decisions
- 7.4 Decision making process
- 7.5 Problem solving skills
- 7.6 Decision making under different conditions
- 7.7 Challenges in decision making
- 7.8 Effective decision making

8. Enterprise management

- 8.1 Meaning and concept of entrepreneurship
- 8.2 Intrapreneurship
- 8.3 Entrepreneurial development
- 8.4 Enhancing creativity and innovation in organisations
- 8.5 Methods of generating ideas
- 8.6 Introduction to business plan
- 8.7 Protection of intellectual properties

9. Project management

- 9.1 Project management concepts
- 9.2 Characteristics of a project

- 9.3 Importance of projects
- 9.4 Features of projects and baseline surveys
- 9.5 Illustration of the Project life cycle
- 9.6 Project planning and organising
- 9.7 Project resources and costing
- 9.8 Project completion and evaluation

10. **Marketing management**

- 10.1 Meaning and importance of marketing
- 10.2 Marketing management orientation/philosophies
- 10.3 Marketing mix
- 10.4 Development of marketing information
- 10.5 Marketing strategies
- 10.6 Marketing research and intelligence
- 10.7 International marketing and e-commerce

11. **Leadership and Strategic Change**

- 11.1 Meaning of change
- 11.2 Theories of change
- 11.3 Types of organisational change
- 11.4 Managing resistance to change
- 11.5 Diagnosing the change context
- 11.6 Levers for strategic change
- 11.7 Methods of introducing strategic change
- 11.8 Problems of formal change programmes
- 11.9 Leading Change

12. **Case Studies in Leadership and Management**

PAPER NO. 14 ADVANCED FINANCIAL REPORTING AND ANALYSIS

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to account for more complex transactions, prepare advanced financial statements and reports in the private and public sectors and demonstrate awareness of trends in accounting practice.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

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

CONTENT

1. **Accounting for Assets and Liabilities**
 - 1.1 (Assets and Liabilities as covered in Financial Accounting and Financial Reporting are also relevant here)
 - 1.2 Leases Including Sale and leaseback and dealers in leased assets
 - 1.3 Deferred Tax (With group aspects)
 - 1.4 Employee Benefits
 - 1.5 Share Based Payments
 - 1.6 Financial Assets and Financial Liabilities (Impairment, Hedging, Embedded Derivatives and Disclosures)
 - 1.7 Fair Value Measurement
 - 1.8 Impairment of Assets
2. **Preparation of Financial Statements for Interests in Other entities**
 - 2.1 Subsidiaries (Including foreign subsidiaries, piecemeal acquisitions, reduction in shareholding and disposals as well as statement of cash flows)
 - 2.2 Accounting for Associates and Joint Ventures (Including foreign entities)
 - 2.3 Disclosures of interests in other entities

3. **Preparation of Financial Statements for other entities**
 - 3.1 Financial Statements for Banks
 - 3.2 Financial Statements for Insurance Companies
 - 3.3 Interim Financial Statements
 - 3.4 Financial Statements in a hyperinflationary economy (including the preparation of financial statements)
 - 3.5 Financial Statements complying with IFRS for SMEs.
4. **Analysing Financial Statements**
 - 4.1 Earnings Per Share
 - 4.2 Related Party Disclosures
 - 4.3 Operating Segments
 - 4.4 Financial Reorganisations and reconstructions
5. **Public Sector Accounting Standards**
 - 5.1 Segment Reporting
 - 5.2 Related Party Disclosures
 - 5.3 Impairment of cash generating assets and non-cash generating assets
 - 5.4 Disclosure of information about the general government sector
 - 5.5 Consolidated Financial Statements
 - 5.6 Investments in Associates and Joint Ventures
6. **Other Reports and Emerging Issues in Financial Reporting**
 - 6.1 The conceptual Framework and the process of developing new accounting standards
 - 6.2 Proposals to revise/update existing standards and recommendations to issue new ones (Discussions Papers and Exposure drafts)
(The Examinations Board shall provide guidelines on which Discussion Papers and Exposure drafts are examinable for specific years)
 - 6.3 Management Commentary (Management Discussion and Analysis)
 - 6.4 Capital Markets Authority Corporate Governance Reporting Requirements
 - 6.5 Global Reporting Initiatives Guidelines on Sustainability Reporting
 - 6.6 Integrated Reporting
 - 6.7 Materiality Guidelines for Financial Reporting
 - 6.8 Legal and Ethical issues in Financial Reporting.

