



WHAT YOU SHOULD KNOW ABOUT PUBLIC SECTOR ACCOUNTING AND REPORTING



DEALING WITH STRESS



HOW TO PASS CPA (U) EXAMINATIONS

CPA CONNECT

Promoting Professionalism in Accountancy

The Student's Magazine for The Institute of Certified Public Accountants of Uganda (ICPAU)
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ISSUE 6 - OCTOBER 2019

INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT 1 (ISQM 1)



THE POWER OF POSITIVE THINKING

LEASE VERSUS LOAN: WHAT WORKS BEST

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CONTENTS

ISSUE 6: OCTOBER 2019

TECHNICAL NOTES FOR STUDENTS

8 BASIC CONCEPTS OF FINANCE

This series of Articles is intended to interest readers in the basic concepts and theories of corporate finance and/or financial management.

10 IAS 12 INCOME TAXES

All companies and individuals that make profits or earn income have to pay taxes. Income tax accounting is complex and most business owners need professional accountants to help compute their taxes and file returns.

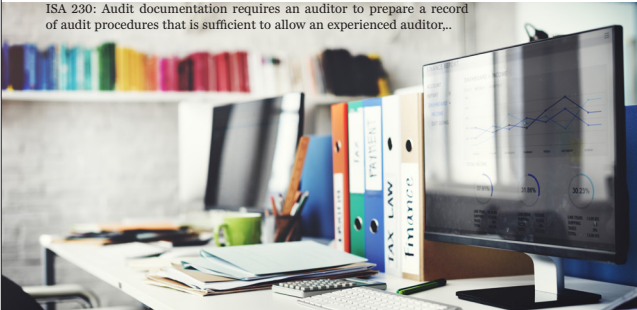
14 LEASE VERSUS LOAN: WHAT WORKS BEST?

Managing a business entity involves evaluating types and sources of financing and determining what is suitable for the entity.



16 DOCUMENTING AUDIT EVIDENCE

ISA 230: Audit documentation requires an auditor to prepare a record of audit procedures that is sufficient to allow an experienced auditor...



18 WHAT YOU SHOULD KNOW ABOUT PUBLIC SECTOR ACCOUNTING AND REPORTING

Public sector accounting refers to accounting practices in the public sector. The practices cover the whole spectrum of accounting in the public sector: identifying and capturing financial transactions...

EXAMINATION NOTES

22 HOW TO PASS CPA (U) EXAMINATIONS

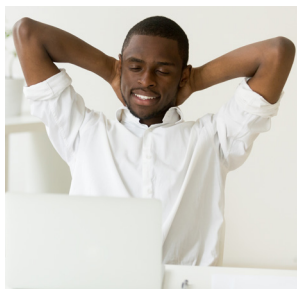
You have made up your mind to sit the CPA(U) examinations, congratulations you are on your way to join the elite group of professional accountants.



CAREER GUIDANCE

31 THE POWER OF POSITIVE THINKING

Train your mind to see good in everything. Positivity is a choice. The happiness of your life depends on the quality of your thoughts," Marc and Angel said...



32 EMPLOYER PROFILE

34 YOUR JOB DEPENDS ON EMOTIONAL INTELLIGENCE

Scholars have defined Emotional intelligence, (EQ), as; the ability, capacity, skill, or selfperceived ability to identify, assess, and manage the emotions of one's self...

35 EMPLOYEE ENGAGEMENT: HOW TO CREATE AN ENTHUSIASTIC WORKFORCE

Regardless of the industry you are associated with, enthusiastic employees are more loyal, focused engaged and committed to the core values in the workplace. Those who lack enthusiasm in the workplace may do what needs to be done with minimal effort.



26 GRADUATE PROFILE

38 INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT 1 (ISQM 1)

ISQM 1 is one of the proposed quality management standards that was approved by the International Auditing and Assurance Standards Board (IAASB).

40 ARE YOU WITHHOLDING LOCAL SERVICE TAX THE RIGHT WAY?

Local service Tax (LST) is a tax levied, among others, on all persons earning salaries, wages and business proprietors and it is governed by the local government (Amendment) No.2 Act 2008.

41 DEALING WITH STRESS

No one is immune to stress but students are particularly vulnerable to it. Stress occurs when your tension level exceeds your energy level, resulting in feeling overloaded.



There are many ways to embrace success. But in business, there's one sure step you can take to be a winner.

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CEO'S COMMENTS



We are pleased to present to you Issue No. 6 of the CPA Connect magazine. We wish to share with you the milestones that have been achieved so far.

Over the years, the number of students undertaking CPA examinations has increased. In turn the number of students who have completed the CPA course has risen to 3,758 as of August 2019.

Interestingly, female candidates have emerged from the shadows to perform better than their male counterparts. In August 2019 examinations, 55 (56.7%) of those who completed the CPA course were female compared to 42 (43.3%) male. In May 2019 examinations we had 64 (44.8%) female candidates completing the CPA course compared to 79 (55.2) male candidates. With this trend, gender parity may be a reality in the foreseeable future.

There are 10 slots annually to be competed for by fresh University graduates with either upper second or first class degrees in any discipline.

The study materials for Taxation-Paper 6 and Advanced Taxation – Paper 9 have been revised to capture current developments. The new issues will be published in October 2019.

The Institute has recognized a number of tuition providers for ICPAU courses. A recognized tuition provider has met a minimum of set requirements to provide quality tuition in a conducive educational environment.

You are reminded that ICPAU cores especially Integrity requires us to act in a manner that does not breach or attempt to breach the very principles that are paramount for the profession. It requires us to act in a responsible manner such that we do not tarnish the image of the profession we aspire to join. Any form of indecent conduct, including exam malpractice should be reported to the ICPAU secretariat or the Public Accountants Examinations Board (PAEB) via paeb@icpau.co.ug

All students are reminded of the requirement to register for Practical Experience Training (PET). As you may be aware for one to register as a full member of ICPAU upon completion of the CPA-U examinations, one needs to have documented one's PET. Every student is encouraged to record his/her PET available in your ICPAU online account.

Promoting Professionalism in Accountancy

**CPA Derick Nkajja,
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EDITOR'S MESSAGE



Welcome to Issue 6 of the CPA Connect Magazine. The magazine is designed to keep you up-to-date with relevant information for your CPA/ATD/CTA journey.

The information herein is students' focused and relevant to your needs. You will find articles that will guide you on how best to prepare for examinations. In this Issue, we also tackle stress management, emotional intelligence, Public Sector Accounting and Reporting and employee engagement, among others.

The authors are thought leaders in the profession. They have dedicated a lot of time to prepare many of us in our quest to attain professionalism. They are people you have interacted with on many occasions. Their resolve to see that you progress in your career remains strong.

We pledge to continue providing you with relevant information for your professional and personal development.

I encourage all of you who have relevant content, to submit articles to the editor. To contribute an article, contact the editor through communications@icpau.co.ug or 0774765435.

I hope you enjoy this first issue and do let us know if there are any topics you would like featured in the magazine.

John Linonn Sengendo

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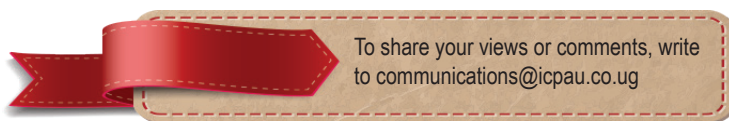
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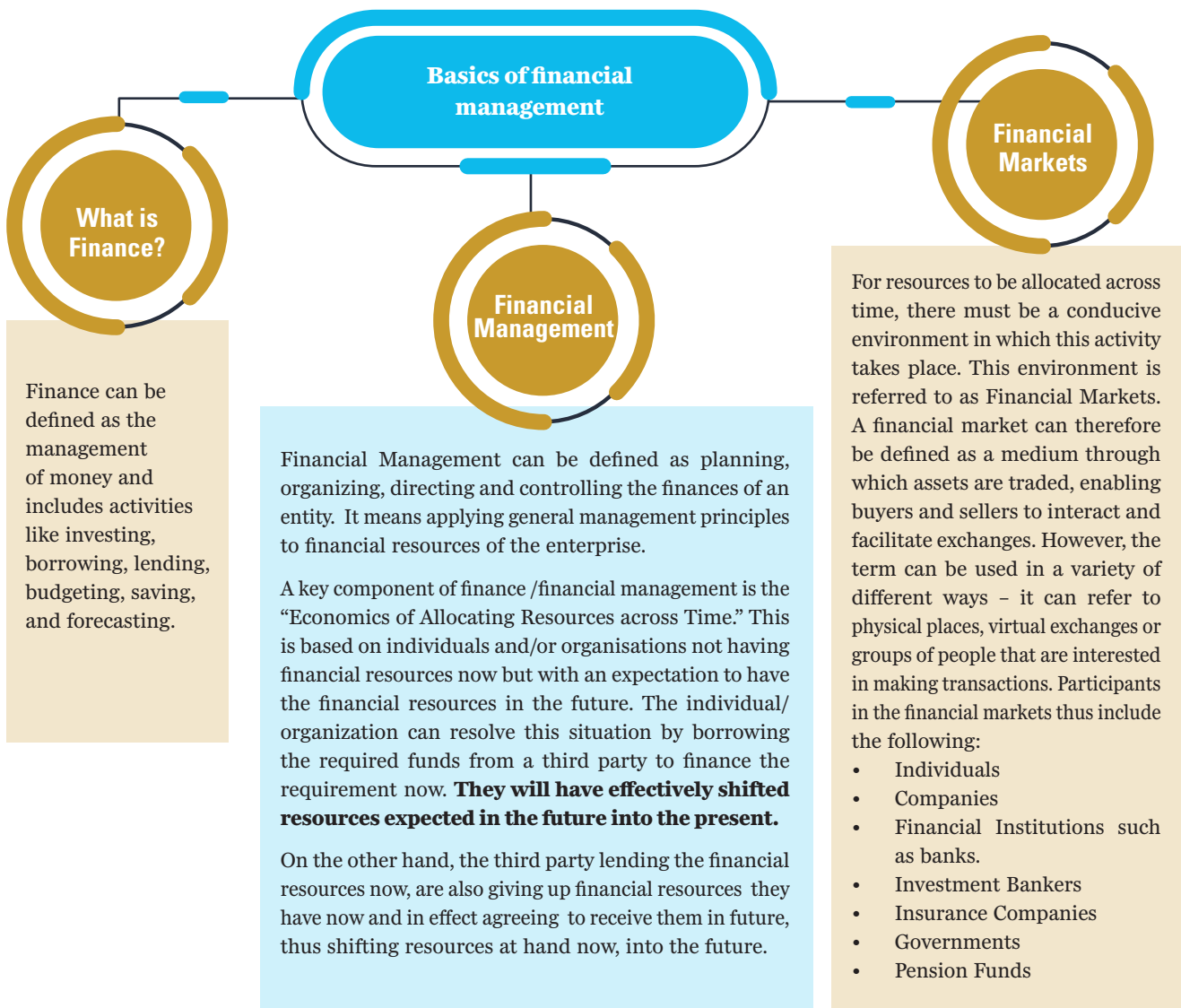


By CPA Ronald Mutumba,
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BASIC CONCEPTS OF FINANCE

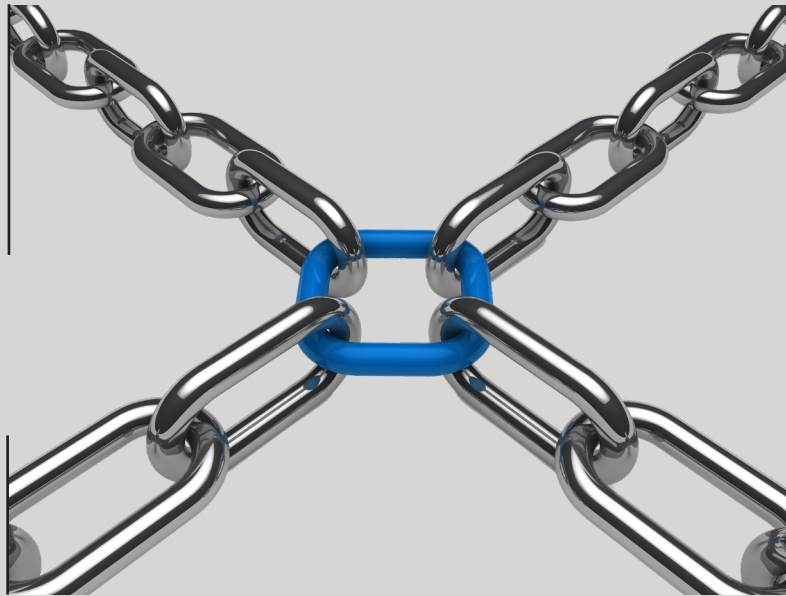
This series of Articles is intended to interest readers in the basic concepts and theories of corporate finance and/or financial management. This series throws some light on basic Finance theories that students meet as they chart their ways through the subject.

In this article, we will focus on introducing the reader to basics of financial management including the financial markets, “The Concept of Time value of Money” and its tools namely Compounding, Discounting, Present values, Future values, Annuities and Perpetuities.



Financial markets mainly play various roles in Finance including the following

They provide a source of Finances for those in need given that the money borrowed in the Markets is being lent by those who do not need it at present.



Financial Markets also provide allocative information for investors. This is by comparing the returns an investment is promising to those that other competing uses of the resources are promising.

Financial markets are also a source of Funds for investing in Real Assets which is used in the creation of Wealth and more financial resources that did not exist before.

Financial markets also enable participants to decide on the risk levels, given the opportunities to raise funds or avail funds that they are able to accept.

Market Interest Rates & Prices

In availing their available financial resources to those in need, participants in the markets anticipate benefits from the transactions. Using an example of a borrower and lender, the two must be able to agree on the inherent benefit within that transaction. Both parties must agree on the amount of future resources it takes in exchange of each pound availed now. The Financial market will provide a basis for the required amounts of shillings that both parties should exchange and these shall be based on what we will for now refer to as the Market Interest rate. The Market Interest rate can be defined as the rate of exchange between future resources and current resources. This Market Interest rate will have been determined by the availability of financial resources and the demand for those financial resources. This is what is referred to as the forces of Demand and Supply in Economics.

Concept of Time Value of Money

Time value of Money can be defined as the concept that money that you have today is worth more than even a reliable promise or expectation of receiving the same amount of money at some future date.

Why is it better for you to have your money today rather than in the future? Because of the concept of opportunity cost: if you have your money today, you can use it to transact, for any precautions or even speculate. (Does that remind you of the motives for Holding Money?). The Opportunity Cost here is that if you do have your money and you need to use it for any of the three items above, then you would have to borrow money at a Cost known as interest for you to do what

you needed to do.

Application of the concept of Time Value of Money

Calculations involving the time value of money allow people to find and compare the value of future Values of resources and Present Values of Resources.

Future Values vs. Present Values

The future value of a shilling is simply what the shilling, or any amount of money, will be worth if it earns interest for a specific period of time. Present values are the amounts of Money you must invest or lend at the present time so as to end up with a particular amount of money in the future. The present value (PV) is also said to be the current value of a payment that will be received/paid in the future.

Discounting is the process of determining the present value of a payment from a known future payment, or future value. Discounting is commonly used in finding the price of a stream of future cash flows. Many financial agreements provide a holder a right to future cash inflows. These future cash flows can be exchanged now for a present value. The present value of the future cash flows is thus a fair representation of the value the agreement to its holder.

The reverse of discounting is known as **Compounding** which is the determining of a future value from a known present value. Compounding typically refers to the increasing value of money or a right to money due to the interest earned on both a principal and accumulated interest.

In our next article, we will focus on the mechanics of discounting and compounding



By CPA Veronica Nambajjwe
An Education Officer in charge of Study
Materials at ICPAU

IAS 12 INCOME TAXES



All companies and individuals that make profits or earn income have to pay taxes. Income tax accounting is complex and most business owners need professional accountants to help compute their taxes and file returns. This is where money is for accountants and therefore, the understanding of IAS 12 is critical. IAS 12 deals with taxes on income, both current and deferred tax.

Current tax expense is the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the current and previous periods, in accordance with the rules established by the tax authorities, for example

Uganda Revenue Authority. It is based on the taxable and deductible amounts that will be shown on the tax return for a given period. Current tax assets and liabilities occur when an entity pays the tax authorities more or less tax through provisional tax payments than the actual tax expense for the reporting period. The excess amount paid is recognised as an asset in the Statement of Financial Position and the unpaid taxes are recognised as a liability and charged to profit or loss (or equity) as an expense.

According to accrual basis, expenses should be recognised in the period in which they are incurred. Therefore, the tax expense should be recognised in the period in which it is incurred, not when it is paid. However, due to tax legislation resulting in differences in taxable profit from accounting profit, the current tax expense will not necessarily reflect the accounting tax expense in the correct accounting period. Deferred taxation attempts to deal with this by ensuring that the total tax expense recognised relates to the period in which the accounting profit is made.

Deferred tax is income tax that would be payable/ relief in future period in respect of the taxable profit/ loss to the tax authorities. In other words, it is the future tax consequences of recovering or settling the carrying amount of an asset or liability.

Measurement of Deferred Tax

Deferred Taxes & their Accounting



Accounting for deferred tax is based on the principle that the tax consequence of an item should be recognised in the same period as the item is recognised, that is the matching concept. The key to deferred taxation lies in the fact that accounting

profit is nearly always different for the taxable profit. The differences between the accounting profit and taxable profit is caused by permanent differences and temporary differences.

Permanent differences are one-off differences between accounting profit and taxable profit, for example penalties which are disallowed for tax computations. They are usually one-off occurrence and therefore impact the tax computation for one reporting period. They do not have deferred tax consequences.

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base (the amount attributed to that asset or liability for tax purposes). Temporary differences may either be:

- Taxable temporary differences, or
- Deductible temporary differences

When, the carrying amount of an asset/
liability > tax base = Taxable temporary
difference = Deferred tax liability

When the carrying amount is < tax base =
Deductible temporary difference = Deferred
tax asset

Taxable temporary differences may occur when development costs are capitalised and amortised to profit or loss in future periods, but were deducted for tax purposes as incurred. Such development costs have a tax base of nil as they have already been deducted from taxable profit; relief for capital expenditure is given at a faster rate for tax than depreciation in the financial statements; Financial assets or investment property are carried at fair value which exceeds cost but no equivalent adjustment is made for tax purposes and Interest revenue included in accounting profit on a time proportion basis but is included in taxable profit when cash is collected. The tax base of any receivable recognised in the Statement of financial position in respect to such revenues is nil because the revenues do not affect taxable profit until cash is collected.