PAPER NO. 15 ADVANCED FINANCIAL MANAGEMENT

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply advanced financial management techniques and methods in a practical work environment in both private and public sectors.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Make advanced capital budgeting decisions and make appropriate capital structure decisions for an organisation
- Evaluate portfolios and apply the capital asset pricing model and other multifactor Models in financial decision making
- Apply the relevant models and skills in prediction of corporate failure
- Apply derivatives in financial risk management and apply international finance concepts.
- Evaluate mergers and acquisitions
- Undertake corporate restructuring and re-organisation
- Apply valuation techniques in real estate finance.

CONTENT

1. **Advanced capital budgeting decision**
 - 1.1 Incorporating risk/uncertainty in capital investment decisions
 - 1.2 Techniques of handling risk: Basic Methods of analysis - Expected Monetary Value (EMV), The Standard deviation and Coefficient of Variation
 - 1.3 Advanced Methods of analysis; sensitivity analysis, scenario analysis, decision trees, simulation analysis, utility analysis, risk adjusted discounting rate (RADR) and certainty equivalent method
 - 1.4 Impact of financing on investment decisions - the concept of adjusted present value (APV)
 - 1.5 Incorporating capital rationing in capital investment appraisal; Single period capital rationing with divisible projects; Multi-period capital rationing with divisible capital investments.
 - 1.6 Incorporating inflation in capital investment appraisal

- 1.7 Evaluation of projects of unequal lives; The equivalent annual annuity approach and the Replacement chain analysis (Constant scale finite period replication criteria)
 - 1.8 Project duration as a measure of risk
 - 1.9 The real options in Capital Budgeting-Characteristics of the real Options; Types of Options in Capital investment Appraisal-Strategic investment option (Expansionary Option), Timing option (Option to delay a project), abandonment option (Option to Withdraw a project), the replacement option and the Option to re-deploy a project, challenges in use of options in investment analysis.
 - 1.10 Common capital budgeting pitfalls
- 2. Portfolio theory and analysis**
- 2.1 The modern portfolio theory: background of the theory; portfolio expected return; the actual and weighted portfolio risk; derivation of efficient sets; the capital market line (CML) model and its applications, the mean variance dominance rule; shortcomings of portfolio theory
 - 2.2 Capital Asset Pricing Model-CAPM: background of the theory; assumptions; beta estimation - beta coefficient of an individual asset and that of a portfolio and the interpretation of the result; security market line (SML) model and its applications; conceptual differences between portfolio theory and capital asset pricing model; shortcomings of the CAPM
 - 2.3 International CAPM and Behavioural CAPM
 - 2.4 The Arbitrage pricing model (APM) and other multifactor models: background of the theory; conceptual differences between the Capital asset pricing model and the Arbitrage pricing model; application of the Arbitrage pricing model, shortcomings of Arbitrage pricing model; Pastor Stambaugh model
 - 2.5 Evaluation of portfolio performance: Treynor's measure, Sharpe's measure, Jensen's measure, appraisal ratio measure, information ratio, Modigliani and Modigliani (M^2)
- 3. Advanced financing decision**
- 3.1 The nature of financing decision, principle objectives of making financing decision
 - 3.2 Analysis of breakpoints in weighted marginal cost of capital schedule (more than two breakpoints)
 - 3.3 Capital structure theories: nature of capital structure; factors influencing the firm's capital structure; traditional theories of capital structure - assumptions of the theories, Net income theory and Net operating income theory; Franco Modigliani and Merton Miller's propositions - MM without taxes, MM with corporation taxes, MM with corporation and personal tax rates and MM with taxes and financial distress costs; other theories of capital structure; the pecking order theory; Static Trade-off theory and Agency effects, determination of the firm's optimal capital structure using the Hamada model, CAPM and WACC
 - 3.4 Long term financing decisions; bond refinancing decision, lease-buy evaluation and rights issues
 - 3.5 Assess an organisation's debt exposure to interest rate changes using the simple Macaulay duration and modified duration methods
 - 3.6 Benefits and limitations of duration including the impact of convexity
- 4. Mergers and acquisitions**
- 4.1 Nature of mergers and acquisitions