Deductible temporary differences may occur when retirement benefit costs are deducted in determining accounting profit as the service is provided by the employee, but are not deducted in determining taxable profit until the entity pays either retirement benefits or contributions to a fund; accumulated depreciation of an asset in the financial statements is greater than capital allowances for tax purposes; research costs are recognised as an expense in determining accounting profit but are not permitted as a deduction in determining taxable profit until

a later period and income is deferred in the statement of financial position but has already been included in taxable profit in current or prior periods.

Tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to the entity as it recovers the carrying amount of the asset through use or sale. Tax base of a liability is the carrying amount less any amount that will be deductible for tax purposes in respect of that liability in future periods. ‘Short-cut’ to working out the tax base is to find out whether the asset/liability treated differently for tax than it is for accounting purposes. If there is no difference in treatment, then the tax base will equal the carrying amount.



Example 1:

A company has accounts receivables of Shs 50 million and a specific doubtful provision of Shs 5 million. According to tax legislation, the provision for doubtful debts is not allowed for tax purposes. A tax deduction is received when the receivable is written off as a bad debt. Therefore the carrying amount of the receivable becomes Shs 45 million and the tax base is still Shs 50 million. In this case, the company has a deductible temporary difference of Shs 5 million. Management should recognise a deferred tax asset of Shs 5 million in respect of deductible temporary difference.



There are circumstances where the tax base is equal to the carrying amount of asset/ liability, for example when:

- ▶ the accrued expenses have already been deducted in determining an entity's current tax liability for the current or earlier periods;
- ▶ a loan payable is measured at the amount originally received and this amount is the same as the amount repayable on final maturity of the loan;
- ▶ accrued expenses will never be deductible and accrued income will never be taxable.

Deferred tax assets refer to amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and tax credits. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that they are recoverable from future taxable profits. A recent loss is considered evidence that a deferred

tax asset should not be recognised and a deferred tax asset is not recognised when it arises from the initial recognition of an asset/ liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax liabilities refer to amounts of income taxes payable in future periods in respect of taxable temporary differences. They are recognised for all taxable temporary differences, except when those differences arise from the initial recognition of goodwill and the initial recognition of an asset/ liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

The measurement of deferred tax assets and liabilities is based on the enacted or substantively enacted, tax rates (tax laws) expected to apply when the asset is realised or the liability is settled. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and deferred tax assets and liabilities are not discounted.

Accounting for Deferred Tax

1. Calculate the temporary difference as being the difference between the carrying value of the asset/ liability and its tax base.
2. Calculate the deferred tax position by multiplying the temporary difference by the income tax rate at which the asset/ liability will be settled at.

$X\% * \text{temporary difference} = \text{Closing deferred tax provision}$

3. The closing deferred tax position is either a deferred tax asset/ deferred tax liability.
4. The movement in the deferred tax position goes through profit or loss:

Closing position	X	Statement of Financial Position
Opening position	X	
Movement	X/(X)	Statement of profit or loss

Increase in deferred tax:
Dr. Income tax expense (SPL)
Cr. Deferred tax provision

Decrease in deferred tax:
Dr. Deferred tax
Cr. Income tax expense (SPL)

Example 2:

MAM Ltd purchases machinery for \$15,000 at the start of the financial year. The machinery has an estimated life of six years and an estimated residual value of \$3,000. Capital allowances are available at a rate of 25% on reducing balance and the tax rate is 30%. Calculate the deferred tax asset or liability to appear in the Statement of Financial Position for the next three years and the debit or credit charged to the tax expense in the Statement of profit or loss for the same period.

Solution: All figures in \$

1. Temporary differences:			
	Year 1	Year 2	Year 3
Carrying value (W1)	13,000	11,000	9,000
Tax base (tax written down value) (W2)	11,250	8,438	6,328
Temporary difference	1,750	2,562	2,672
2. Deferred tax position:			
At Tax rate of	30%	30%	30%
Deferred tax position= (Temporary difference * tax rate)	525	769	802

3. Deferred Tax Asset / Liability?			
To Statement of Financial Position	Deferred tax liability	Deferred tax liability	Deferred tax liability
4. Movement in deferred tax position:			
Closing Deferred tax position	525	769	802
Opening deferred tax position	0	525	769
Movement (Increase in deferred tax) to Statement of Profit/ Loss	525	244	33

W1:

Carrying value:

$$\text{Depreciation} = \frac{15,000 - 3,000}{6} = 2,000 \text{ per annum}$$

Carrying value for the 3 years:

	\$	\$
Year 1	15,000 - 2,000 =	13,000
Year 2	13,000 - 2,000 =	11,000
Year 3	11,000 - 2,000 =	9,000

W2:

Tax base for the 3 years:

	\$	\$
Year 1	15,000 * 75% =	11,250
Year 2	11,250 * 75% =	8,438
Year 3	8,438 * 75% =	6,328

IAS 12 Income taxes considers deferred tax basing on the matching concept to ensure that the tax consequences of an item reported within the financial statements are reported in the same reporting period as the item itself and it also takes a statement of financial position approach by considering the temporary differences between the carrying amounts and the tax values of the assets and liabilities.



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LEASE VERSUS LOAN: WHAT WORKS BEST ?



Managing a business entity involves evaluating types and sources of financing and determining what is suitable for the entity. The typical types and sources of finance available to an entrepreneur or a business entity include; personal funds, bank loan, venture capital, angel investor, government grant, business incubator or friends/relatives. In most cases, business entities resort to external sources of financing and a bank becomes the preferred source of financing.

When a business entity needs to acquire equipment (computers, machinery, vehicles) yet it cannot raise money to afford an outright purchase, two options can be considered; a lease or a bank loan. A lease involves 'renting' equipment the same way one might rent an apartment, with no collateral,

but typically paying monthly lease rentals for the duration of the lease agreement. A lease is 'a contract by which one party conveys land, property, services, etc. to another for a specified time, usually in return for a periodic payment'.

A lease mainly has two parties, the lessor (legal owner of the asset) and the lessee (the user of the asset). A lease can be an operating lease or a finance lease. An operating lease simply refers to an arrangement where the lessor allows the lessee to use an asset for a short period of time in return for periodic payment without an option for ownership passing on to the lessee at the end of the arrangement.

A finance lease is an arrangement where the lessor allows the lessee to use an asset for a long period of time in return for periodic payment with a lessee having an option to purchase

the asset at the end of the lease period, at fair market value.

Technically, IFRS 16 Leases (effective 1 January 2019) establishes principles for; recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The standard provides that a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

According to the standard, lessors shall classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.



A bank loan is a form of credit extended by a bank to a borrower which requires collateral security except in few cases of unsecured loans. So in terms of financing an asset acquisition, a bank loan will involve giving money to an entity for outright purchase of an asset on its own, whereas under a lease, the entity is provided with a physical asset.

Lease Vs. Loan: Which way?

When an entity wants to acquire an asset, it must choose between obtaining a bank loan for outright purchase and acquiring an asset under a lease arrangement. But management must evaluate the following issues before making such a decision:

1. Tax benefits similar for bank loan and finance lease

When it comes to tax benefits, a finance lease and a loan enjoy similar tax deductions. The interest component of the lease payments is tax deductible as is loan interest, subject to interest capping provisions. In addition, an asset acquired under both finance lease and bank loan qualifies for capital allowances mainly initial allowance for qualifying assets and wear and tear. However, where an asset is acquired under an operating lease, only lease rentals are deductible as the asset remains that of the lessor.

2. No collateral security under finance lease

A bank loan will usually require the borrower to provide adequate security covering the loan amount. Whereas the asset being financed by the bank loan can act as security, the bank would still need more comfort (additional security) since the asset is legally owned by the borrower. Under a finance lease, the asset usually becomes collateral security since it is legally owned by the lessor. So the bank may not require additional collateral security. Leasing then becomes a better option for SMEs that may not possess collateral security.

3. Low maintenance costs under operating lease

Where an entity is using an asset under an operating lease, it incurs no maintenance costs as such costs are mainly incurred by the lessor. In addition, the entity would be enjoying newer assets at lower costs. An operating lease of a car, for example, would require little or no down payment and monthly payments are usually lower, yet the lessee gets the pleasure of using a new car every few years.

4. Catching up with technology under finance lease

Where the business entity is operating in a high technology (hi-tech) field, it becomes necessary that its equipment is modern and up-to-date, to compete favourably. Where there is constant need of equipment upgrades, leasing may be a better option than an outright purchase of equipment financed by a loan.

The advantage of lease here is that the lessee is not under obligation to purchase the leased equipment at the end of the lease term but has an option to return obsolete equipment to the lessor and enter a new lease arrangement for newer equipment.

5. Compliance with accounting standards

Accounting for transactions under leases is cumbersome whereas transactions under a bank loan are straight forward.



By CPA Samuel Aggrey Mankaati,
An Internal Auditor at Bank of Uganda and a Director at
Sammy Professional Trainers and Consultants.

DOCUMENTING AUDIT EVIDENCE



ISA 230: Audit documentation requires an auditor to prepare a record of audit procedures that is sufficient to allow an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements.

Audit procedures are the processes and techniques that auditors perform to obtain audit evidence which enable them to conclude on the set audit objective(s) and express their opinion. Auditors normally prepare an audit plan and programme containing appropriate audit procedures at the planning stage once they have identified the audit objective(s), scope, approach, and risks.

The overall plan and audit programmes setting out the nature, timing and extent of the audit procedures to be adopted during the audit engagement should be completed and approved by the engagement partner prior to commencement of the audit.

Designing Audit Procedures

Audit procedures are normally designed by an auditor based on the characteristic of target transactions or events, assessed risks of material misstatement, and the approach undertaken by the auditor to respond to those risks.

Appropriate audit procedures do not only help an auditor to perform audit work more effectively but also help to reduce the assessed audit risks to an acceptable level. When designing audit procedures, an auditor must ensure that each procedure addresses three issues;

- a) Financial statements' assertion
- b) Audit Procedure to test the assertion
- c) Reason for performance of the procedure

Financial statements' Assertions

Audit procedures are performed in order to test the following financial statements' assertions;

- i) **Completeness.** All transactions have been recorded in the financial statements, that is all assets, liabilities, equity interests (capital and reserves) and other disclosures have been included in the financial statements.

- ii) Occurrence. Transactions, events and other matters that have been recorded actually took place and relate to the reporting entity.
- iii) Valuation and allocation. All items have been included in the financial statements at appropriate amounts according to the reporting entity's policy and the relevant financial reporting framework. In addition, any allocations or valuation adjustments required such as impairment, provisions have been properly made in the financial statements.
- iv) Classification and understandability. Financial information is appropriately classified, presented and disclosed. Disclosures made in the financial statements should be stated precisely.
- v) Accuracy. Amounts and other data relating to transactions and events have been recorded at the correct amounts in relation to the source documents.
- vi) Rights and obligations. The reporting entity has a right to its assets and is also obliged to pay off the liabilities presented in the statement of financial position as at the reporting date.
- vii) Existence. Assets, liabilities and equity interests (capital and reserves) are physically present or belong to the reporting entity as at the reporting date.
- viii) Cut off. Transactions and events have been recorded in the correct accounting period. For example, if goods are delivered to a customer prior to year-end, they are recognised in cost of goods sold, not inventory.

Types of Audit Procedures

ISA 330: The Auditor's Responses to Assessed Risks requires an auditor to carry out either tests of controls or substantive tests to reduce assessed risks to an acceptable level. Tests of controls help in evaluating the operating effectiveness of controls in preventing, or detecting and correcting material misstatements at the assertion level.

On the contrary, substantive tests help to detect material misstatements at the assertion level and they comprise tests of details and substantive analytical procedures. An Auditor can carry out the following procedures to obtain audit evidence;

- i) Analytical procedures; According to *ISA 520: Analytical Procedures*, analytical procedures are evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also involve investigation of identified fluctuations or relationships that are

inconsistent with other relevant information or that differ from expected values by a significant amount. For example, an auditor can use analytical procedures to assess the reasonableness of amounts recognised as revenues, depreciation expenses, and cost of sales in the statement of profit or loss and other comprehensive income.

- ii) Inquiries: Auditors inquire from management to gather evidence and obtain an explanation on business processes, the ways financial transactions are recorded and the operating effectiveness of established internal controls. For example, an auditor may inquire from management to confirm the contingent assets and liabilities disclosed in the financial statements.
- iii) Observations: Auditors observe certain business processes executed as well as internal controls implemented and monitored by management. Observation enables auditors to gain an understanding and gather audit evidence about the client's business processes. For example, an auditor may observe the annual stock take exercise of a client to confirm the existence of inventory at the year-end that is recognised in the statement of financial position.
- iv) Inspections: These involve verification of or vouching documents and may be 60% of audit work. For example, an auditor may examine sales invoices, payment vouchers, delivery notes, local purchase orders, acknowledgement receipts, construction completion certificates, stores Ledgers, procurement contracts to confirm whether the amounts recognized in the financial statements are adequately supported by the source documents.
- v) Recalculations. These involve re-performance of the works done by client in order to assess if there any variances between auditor's and client's work. For example, an auditor may re-perform depreciation, provisions and impairment calculations to assess if there are any differences between auditor's and client's calculation.

Reasons for Performing Audit Procedures

ISA 330: The Auditor's Responses to Assessed Risks requires an auditor to design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level.

In addition, *ISA 500: Audit evidence* requires an auditor to design and perform audit procedures to obtain sufficient appropriate audit evidence to draw reasonable conclusions on which to base the auditor's opinion.



By CPA Evarist Mwesigye,
 An independent Public Financial Management (PFM) consultant.
 A professional accountant with over 30 years of post-qualification experience in both the public and private sectors

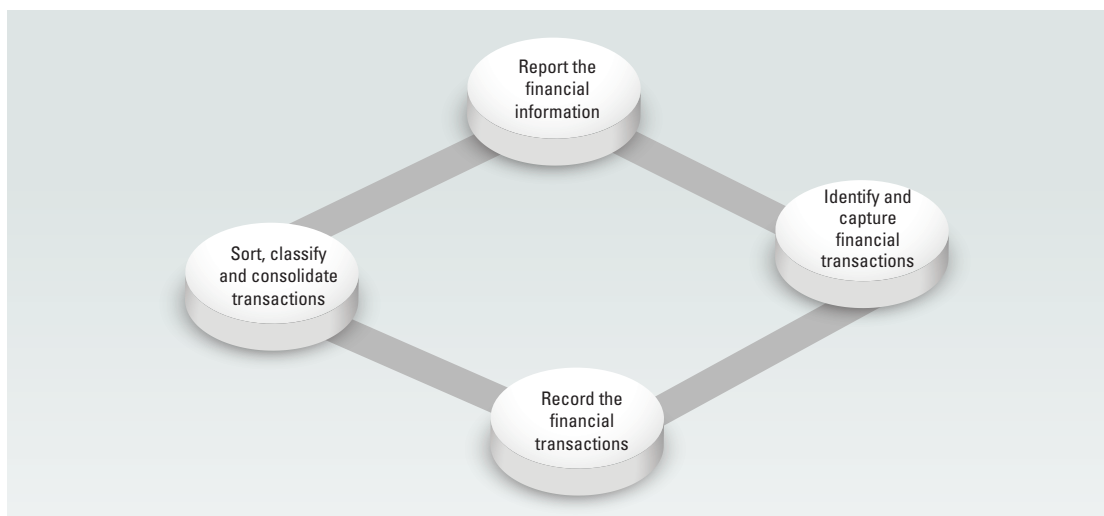
WHAT YOU SHOULD KNOW ABOUT PUBLIC SECTOR ACCOUNTING AND REPORTING



Public sector accounting refers to accounting practices in the public sector. The practices cover the whole spectrum of accounting in the public sector: identifying and capturing financial transactions; recording the transactions; sorting and consolidating the data; and reporting the financial information. Then there is the decision to identify what services the public sector is going to provide and determining the resources that

the public sector will require to produce the services.

The next step is to acquire those resources, look after them and then use them. These acquired and utilised resources will be accounted for. Accountability does not happen in a vacuum but in a reliable, dependable and secure environment. That environment includes the laws, regulations, institutions, manpower and tools together with timely and accurate recording and reporting practices.



All the above are components of public sector accounting and reporting (PSAR). PSAR takes on prominence because it is compared and contrasted with its cousin: private sector accounting.

Private sector accounting is generally better known and understood by most people including accounting students. When students are taught accounting, it is initially from the private sector perspective..

In later stages of learning accounting, students are introduced to public sector accounting. Most students will have difficulty distinguishing between public sector and private accounting. They should understand that a fine line that separates the two types of accounting.

To do the above, students must understand what is meant by Public Sector Accounting (PSA). Having understood PSA, it will then be possible to identify and isolate those public sector accounting aspects that lie in the realm of PSA only. To do this, one needs to know the pillars on which PSA is founded.

As would be expected, PSA evolved to serve the accounting needs in the public sector. The key need for the public sector is to account for the resources that are raised and used by the public sector. The resources in the public sector are raised primarily to provide public services. This is the motor and gist for public sector accounting. Government will therefore raise just enough funds (and ideally not more and not less) to provide the public services.

To raise those resources appropriately, set a time limit within which the funds will be raised and utilised. That timeline has conveniently been agreed universally to be one year. This is what is usually referred to as a financial year.

Governments will raise funds for one year and use them for one year only; governments do that every year. Government accounting activities are conducted annually. This should explain and justify why unspent funds are returned to the Treasury each year. If funds are not used by the end of the year they must be returned so that they can be programmed and used for future financial years.

Government raises funds for one financial year and must raise enough to cover all its activities in the year. This explains why government at the beginning of each financial year should predetermine the activities it will carry out and stick to them otherwise its funding will be shambolic.

Government raises funds from taxes, non-tax transactions, grants and loans. All these sources must be determined before the beginning of each year. This is the reason why budgets should be approved before the beginning of the



financial year. The budget provides the estimates for the funds required to provide public service and how those funds will be spent.

The amount of taxes that will be raised is determined by government through a lengthy process of identifying various sources of taxes and how much will be raised from each source. Taxes are the major contributor of government funds. Taxes are supplemented by non-tax revenues, loans and grants. Government goes through Parliament to pass the necessary laws to raise the taxes. It is important that this is done correctly, otherwise the population will either be undertaxed or overtaxed.