- 4.2 Arguments for and against the use of acquisitions and mergers as a method of corporate expansion Acquisition and Mergers verses organic growth
- 4.3 Valuation of acquisitions and mergers: problem of overvaluation; valuation models- 'Book value-plus' models, Market based models, cash flow models; apply appropriate methods, such as: risk-adjusted cost of capital, adjusted net present values and changing price/earnings multipliers resulting from the acquisition or merger, to the valuation process where appropriate Prediction of a takeover target: criteria for choosing an appropriate target for acquisition
- 4.4 Defence tactics against hostile takeovers
- 4.5 Financing of mergers and acquisitions: Outright purchase using cash, share for share exchange, share- Debenture exchange and share- preference share exchange, Analysis of combined operating profit (EBIT) and post-acquisition earning per share at the point of indifference in firm's earnings under various financing options and Determination of range of combined operating profit within which to recommend a financing option
- 4.6 Financial Evaluation of mergers and acquisitions – Post merger/Acquisition EPS, Post Merger/Acquisition MPS
- 4.7 Regulatory framework for mergers and acquisitions
- 4.8 Valuation of firms/ Shares for Mergers and acquisition Purposes- Use of Net asset basis, P/E ratio basis, Dividend growth model, Super profits model, Capital asset pricing Model and the Discounted free cash flow basis.
- 4.9 Reasons why there are failed mergers and acquisitions
- 4.10 Mergers and acquisitions in the Kenyan, regional and global context

5. Corporate restructuring and re-organisation

- 5.1 Background on restructuring and reorganisation
- 5.2 Indicators/symptoms of restructuring
- 5.3 Causes of financial distress
- 5.4 Forms of financial distress and solutions to financial distress
- 5.5 Considerations in designing an appropriate restructuring programme
- 5.6 Financial reconstruction: forms of financial reconstruction; impact of financial reconstruction on share price; impact of financial reconstruction on the weighted Average cost of capital (WACC)
- 5.7 Portfolio reconstruction: various ways of unbundling a firm: divestment, de-merger, spin-off, liquidation, sell-offs, equity curve outs, strategic alliances, management buyout, leveraged buyouts and the management buy-ins.
- 5.8 The relevance of the various forms of portfolio reconstruction
- 5.9 Organisational reconstruction: The nature and benefits of this form of restructuring
- 5.10 Other forms of restructuring
- 5.11 Restructuring in the Public sector
- 5.12 Models of predicting corporate failure; Quantitative Models-Multiple discriminant analysis (Z-Score model), Springate model, Fulmer model; Qualitative Models - Argenti Model

6. Financial risk management

- 6.1 Types of risks: operational risks, political risks, economic risks, fiscal risks, regulatory risks, currency risks and interest rate risks
- 6.2 The meaning, nature and importance of derivative instruments

- 6.3 Operations of the derivatives market: The relative advantages and disadvantages of exchange traded versus over the counter (OTC) agreements; Key features, such as standard contracts, tick sizes, margin requirements and margin trading
 - 6.4 Types of derivatives: futures, forwards, options and swaps
 - 6.5 Application of option pricing theory in investment decisions: Apply the Black-Scholes Option Pricing (BSOP) model to financial product valuation and to asset valuation; assumptions, structure, application and limitations of the BSOP model; calculate and advise on the value of options to delay, expand, redeploy and withdraw using the BSOP model
 - 6.6 Binomial Option pricing model – Use of both riskless hedge and the risk neutral approach in Valuation of both European and American call and put options
 - 6.7 Foreign currency risk management: Types of forex risks, hedging currency risks, forward contracts, money market hedge, currency options, currency futures and currency swaps, Bilateral and Multilateral netting and Matching tools of managing forex risks
 - 6.8 Option trading Strategies- Spreads and Combinations
 - 6.9 Limitations of financial derivatives
- 7. International financial management**
- 7.1 Introduction - The nature of international finance, Motives for investing in foreign markets and Challenges experienced by the Multinational corporations
 - 7.2 International financial Systems - Players in the international financial systems such as International Monetary fund, World trade organisation, European Union and the World bank.
 - 7.3 International trade flows and foreign direct investments(FDI)
 - 7.4 Financing of International Trade - Methods of financing the trade.
 - 7.5 International Capital and Money Markets - The foreign exchange Market- Exchange rates, Foreign Exchange exposures, International arbitrage - locational arbitrage, triangular arbitrage and covered interest arbitrage, International parity conditions- Interest rate parity, purchasing power parity and International fisher effect, International capital markets and their importance
 - 7.6 International Capital Budgeting - Reasons for Investing abroad, Evaluation of capital investments using local cash flows and foreign cash flows.
 - 7.7 International Capital structure - Factors influencing capital structure of MNCs, Sources of international finance, Cost and benefits of the alternative sources of international finance, Factors leading to difference in cost of capital of domestic firms and Multinational corporations and Adjusting WACC for risk differential
- 8. Real estate finance**
- 8.1 Overview of real estate finance - Meaning of real estate finance, nature of real estate business, property rights and limitations of property rights, environment of real estate finance and participants in real estate business.
 - 8.2 Real estate valuation approaches (income approach, cost approach and sales comparison approach)
 - 8.3 Real estate investment trusts (REITS): Types; advantages and disadvantages
 - 8.4 Instruments of real estate financing - mortgages, lien, title, mortgage requirements and mortgage clauses
 - 8.5 Mechanics of real estate mortgage-mortgage payments, mortgage constant, amortisation schedules
 - 8.6 Secondary mortgage trading and mortgage securitisation and re-financing