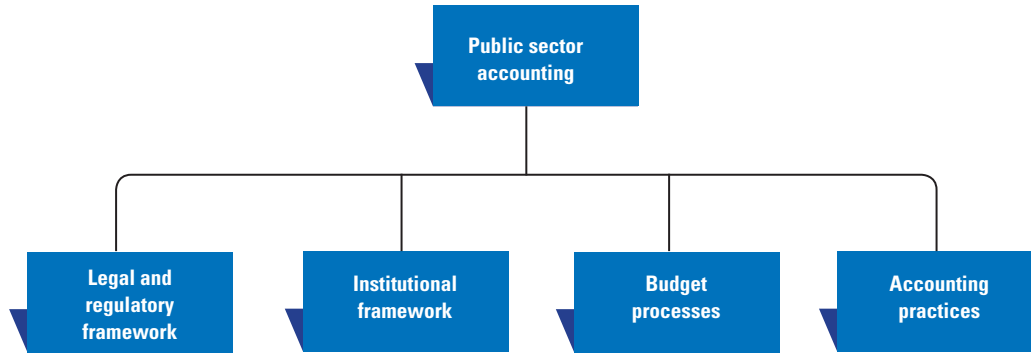
After raising the funds, government will spend the funds during the financial year. As mentioned above, it is very important that government spends the funds on the already authorised (agreed and approved) activities. Those activities are identified and presented to Parliament in the budget estimates. To apply funds to activities outside of the budget is indiscipline and messes up the budget process. Unbudgeted for expenditure must be avoided since there is a contingency fund to cover for the unforeseen, unavoidable and urgent activities.

Public sector accounting supports the process above of identifying the funds that will be used; ensuring the funds are used for the right purposes; and providing accountability to all the stakeholders in this process.

To support and justify the public sector financial activities, public sector accounting is founded on several pillars. The pillars include: laws and regulations, institutions, budget processes, and accounting practices.

Private sector accounting is supported by similar pillars but the major area of divergence is that it aims at providing a good return on investment and is not compelled to close and start its accountability to its stakeholders on an annual basis.

Public sector accounting pillars



The major pillar on which PSA rests is the legal and regulatory framework. The private sector legal framework depends on the nature of the entity but is mostly company law or the law governing the type of business. The legal and regulatory framework in Uganda include the following:

- Constitution 1995 – supreme law of the land – has section on public finances
- Public Finance Management Act 2015 – on management and control of public funds
- Local Governments Act 1997 – management and control of funds in local governments
- PPDA – provides for procurement and disposal of public assets

- National Audit Act
- Associated regulations, instructions and circulars for the above status
- Generally accepted accounting practices and principles
- International Public Sector Accounting Standards – as adopted by GOU

The generally accepted accounting practices and principles and IPSASs are superseded by GOU laws and regulations and cannot override them.

Next, we have the institutions that are involved in the management and control of public funds as specified in the laws and regulations.

Central Government	Local Governments
Parliament	Council
President	LC Chairman/Mayor
Ministry of Finance	Chief Administration Officer
Accountant General's Office	Chief Finance Officer
Ministries	Departments

Another pillar for PS are the budgeting processes that mirror the legal and institutional frameworks. The budgeting processes include planning and budgeting which is generally known as budget preparation. The next processes are known as budget execution. These involve receipt of the funds, safeguarding the funds, making payments and preparing annual financial reports. The entire budget preparation and execution processes are subjected to an audit by the

Auditor General. The budget processes operate within the environment and constraints set up by the legal, regulatory and institutional framework for public funds management.

The public funds management uses the accounting framework to report on the acquisition and utilisation of funds. The accounting framework in the public sector uses the cash basis of accounting as contrasted to accrual accounting that is suited to the private sector. Cash





accounting is more suited to the basic needs of public sector accounting practices that are operated on an annual basis. In contrast, the private sector accounting practices are carried out on a continuous basis. In the public sector, you report on what has been received and paid in a year. What has not been received and paid in a particular year gets rolled over to the following year.

PSA produces statutory and management reports. The statutory reports which are specified in the public financial legislation, mirror and support the framework of the PSA pillars. They report what has been authorised for collection and expenditure against the actual revenue receipts and expenditure.

The management reports are prepared based on the information needs of management.

The key tools in the production of PSA financial reports are accountants and the management information systems. Increasingly, accountants in the public sector are professionals who must do their work ethically and with integrity. The information systems in the public sector have

progressively been automated, resulting in more timely, reliable and accurate recording and reporting of transactions in PSA. Demands of stakeholders have become more sophisticated. They now want to know what government owns and owes. They also want to know whether their funds are getting value for money. Because of these new demands, there is a slow movement from cash basis of accounting to accrual basis of accounting. In other words, accounting in the public sector is changing and beginning to look more and more like accounting in the private sector.

Public sector accounting is the platform or forum that is used to account for funds in the public sector. It examines the framework, laws and rules, institutions and accounting practices that are used to report on the acquisition, safeguard and utilisation of public funds.

ICPAU Paper 14 – Public Sector Accounting and Reporting covers all the above points. This article has highlighted the gist and genesis of public sector accounting and its evolution in Uganda. The Paper 14 syllabus is more detailed; essentially fleshing out the PSA accounting and reporting cycle.



By CPA Veronica Nambajjwe
An Education Officer in charge of Study
Materials at ICPAU

HOW TO PASS CPA (U) EXAMINATIONS



You have made up your mind to sit the CPA(U) examinations, congratulations you are on your way to join the elite group of professional accountants. However, we all know that nothing good comes easy therefore brace yourself for the challenging road ahead. Sitting professional accountancy examinations is expensive not only in terms of money but also time. However, this investment will be worth your while at the end. Though, it is challenging and requires you to give it all that you can, others have done it and you will do it if you believe in yourself. Like Herny Ford said ‘if you believe you can or can’t then you are right.’

Believe in yourself

Believe that you will pass the examinations and you will pass because you will be committed to doing your best both in preparation and in the examination room. However, if you do not believe that you will pass, you will be defeated before you even start.

Get motivated and stay motivated

The first question you need to ask yourself is “why am I doing the CPA course?” The answer to this question will be your driving force throughout this course. The reasons can range from getting a job, higher pay, better job, promotion or prestige. Write down your reasons for doing this course and pin them on the wall in an area where you see them every day. This is going to be your inspiration when the going gets tough and you feel like giving up.

Personally, my inspiration was to get a better job and win a bet that I could complete this course within two and a half years and pass all the papers at first sitting. I hate losing. This was the reminder that helped me to stay motivated at times when I felt like giving up and kept me in check by reminding me that it will be worth it at the end.

Start Early

Start preparing for the examinations as early as possible. Do not wait for one month to examinations to start reading or attending lectures because by then it will be too late for you to grasp all the content that will be needed to pass the examinations. This applies to even those who are re-sitting the examination papers. Do not make a mistake of thinking that you know the content and therefore will start reading as the examinations are approaching. You will be setting yourself up for another failure. Attend all lectures, sit all tests and complete course works.

ICPAU releases the examinations time table early in the year and this is to enable the students to plan their study for the different examinations sittings.



Understand the syllabus and exam structure

After choosing the papers you are going to sit for, the next step should be to read and understand the syllabus and structure of the examinations. This will give you a structure for your revision and will help you grasp how the all the topics fit together.

Get rid of distractions

In this digital age, we spend a fair amount of our time on our phones and computers trying to catch up on the latest news on social media. This is the main distraction of our time. Refrain from checking your Face book or Twitter or Instagram until you have finished studying for the day by putting aside your phone because that notification of a new message will definitely distract you.

Syllabus coverage

This is one point that is emphasised by examiners and lecturers of professional examinations courses. Never leave out a topic or topics when studying. Never spot because spotting is actually committing academic suicide. Read the study materials from cover to cover to increase your chances of passing.

When preparing for an examination, imagine the examiner as your adversary who you have to beat and in any battle, preparation is the key. The examiner has a syllabus and he/she knows that he/she has to set an examination paper that fully covers this syllabus. He/She does not know or even care that you have not covered some topics.

Plan your study

How are you going to study? Are you going to do self-study or attend lectures? Whichever method you choose should be the best for you and would enable you to pass. The next part is to make a timetable for your private study and revision.

If you opt for self-study it is imperative to stick to your time table in order to study and cover the whole syllabus. For those attending lectures, pick the lectures' time table and then make one for your private studying. Remember not to be overly ambitious, leave some time in your



study plan to accommodate unexpected events for example sickness or burial. In other words, it should be realistic.

Figure out learning process; find out the best time for you and for how long before information begins to get blurred. Get to know what works best for you.

Stick to your study plan

Making a study timetable is one thing and sticking to it is another. It would be meaningless to have a well laid timetable which you are not following. When preparing for the examinations, you cannot study erratically or occasionally, it just does not work. Make revision a habit and make yourself revise even when you do not feel like it. Do whatever you need to do to make sure you stay on track daily, this could be letting family and friends know when not to disturb you so that you can concentrate.

Get rid of any other distractors during your private study time which may include family, friends and television. Let your friends and family know the importance of your study time so that they do not interrupt you. If this cannot be done at home, go to the library. Another distractor is procrastination. Do not waste your time procrastinating. Dive in and start studying.

Practise, Practise and Practise

Practice makes perfect especially when it comes to learning new concepts. All papers that you are going to sit will require you to practise with past papers in order to get to understand the examiner's language, the concepts that never miss in any exam, and what a particular examiner expects from the candidates. For computational papers, the more you practise the easier it will be for you to tackle the examinations questions.

Can you really attempt that compulsory question in the time allocated? Try and see. Practising exam questions under time pressure is one of the best ways to improve exam performance. It is therefore imperative to replicate exam conditions when practising past paper questions.