- 8.7 Financing real estate investments-optimal capital structure, review of capital MM Theories in relation to real estate finance, arbitrage process
 - 8.8 Permanent financing of commercial real estate-equity financing, debt financing, cash flow from operations, mechanics of leasing versus ownership
9. **Contemporary issues and emerging trends**
- 9.1 Crypto currency
 - 9.2 Block chain technology
 - 9.3 Cloud funding
 - 9.4 Digitisation of financial transactions
 - 9.5 Big data project finance
 - 9.6 Islamic finance
 - 9.7 Behavioral finance
 - 9.8 Derivative markets in developing countries

ADVANCED LEVEL -SPECIALISATIONS

PAPER NO. 16 (S1) ADVANCED TAXATION

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to solve complex tax issues, implement tax planning initiatives and administer tax in various business environments.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Compute the tax liability of enterprises, entities and specialised business activities.
- Handle all value added tax matters
- Apply the procedure for conducting a tax investigation
- Explain the tax dispute resolution mechanism
- Explain the tax implications for cross border business activities.
- Develop tax policies

CONTENT

- 1. **Taxation of business income and specialized business activities**
 - 1.1 **Partnership business**
 - 1.1.1 Admission of a new partner and retiring partners during the year
 - 1.1.2 Conversion of partnerships into liability companies
 - 1.1.3 Incomplete records pertaining to partnership businesses
 - 1.1.4 Case law on taxation of partnership businesses

2. **Limited companies**
 - 2.1 Taxation of companies, including holding company, subsidiaries, branches and related parties
 - 2.2 Incomplete records pertaining to limited companies
 - 2.3 Minimum tax
 - 2.4 Shortfall tax computation
 - 2.5 Taxation of dividends
 - 2.6 Case law on taxation of limited companies
 - 2.7 Rental income, including residential rent income, Commercial rent income and Real estate investment trusts (REITS)
 - 2.8 Charitable institutions
 - 2.9 Leasing entities, including hire purchase lease agreements
 - 2.10 Co-operative societies, Saccos
 - 2.11 Trade associations, amateur sporting association and clubs
 - 2.12 Trust bodies, settlements and estates under administration
 - 2.13 Financial institutions: Banks, insurance companies
 - 2.14 Sea and air transport undertakings
 - 2.15 Collective investment schemes
 - 2.16 Professional, training, management, agency, and consultancy fees
 - 2.17 Property developers and contractors
 - 2.18 Taxation of extractive industries
 - 2.19 Capital gain tax
 - 2.20 Digital service tax
 - 2.21 Application of relevant case law
3. **Value added tax administration**
 - 3.1 Obligations of a taxable person and offences relating to VAT
 - 3.2 Value added tax computation
 - 3.3 Restriction of input tax claimable
 - 3.4 Imported services and VAT withholding agents
 - 3.5 VAT refunds and bad debt relief computation
 - 3.6 VAT Accountant certificate
 - 3.7 Value added tax automated assessments
 - 3.8 I tax significance and application in value added tax administration
 - 3.9 Application of relevant case law
4. **Tax investigations**
 - 4.1 Tax fraud
 - 4.2 Civil and criminal tax investigation
 - 4.3 Events which may trigger an investigation
 - 4.4 Back duty and in-depth examination
 - 4.5 Customs and excise investigations
 - 4.6 Negotiation for settlement: Tax amnesty, Tax Penalties and Enforcement for outstanding taxes
 - 4.7 Types of tax audit and their significance
 - 4.8 Application of relevant case law
5. **Tax dispute resolution mechanism**
 - 5.1 Tax disputes
 - 5.2 Stages of tax dispute resolution process
 - 5.3 Tax dispute resolution process cycle

- 5.4 Legal framework and objectives of Alternative Dispute Resolution
 - 5.5 Types of tax disputes eligible for Alternative Dispute Resolution
 - 5.6 Benefits of Alternative Dispute Resolution
 - 5.7 Parties to Alternative Dispute Resolution and their roles
 - 5.8 Issues exempted from Alternative Dispute Resolution
 - 5.9 Alternative Dispute Resolution agreement terms and timelines
 - 5.10 Termination of alternative dispute resolution
6. **Taxation of cross border activities**
- 6.1 Distinction between trading in and trading with a country
 - 6.2 Double taxation agreements; theory, design and application
 - 6.3 Regional perspective with reference to the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA)
 - 6.4 Most favored nation status
 - 6.5 Nature, characteristics and significance of One Stop Border Posts (OSBPs)
 - 6.6 Generalized system of preference and AGOA
 - 6.7 Tax havens and treaty shopping
 - 6.8 Tax information exchange agreements (TIEAS)
 - 6.9 Transfer pricing: oecd guidelines
 - 6.10 Application of relevant case law
7. **Tax planning**
- 7.1 Tax planning for individuals: By way of Tax exempt activities, transactions that are allowable expenses and transactions attracting tax setoffs
 - 7.2 Tax planning for body corporates
 - 7.3 Identifying opportunities to alleviate, mitigate or defer the impact of direct or indirect taxation
 - 7.4 Evaluating remuneration packages
 - 7.5 Tax avoidance and anti-tax avoidance provisions in the tax Act, short-fall distributions of dividends
 - 7.6 Sectoral tax incentives
 - 7.7 Disposal of business operations and restructuring of activities
 - 7.8 Tax risk management
8. **Tax systems and policies**
- 8.1 Types of tax systems
 - 8.2 Role of taxation in economic development; tax base expansion, efficiency in tax systems
 - 8.3 Design of a tax policy
 - 8.4 Criteria for evaluation of a tax system
 - 8.5 Tax reforms and modernisation of tax systems under various Acts
 - 8.6 KRA structure – Large Tax Payer and Medium Tax Payer organisations
9. **Professional practice in taxation**
- 9.1 Forms of tax practice and matters relating thereto
 - 9.2 Matters relating to new clients
 - 9.3 Handling of client work
 - 9.4 Disclosures in tax returns, computations and correspondence with the Revenue Authority
 - 9.5 Moral and ethical issues in taxation
 - 9.6 Tax agents, appointment, obligations, professional liability
 - 9.7 Cancellation of tax agents license

- 9.8 Role of tax agents in appeals procedure
- 9.9 Tax health check

PAPER NO. 16 (S2) ADVANCED AUDITING AND ASSURANCE

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to undertake advanced audit and assurance engagements in compliance with regulatory frameworks and International Standards on Auditing.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Recognise the regulatory, professional, and ethical issues relevant to those carrying out an assurance engagement
- Assess and recommend appropriate quality control policies and procedures in practice management
- Evaluate findings and results of work performed and draft suitable audit reports on assignments
- Draft different types of audit opinions based on audit evidence gathered during an audit.
- Draft engagement letters for audit and non-audit services that fall under International Standards on Auditing and ensure compliance with the relevant legal regulations
- Incorporate emerging developments in the conduct of an audit.

CONTENT

1. **Assurance and non-assurance engagements**
 - 1.1 The concept of assurance and non-assurance engagements
 - 1.2 Engagement letters for assurance and non-assurance engagements
 - 1.3 Agreed upon procedures
 - 1.4 Compilation engagements
 - 1.5 Types of assurance reports
 - 1.6 Key Audit Matters
 - 1.7 Different types of audit opinions based on audit evidence gathered - Entities/Companies that are exempt from audit in Kenya.

2. Audit framework and regulations

- 2.1 Objective and general principles of auditing
- 2.2 Legal framework
- 2.3 International, regulatory framework for audit and assurance services
- 2.4 Auditors' professional liability and legal responsibilities

3. Professional and ethical considerations

- 3.1 Code of ethics for professional accountants in line with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)
- 3.2 Fundamental principles, threats and safeguards
- 3.3 Advertising, publicity, obtaining professional work and fees and money laundering
- 3.4 Professional skepticism (in the context of errors and fraud) - Professional Liability.