When faced with a tricky question it is tempting to locate the answer, and tell yourself that you would have worked it out eventually anyway. This is highly inadvisable, even if you take the time to work backwards from the correct answer in order to understand the logic.



Prioritise difficult subjects

Revise everything but give more time to areas that you do not understand. As human beings, we like doing easy things that is why it is important to make a conscious commitment to apportion more time to areas that are challenging otherwise you will be drawn to the areas that you already know. Not paying enough attention these areas will affect your grade because if an exam requires you to attempt three questions but can only attempt two then your chances of passing are reduced.

Take care of yourself

Through it all look after yourself, eat a well-balanced diet, exercise, get enough sleep and drink enough water or fluids. Take breaks when you feel tired so that you do not burn out. Take a proper meal before the actual examinations to provide you with the energy and fuel for the brain.



Make Summaries

Make notes from your study materials and this can help embed the information in your mind and give you something to revise from as the exam approaches, rather than going back to the full book. Write bullet points for important concepts and key ideas you need to remember.

Join a discussion/ study group

Form a study group with your colleagues. Be an active participant in the group. When you explain something that you have learned to somebody else you gain a better understanding of it yourself. During the discussions, you will be able to seek further clarification on technical areas, talk about study concerns and find solutions, as well as get comfort that you are not alone. Choose like-minded people who are willing to sacrifice their time in order to prepare and meet for the discussions. Not only will this help your studying, you can start to build your professional network, which in future can refer you to job opportunities.



In the Exam Hall:

Give yourself plenty of time for getting to the examination centre. Enter the hall in time and make sure you enter with all the required materials. Always check your calculator before entering the hall so that you are sure it is working well.

Use the 15 minutes reading time to go through the whole examination paper and carefully choose the questions you are going to attempt.

Read the question properly. Never rush to put a pen to paper without understanding the requirement. Take time to read and understand the question.

Manage your time well. Do not spend a lot of time on one question and rush through the rest. Each mark should be earned in 1 minute and 18 seconds so allocate you time accordingly.

Attempt easy questions first. It does not matter the order in which you answer the questions. What matters is that you attempt



all sections of a given question before you move to the next question. Always write the number of the question you are attempting. Each question should start on a new page.

Make the examiner's work easy. Improve on your handwriting if it is bad. Be orderly, neat and have a logical flow when answering your questions.

Explain each point as clearly as possible. Do not bury the important point halfway through the paragraph. It might be missed.

Do not panic. If you start to panic, stop trying to concentrate for a few seconds. Take a few deep breaths and start again. Make a few notes on the side as you gain control.

After the exam:

- Let it go and relax. You did what you could and cannot change anything any way. So relax.
- Do not compare your notes with other students and how they fared because this will worry you unnecessarily.
- If you do not have any other papers celebrate that you have gone through it.

My best advice is to study. It is a waste of time and money to sit the examinations when you are not prepared. Use these tips and any others you may come upon to get the most out of your study time and get to the examinations ready. Remember why you are putting so much time and effort into this. Stay positive and success! You can do it!

MAKING IT

**CPA STUDY PACKS HELPED ME
TO COMPLETE CPA**

IN A RECORD 2 YEARS – CPA ALEX OCITTI



CPA Alex Chips Ocitti was recognized at the 11th graduation ceremony of the Institute of Certified Public Accountants of Uganda (ICPAU) for completing the Certified Public Accountants of Uganda [CPA-U] course in a record 2 years. He is a full member of ICPAU.

Today's Accountant magazine caught up with him recently. He shares his story

Studying CPA and Enrolling for ICPAU Membership

In 2015, the Ministry of Local Government advertised for the position of Accountant for a project that was funded by the International Fund for Agricultural Development (IFAD). I did not have CPA then. I applied and I was shortlisted, based on my experience. However, when I was invited for the interview, I did not impress the panel because I lacked the requisite qualifications. They said they could not proceed with the interview because I did not have a professional accountancy qualification.

I felt dejected. After harbouring the frustration for over a year, I decided to enroll for CPA. I quit my job so that I could focus on studies.

I registered on 18 March 2017.

In June 2017, I sat for two Papers, Financial Accounting Paper 1 and Quantitative Techniques Paper 2, having been exempted from the other 5 at level one of the course.

In August 2017, I proceeded to level II and sat for one Paper, Advanced Taxation Paper 9. I emerged the top student.

In November 2017, I sat for the remaining four papers at level II: Financial Reporting Paper 8, Financial Management Paper 10, Management Decision & Control Paper 11 and Auditing & Professional Ethics & Values Paper 12. I was top student in Papers 8 and 12.

Impressed with my progress thus far, I became more ambitious. I thought to myself that if I could successfully complete four Papers in one examinations sitting, I could certainly do five. In June 2018, I sat for all five Papers at level III. It was hectic but I passed all 5 Papers although I did not win in any.

I successfully sat for the final Paper, Integration of Knowledge in August 2018.

Shortly after completing CPA, I applied for full membership of ICPAU and I was admitted. I had the mandatory 3-year practical experience requirement.

Reaping the Benefits of CPA: Bouncing back on the Job

The private and public sectors are appreciating people with skills and people who are affiliated to a reputable professional body, particularly in accounting and finance. It was very easy to bounce back on the job market, after I completed CPA.

I completed the course in August 2018 and in December I was hired for the same job that I was denied in 2015, on the grounds of lacking a professional accountancy qualification. The position was re-advertised and I applied again. I was hired because this time round because I had the minimum qualification, CPA.

Ocitti's Factors for Success

- i) Effective use of CPA study packs: I attribute my success to the study packs. I bought all the texts and used them extensively.
- ii) Dedication and devotion to study: I took time off my job, to concentrate. I left my house early every day, found a reading place then I attended lectures in the evening.
- iii) Family Support: My wife supported me wholly.
- iv) Experience: If you have hands-on experience, it is easier to conceptualise and impress the examiners. I had been working in Finance for more than 10 years before I started the course. For Papers like auditing, it was easy for me to come up with practical examples.

Advice to Aspiring Accountants

When you enroll for CPA, devote sufficient time to the course, because it is very demanding.

Support each other. When I was a student, I supported some students through discussion groups.

Aspire to be professional, rather than merely fulfilling the professional requirements.

Young men and women need to appreciate professionalism, and this will help our country. Aim to give proper and honest advice to clients and the government, and perform proper and honest work for your employer.

Benefits of ICPAU Membership

ICPAU organizes a number of Continuing Professional Development seminars, which have helped me to remain relevant as a professional accountant.

CPA study packs were introduced in 2017. They were developed by ICPAU and reviewed through support from the International Federation of Accountants (IFAC) under the Professional Accountancy Organisation (PAO) Capacity Building Program. The PAO Capacity Building Program is funded by the UK Department for International Development (DFID).

EMPLOYERS PREFER TO RECRUIT QUALIFIED CPAs - PEOPLE PERFORMANCE GROUP



The PPG team. Inset is Larry Holms, the PPG Founder and Director

EMPLOYERS PREFER TO RECRUIT QUALIFIED CPAs - PEOPLE PERFORMANCE GROUP

1. What is the mandate of PPG (including history, processes and achievements), and how relevant are its operations compared to other institutions with which it does the same trade?

People Performance Group (PPG) is a professional services firm that provides HR consultancy services

PPG was founded in 2006 by Larry Holm and initially was known more for recruitment and training but over the years, our service portfolio has grown to include man power outsourcing, Integrated Facility Management (IFM), Payroll Management, Psychometric testing with Ugandan norm groups, HR Procedural Advice, Team Building, and other Organisational Development services.

Over the years, PPG's turnover has more than doubled, which has seen us grow to increase our staff, both internal and outsourced and also expand to register in Tanzania and Rwanda.

PPG has been nominated Market leader in HR Services by The Monitor 2009 - 2018

Our vision is to be the preferred HR Partner in East Africa (Uganda, Kenya, Tanzania and Rwanda).

Our mission is to ensure our clients have the right people in the right roles at the right time to deliver results.

Our core values lay the foundations for the way we work and behave at work, both to each other and to our clients and partners.

Client-centred

Ethical

Fair Process

Multi-disciplinary

At PPG in the execution of our services we follow 5 key pillars

- Flexibility
- Dependability
- Speed
- Cost Price
- Quality

These five pillars are what ensures that PPG maintains its competitive edge within the HR services industry.

2. Has PPG been involved in the recruitment process of Certified Public Accountants/ Accountants on behalf of employers? How many has the organization recruited over the years?

Yes we have. Over the years we have recruited between 40 and 50 Accounting professionals

3. In 2013, Parliament amended the Accountants Act. Have you read the provisions of this Act? How have the requirements helped PPG in its recruitment process of professional accountants?

The mainstay of PPG's delivery of services is the due diligence we undertake to consolidate and ensure we have a firm grasp of the client's needs thereby executing the assignments to the best of our ability. In that regard, our consultants have familiarised themselves with the provisions of the Accountants Act, 2013. This has ensured that part of our process incorporates a fundamental aspect which is the governing laws of the profession thereby ensuring the correct alignment and conformity.

4. What have been some of the positives you have noted as you help organisations recruit professional accountants over the years?