4. Management of audit practice

- 4.1 Client acceptance and retention
- 4.2 Tendering for audit services for public listed entities and nonpublic entities
- 4.3 Professional appointments for public listed entities and nonpublic entities
- 4.4 Planning and performing audits. The concept of materiality and assessing risk of misstatement. Identify significant risks as outlined in International Standards on Auditing
- 4.5 Methods and techniques of auditing high risk areas.
- 4.6 Use and evaluation of internal control system by auditors to address audit risks identified.
- 4.7 Use of technological tools (data analytics) to analyze and evaluate audit evidence gathered during the audit and how it addresses risk of misstatement.
- 4.8 Preparation and retention of audit working papers as required by the Companies Act
- 4.9 Archiving of audit files.

5. Audit evaluation and reviews

- 5.1 Audit assertions and how to identify the relevant assertions during the audit process
- 5.2 Subsequent events. Audit work done between financial year end and date of signing the financial statements.
- 5.3 Going concern assumption as a financial statement risk
- 5.4 Related parties. Risks associated with related parties. Process of identifying related parties by management. Disclosure of related parties in the management representation letter and in the financial statements
- 5.5 Drafting management letter representation
- 5.6 Group audit/joint/component audit. Preparation of group reporting instructions to component auditors
- 5.7 Analytical review
- 5.8 Evidence and testing considerations
- 5.9 Using the work of others such as internal auditors, other experts (tax, actuaries, valuers, lawyers etc.) and another auditor
- 5.10 The company audit

- 5.10.1 Audit of consolidated financial statements
- 5.10.2 Audit of banks and non-banking financial institutions
- 5.10.3 Audit of general insurance companies
- 5.10.4 Audit of cooperatives societies(SACCOs)
- 5.10.5 Audit under taxation laws
- 5.10.6 Other special audit assignments
- 5.11 Role of Audit Committee in the audit process

6. Audit related assurance services

- 6.1 Prospective financial information, investigations and due diligence
- 6.2 Special audit assignments (social and environment audit)
- 6.3 Operations and internal audit management
- 6.4 Audit under computerised information systems. Identification and testing of relevant IT general controls (ITGC) during an audit - Audit of public sector undertakings - Integrated reporting
- 6.5 Audit of performance information (predetermined objectives) in the public sector
- 6.6 Special aspects of auditing in an automated environment.

7. Forensic accounting

- 7.1 Difference between a statutory audit and a forensic audit
- 7.2 Conduct of forensic investigations: accepting the investigation, planning, evidence gathering, reporting
- 7.3 Rules of evidence in court proceedings
- 7.4 Regulations and standards on forensic accounting
- 7.5 Applicable codes of ethics

8. Concluding and reporting

- 8.1 Quality control and peer review
- 8.2 Reports to those charged with governance/Board of directors - Management letter- issues identified during the audit process
- 8.3 Reporting on compliance and other information (Chairman's statement and directors report) and for listed entities, reporting on remuneration report for the directors - Auditors report on financial statements - Reporting on other assignments.

9. Regulatory Environment

- 9.1 International regulatory frameworks for audit and assurance services.
- 9.2 Money Laundering
- 9.3 Laws and regulations
- 9.4 Other Regulators with interest in the audit space in Kenya such as Central Bank of Kenya, Insurance Regulatory Authority, Capital Market Authority and Retirement Benefit Authority and their requirements

10. Contemporary issues and emerging trends

- 10.1 Professional and ethical developments
- 10.2 Other current issues
- 10.3 Effects of pandemics on audit processes. The concept of remote auditing and additional procedures put in place to obtain sufficient audit evidence.

PAPER NO. 16 (S3) ADVANCED MANAGEMENT ACCOUNTING

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply advanced management accounting tools and techniques for decision making in the context of organisational strategy.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Use cost estimation data in decision making
- Apply advanced management accounting techniques to aid in organizational strategic decision making
- Use financial and non-financial indicators to measure organisational performance
- Apply environmental management accounting concepts in practice.