What has stood out is the acknowledgement by the organisations that if they are recruiting Accounting professionals the standard requirement is full ICPAU membership

5. What have been the challenges associated with recruiting professional accountants?

One challenge that has stood out recently is getting an Accounting professional with a relatively consummate synthesis of hard skills (Technical) and soft skills (people skills e.g. Communication, flexibility, Leadership, Teamwork)

6. As a professional recruiter, what are the ingredients of harmony in an organization?

Good Judgement – you need to consider the consequences, impact of any decisions are made as an organisation

Efficiency – doing things right, getting things done optimally

Effectiveness – doing the right things; completing activities and achieving goals

Conflict resolution – conflict is arguably the most significant factor that impinges on harmony. For any harmonious environment to exist conflict resolution must be absolute.

7. Are there any special aspects recruiters look out for while recruiting accountants for organisations?

As recruiters we always look out for a combination of the following

- Integrity
- Sound financial knowledge base
- Practical experience
- Ability to take a Strategic view
- Accurate reporting
- Soft skills
- Professionalism

8. As a recruiter, do you think regulating professionals in Uganda is relevant? If yes, why?

I believe this is relevant mostly because of the nature of the service that accountants provide, the impact of the service they provide, the reliability of the service they provide and the contribution of the service they provide not only to the organisations they work for but ultimately the profession itself.

9. What advice do you give to-

a. Professional Accountants

-uphold the integrity of the profession at all times, maintain a continuous learning program and work to the best of your ability.

b. Employers – in regards to employments of professionals

-ensure you recruit the right staff for the job and this means taking into consideration

- i). Sound educational knowledge
- ii). Membership of ICPAU
- iii). Proven pertinent experience
- iv). Soft skills competency

c. Prospective Accountants –

Ensure that as you progress with your learning, you seek opportunities to build your experience in order to enrich the educational knowledge. Integrity is paramount.

By Ms. Leah Alupo,
Public Relations and Communications Specialist



THE POWER OF POSITIVE THINKING



Seated on a round hand craft stool in the compound of our village house at Kapir Ngora District, on Christmas Eve in 2005, I heard a small voice say, “Biyabo ijja (How are you auntie)?” I looked up only to see a young gentleman standing by my side. His name was Charles Okiror. I offered him a seat and we began talking about the village and Kampala. Later, I asked him: Where do you see yourself 10 years from now? He kept quiet for seconds, smiled and said, “I don’t really focus on the future. It has nothing to offer since I am from a poor family.”

“I am not as lucky as others; I am not good enough; I am not clever and I don’t think I will ever build a house or drive a car,” he added.

Just like Charles, sometimes you will be taken up by negative thoughts either consciously or subconsciously. It’s important to be positive in everything you do.

“Train your mind to see good in everything. Positivity is a choice. The happiness of your life depends on the quality of your thoughts,” Marc and Angel said.



Oprah Winfrey, one of the biggest supporters and believers of a positive mindset, hailed from a poor family. But today, she is among the wealthiest women in the world.

According to Larry Alton, positive thinking is a mental and emotional attitude that focuses on the bright side of life and expects positive result. A positive person anticipates happiness, health, success and believes he/she can overcome any obstacle and difficulty.

Just believe in yourself as this will help you solve imaginary problems. Be focused, positive and strong. You also should improve your attitude. Did you know that, attitude is equal to 100%? The higher the attitude towards something the better. Changing your attitude towards a problem can solve it as long as it is positive.

Sandra Natukunda, a CPA student, always passed her papers on first examinations sitting. When she reached level three, she decided to register and sit for Advanced Financial Reporting (Paper 13), Public Sector Accounting and Reporting (Paper 14) and Business Policy and Strategy (Paper 15) in the June 2018 examinations sitting. Upon release of examinations, Sandra discovered that she had only passed Paper 15 and had failed Paper 13 and Paper 14. She spent the whole week sad, wondering what people would say if they discovered she had

failed two papers. She decided to share with Pauline Laker, a friend in class. Pauline advised her to stop focusing on the failure.

“Take that as experience and focus on the reason why you failed Paper 13 & Paper 14,” she said.

In that way, Pauline said Sandra would learn some lessons on how to pass them together with the subsequent papers.

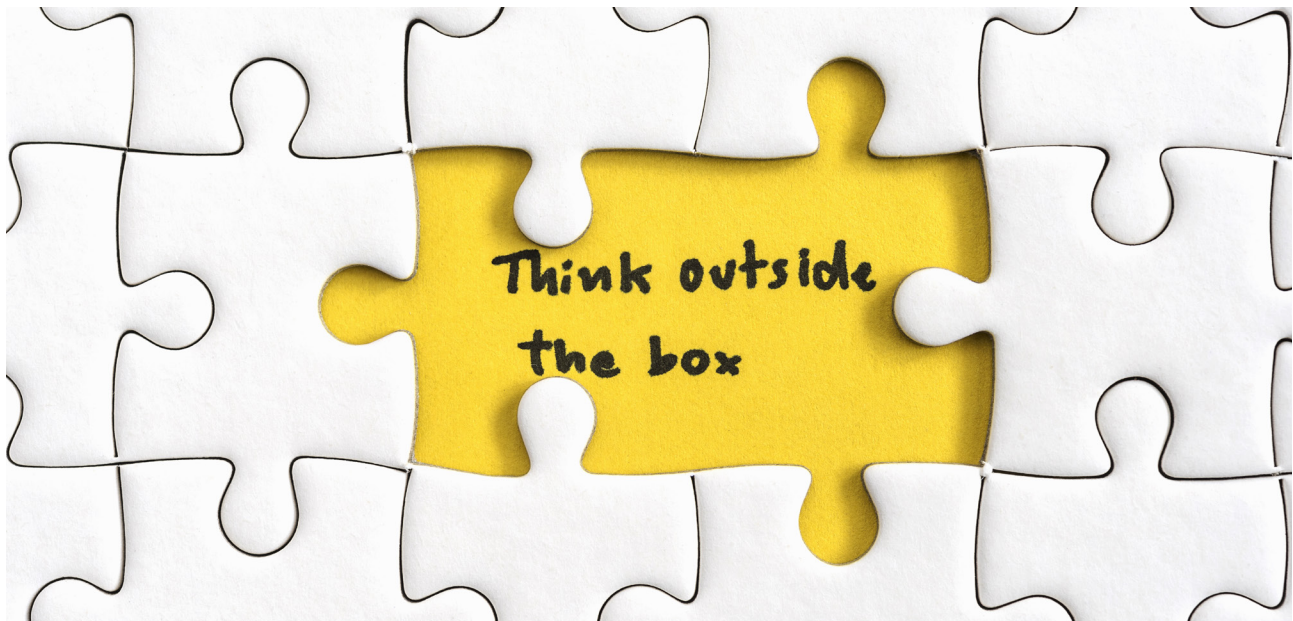
In November 2018, Sandra registered for the two papers and passed with over 80 per cent. Reason? Her change of attitude helped her to pass.

Live a worryless life; worries are the major source of diseases such as ulcers, high blood pressure, heart attack and stress. Studies show that over 90 per cent of the things we worry about do not actually happen.

Here is how you can increase positive thinking in your life:

Schedule time to **play and adventure**. Block out one hour everyday just to play and have fun. Give yourself time to smile and enjoy the benefits of contentment, joy, exploration and build new skills.

Meditate on a daily basis as this will bring positive thoughts. A recent research by Frederickson and



team revealed that people who meditate show more positive thoughts and build long-term skills like purpose in life, increased mindfulness and decreased illness.

Writing also increases positivity. Always write positive experiences on a daily basis. The study, published in the “Journal of Research on Personality” examined 90 undergraduate students who were split in two groups. The first group wrote about an intensively positive experience for three consecutive days, while the other wrote about control. Three months later, the group that wrote about positive thoughts had better mood levels and reduced illness.

To trigger positive thoughts on daily basis, you need to start your day with a **positive affirmation**. Talk to yourself in a mirror even if it feels silly. Tell yourself that today will be a good day.

Always **focus on good things**, however, small. For example, if you are stuck in a traffic jam be happy that you have time to listen to news or a sermon on radio. Find humour in bad situations. Transform your negative self-talk into positive self-talk and get positive friends, mentors and co-workers.

Always keep **thinking positively** so that you: increase your lifespan, lower risks of depression and stress, live a happy and healthy life, boost your confidence and self-esteem, make good

decisions, and better your psychological and physical well-being. If you think positively in adverse situations, you will win.

In conclusion, I told Charles to believe in himself by making positive affirmations like, “I am clever and good enough.”

I also encouraged him to have the right attitude amidst failure and live a worryless life. Charles finished Senior Six and joined Makerere University to pursue a Bachelors of Laws. Currently, he is a practising lawyer, married and has a family. He owns both residential and commercial apartments in and out of Kampala. He owns an expensive car and has other businesses in and out of Kampala.

He lives a comfortable life in Kampala and visits the village once in a while when the need arises. You too can think positive and live a successful life.