CONTENT

1. **Strategic management accounting information**
 - 1.1 Sources of strategic management accounting information
 - 1.2 Role of strategic management accounting in strategic planning and control
 - 1.3 Governance and control of strategic management accounting information
 - 1.4 Scope and limitations of management accounting
 - 1.5 Ethical standards for management accountants
2. **Cost estimation and interpretation**
 - 2.1 Ordinary least square (OLS) method. Single and multiple predictors; tests of significance (goodness of fit, ANOVA/P-Value, economic plausibility tests, significance of independent variable/t-test)

- 2.2 Specifications/assumptions of OLS (implications of serial correlation, multicollinearity)
 - 2.3 Computer output and technical versus managerial interpretation of OLS results
 - 2.4 Learning curve models and their application
3. **Planning and decision making techniques**
- 3.1 Cost volume profit analysis (CVP) for single and multiple products under conditions of uncertainty
 - 3.2 Decision making under environments of uncertainty and risk, using conditional payoff tables and decision trees.
 - 3.3 Expected value of perfect information
 - 3.4 Relevant cost analysis
 - 3.5 Application of marginal costing (Non-routine decisions): Limiting factor analysis,
 - 3.6 Throughput accounting, make or buy decision, continue or discontinue/drop decisions, special order decisions and other short term decisions.
4. **Pricing decisions**
- 4.1 External pricing methods
 - 4.2 Transfer pricing in divisionalised companies: Domestic and international transfer pricing
 - 4.3 Product life cycle costing, Target costing and Kaizen costing
5. **Strategic performance measurement**
- 5.1 Functional and divisionalised organisational structures
 - 5.2 Responsibility accounting, responsibility centers and segmental reporting
 - 5.3 Divisional performance measures such as profit margin, asset turnover, return on investment(ROI), return on capital employed(ROCE), residual income(RI), accounting rate of return(ARR) and economic value added(EVA)
 - 5.4 Non-financial performance indicators
 - 5.5 Alternative performance measures such as balanced scorecard, performance pyramid, Fitzgerald and Moon's building block model.
6. **Inventory control decisions**
- 6.1 Applications of certainty inventory models (EOQ and EBQ) in decision making
 - 6.2 Stochastic inventory models with and without stock out cost
 - 6.3 Marginal analysis for perishable stock items
 - 6.4 Application of simulation models in inventory control (with and without backorders)
 - 6.5 Application of strategic management decisions in inventory control: Just-in-time purchasing (JIT), ABC analysis and material requirement planning(MRP)
7. **Budgetary control techniques**
- 7.1 Applications of budgetary control systems: Top-down, bottom-up, rolling, zero-based(ZBB), activity-based (ABB), incremental, feedback and feed-forward controls.
 - 7.2 Use of operational variances in reconciling original budget with actual performance
 - 7.3 Advanced variance analysis, planning and operational analysis (Ex-post)
 - 7.4 Application of learning curve model and ABC in variance analysis
 - 7.5 Investigation models for variances.

8. **Environmental management accounting**
- 8.1 Role of accountants in managing and accounting for environmental cost
 - 8.2 Use of management accounting techniques in identification and allocation of environmental costs (Inflow/Outflow analysis, Flow cost accounting, Environmental lifecycle costing and Environmental Activity Based Costing).

PAPER NO. 16 (S4) ADVANCED PUBLIC FINANCIAL MANAGEMENT

UNIT DESCRIPTION

This paper is intended to equip the candidate with knowledge, skills and attitudes that will enable him/her to implement regulations and policy directives governing advanced public financial management issues, apply advanced financial management methods and techniques to analyse and manage public debt, public investments among other areas in public sector finance.

LEARNING OUTCOMES

A candidate who passes this paper should be able to:

- Ensure compliance with various regulations in public financial management
- Demonstrate awareness of the changing local and global public financial management issues
- Apply problem-solving skills in the practice of public financial management
- Apply public financial management tools and techniques in evaluating and managing public investments, public debt, enterprise management in complex and dynamics environments
- Implement public procurement regulations in practice.
- Recommend policy changes in the area of public sector financial management

CONTENT

- 1. **Introduction to Public Financial management**
 - 1.1 The scope, objective, and principles of Public Financial management (PFM)

- 1.2 Relevance of PFM Act in management of Public finances
 - 1.3 Review PFM Act as an important tool to implement public policies
 - 1.4 Best practices for public financial management in the global context
 - 1.5 Challenges affecting implementation of Public Finances
 - 1.6 The Public Financial Management Cycle
2. **Public sector procurement**
- 2.1 Introduction to procurement, store keeping, and Legal and institutional framework in public sector procurement
 - 2.2 General Procurement Principles
 - 2.3 The procurement cycle in public institutions
 - 2.4 The Accountable documents applied in public procurement
 - 2.5 Roles and relationship between stores personnel, Procurement and Supply chain officer in public entity
 - 2.6 Establishment of Public Procurement Regulatory Authority (PPRA) as public procurement regulator
 - 2.7 Public Private Partnership models and their applications.
3. **The role of Accounting officer in management of Public Funds**
- 3.1 Establishment of Public Funds
 - 3.2 Financing and operationalisation of Public Funds
 - 3.3 Review of selected Public Funds including Contingency Fund, Equalisation Fund among others
 - 3.4 Winding up procedures for the Public Funds
 - 3.5 Overview of Integrated Tax System, its operations and infrastructure.
4. **Management of Public Debts in both National and County Governments'**
- 4.1 Introduction to Public Debt, methods and debt instruments
 - 4.2 Establishment, Functions of Public Debt office
 - 4.3 Debt management in the County Government
 - 4.4 Global best practices in management of public debts
 - 4.5 Key stakeholder and their roles in public debt management including National Treasury and Parliament
 - 4.6 Power of national government to lend money and Management of Guarantees
5. **Public Sector Investment and enterprise management**
- 5.1 Establishment and Dissolution of State Corporations and public investments
 - 5.2 Monitoring performance and statutory reporting for public investments.
 - 5.3 The role of the National Treasury in management of Public Enterprises
 - 5.4 Comparative analysis of State Corporation Act and Companies Act in Kenya
 - 5.5 Challenges affecting State Corporation in Kenya.
6. **Public Financial Management Reforms in Kenya**
- 6.1 Establishment, Management and roles of Public Financial management reform
 - 6.2 Public Financial management reforms
 - 6.3 Overview of development partners and donor funds management
 - 6.4 Resource mobilisation strategies by the PFMR
7. **Internal Auditing in the Public sector**
- 7.1 Establishment and scope of internal audit function
 - 7.2 Objectives and functions of the internal audit function

- 7.3 The internal control system and its procedures
 - 7.4 Internal audit function reporting structure
 - 7.5 Internal audit standards and guidelines
 - 7.6 Qualification for and professional bodies guiding internal auditors
 - 7.7 The establishment, appointment and functions of audit committee
 - 7.8 The role of Audit Committees in management of public funds
 - 7.9 Merits and demerits of establishing audit committees.
8. **The Office of Auditor General**
- 8.1 The establishment of the Office of Auditor General and overview of the Public Audit Act, 2015
 - 8.2 The Appointment, roles and function of the office of Auditor General
 - 8.3 Responsibilities of the Auditor General & Relationship between the internal audit function and office of Auditor General
 - 8.4 Challenges facing auditing public sector institutions.
 - 8.5 The role of parliament as oversight body and parliamentary oversight committees in both National Assembly and the Senate.
 - 8.6 Challenges affecting the Parliament as oversight body
9. **Appointment of Receivers of Revenue**
- 9.1 Definition and appointment of Receivers of Revenue
 - 9.2 The Role of Accounting officers in management of Receivers of Revenues
 - 9.3 Procedure for Revenue classification and estimating revenues
 - 9.4 Accounting procedure for the Receivers of Revenue
10. **Management of Consolidated Fund Services and Exchequer Accounts**
- 10.1 Scope and objectives of Consolidated Fund Services
 - 10.2 Expenditures covered by the Consolidated Fund Services
 - 10.3 The Exchequer Account and procedures for exchequer requisitioning
 - 10.4 The role of Accounting officers in exchequer requisition
 - 10.5 Principles and Operations of Treasury Single Account (TSA)
11. **Management of Revenues in County Governments**
- 11.1 Classification of revenues in the County Governments
 - 11.2 The role of Committee Executive Member of finance in County revenue management
 - 11.3 The Role of the Commission on revenue collection in management of County government revenues.
 - 11.4 Operations of County Revenue Fund (CRF)
 - 11.5 Overview of computerised revenue collection services by County Governments.
 - 11.6 Challenges affecting revenue collection by the County Governments.
12. **Public sector Budgeting and Planning**
- 12.1 Provisions of the National Budget in line with PFM Act
 - 12.2 Principles of a Soundness of the Budget and the Public sector Budget cycle
 - 12.3 Types of Budgets and rationale for their applications and the Stages of the Public
 - 12.4 Budget for both National and County Governments
 - 12.5 Stakeholders in public budget making process
 - 12.6 Strengths, Challenges and Weaknesses in public budget preparation systems

Note: The Business Data Analytics paper will be examined after the April 2022 examinations sitting. The content will be included in the final edition of the syllabus.

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