John 14:27

“I am leaving you with a gift – peace of mind and heart. And the peace I give is a gift the world cannot give. So don’t be troubled or afraid”. (New Living Translation - NLT)



By Eric Zachary Mugisha
Communications Officer - Digital, ICPAU

YOUR JOB DEPENDS ON EMOTIONAL INTELLIGENCE

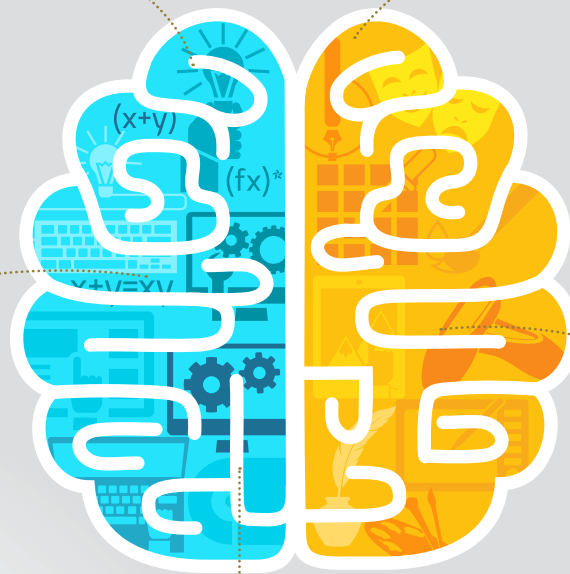
Scholars have defined Emotional intelligence, (EQ), as; the ability, capacity, skill, or self-perceived ability to identify, assess, and manage the emotions of one's self, others and of groups. People who possess a high degree of emotional intelligence know themselves very well and are also able to sense the emotions of others.

How can HR build strong bonds of emotional intelligence in their workplaces?

To answer this, allow us to back up a little and dig further into the definition of EQ. The definition highlights how EQ is a skill, an ability and capacity! This sheds more light into the proficiency EQ brings in today's dynamic workplaces that are diverse with talents, attributes, backgrounds and knowledge. We can best answer this question using the five qualities that are expected of an emotionally intelligent person.

Self-awareness being the conscious knowledge of one's own character and feelings by definition highlights to us why people with high emotional intelligence are generally self-aware. They are able to control their emotions, and never let their feelings rule them. Many people believe that this self-awareness is the most important part of emotional intelligence.

Wikipedia defines **Emotion Self-Regulation** as the ability to respond to the ongoing demands of experience with the range of emotions in a manner that is socially tolerable and sufficiently flexible to permit spontaneous reactions as well as the ability to delay spontaneous reactions as needed. One who self-regulates characteristically does not allow oneself to become too angry or jealous and does not make impulsive, careless decisions.



Social skills make us team players, friendly and approachable persons, 'brothers from other mothers' or 'sisters'. The folks that are easy to converse with, those people that never seem to have a low moment in their busy schedules. You can easily assign them a huge bunch of work because they are easy to talk to.

Empathy is the capacity to understand or feel what another person is experiencing from within their frame of reference, that is, the capacity to place oneself in another's position. Definitions of empathy encompass a broad range of emotional states. Empathy is by far the second most important constituent of emotional intelligence. Empathetic people are usually exceptional at managing relations, are great listeners and easily relate with others.

People with a high degree of emotional intelligence are usually **motivated**. They are willing to defer immediate results for long-term success. They're highly productive, love a challenge, and are very effective in whatever they do.

By **Eve Womala**,Head of Human Capital and HR Business Management
MBA- (Strategic Management) Uganda Martyrs University Nkozi
Bachelor of Arts in Social Sciences, MUK (Political Science and Public Administration)

EMPLOYEE ENGAGEMENT: HOW TO CREATE AN ENTHUSIASTIC WORKFORCE



Regardless of the industry you are associated with, enthusiastic employees are more loyal, focused, engaged and committed to the core values in the workplace. Those who lack enthusiasm in the workplace may do what needs to be done with minimal effort. The best leaders motivate, inspire, and energise people by connecting the vision, values, purpose, and business goals of the organization to individual values and needs. Below are tips on how leaders can create an enthusiastic workforce:

Recruit and retain the right people

Hiring the right employees is an essential first step to creating a strong workforce. Retaining that workforce requires a variety of strategies, including onboarding and training, opportunities for increased work challenges, purposeful engagement and appropriate compensation. A robust organisation that has the right people in the right positions, with a set of systems and a culture that keeps them in those positions and excited to be there will keep their employees enthusiastic.



Develop your vision

To bring any vision to life, you have to improve your communication from the ground up through words and action. If you expect people to embrace the macro vision, changes, growth, new ideas, you need to dump the memoranda get up close and do something engaging to make it memorable in the heartbeat of your organisation. A new vision may come from the top, but it only grows from the ground up. Be sure your vision has a purpose and values associated with it. The values help every person in the organisation understand how to operate and act at work. It also needs to be clear and simple. In brief, get out of the boardroom and communicate with people who make visions a reality. This is a job that should never be delegated.

Coach people for success

Coaching leaders helps employees identify their unique strengths and weaknesses and ties them to their personal and career aspirations. The leaders will encourage employees to establish long term goals and help them conceptualise a plan for attaining them. They make agreements with their employees about their role and responsibilities in enacting development plans, and give plentiful instructions and feedback. They coach people for success. When an employee knows that his boss watches and cares about him, he feels free to experiment. After all, he is sure to get quick and constructive feedback. Employees often rise to that challenge with their heart, mind and soul. Research has found that the coaching leadership style is used least often. That notwithstanding, there is a paradox in coaching's positive effect because it works best when employees want to be coached. Remember poor leadership may lead to losing outstanding employees.

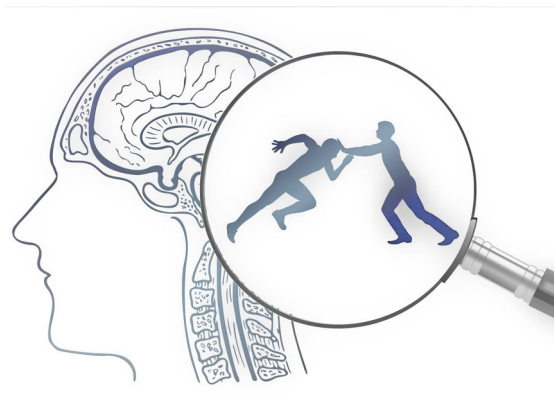


Performance feedback

This is where many managers fail on the job. Feedback is essential for positive growth. You want to listen to what your people are saying. How do they speak about your organisation? How do they communicate with each other? How are they treating customers? Is there something that is limiting someone from better quality and production? You must always be in response mode and listen to the rhythm of your organisation. When you act on someone's feedback, it demonstrates acknowledgement and shows that you value people and their input. When they see a string of successes, you will have enabled them to build momentum and get them looking forward to improve and gain more success. Similarly, find time to give employees both positive and negative feedback as a panacea to continuous improvement.

Change the attitude

The wrong attitude is filled with many expensive consequences, so beware. The right attitude does not stop change from happening or unfavourable circumstances. It will empower you to persevere, become resilient, give all you have, think better, find solutions and have that zeal that keeps you moving forward. Remember, a workplace culture that operates with enthusiasm is more productive, attentive, communicates better, serves better and works smarter. Enthusiasm is easily the most measurable element in any workplace. Either you've got it going on or you don't. Either it's a priority or it's not. The results always reveal the truth about what your organisation stands for. As highlighted earlier on coaching, attitude is also a choice.



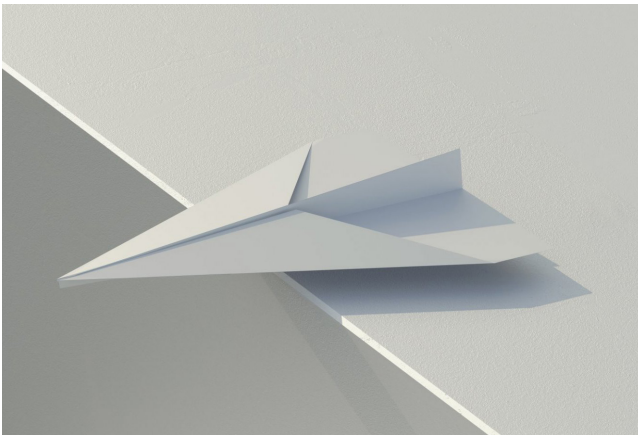


Appreciate and reward your employees

Develop and deploy a schedule that regularly and meaningfully rewards employees to create a culture of appreciation. Assess and improve the way you reward people so that you are sensitive and responsive to the differences in age, education, maturity, and demographics. Focus on the things that inspire your people. Identify what inspires you and your employees. Do they need more education and training, creative time, or wellness programmes to promote better health and reduce stress? By doing so you reinforce positive engagement and make people feel valued.

Be consistent

People admire transparency and honesty. Staying consistent means more than constant training and honesty; it is also giving them new and attainable (and challenging) opportunities. Therefore, giving them clarity on what is expected, what to do and where they are going sets them at ease and builds a purpose within them. Remove any hidden agenda so that trust and commitment have a starting point. Being consistent makes you reliable.



Never get complacent.

The biggest enemy of every winning team is coasting and becoming complacent. Stay sharp and help your people stay sharp as well. Using methods like mutual accountability, vacations, rotation of project leader roles, and so on, you create an atmosphere where your team has a new challenge and a new leader to coordinate the charge with. As a leader



stay in control but do not fear to make changes to mix up the challenge and keep your people enthused and motivated.

In a nutshell, these simple techniques will bring a solid platform of engagement and commitment to your organisation. Enthusiasm is an elusive culture. But once it is present, it will take off. Your only challenge then is to continue channelling it for sustained success.



By Ms. Elizabeth Kaheru,
Technical Officer, ICPAU

INTERNATIONAL STANDARDS ON QUALITY MANAGEMENT 1 (ISQM 1)



ISQM 1 is one of the proposed quality management standards that was approved by the International Auditing and Assurance Standards Board (IAASB). The standard, which was proposed in December 2018 as a replacement to International Standard on Quality Control 1 (ISQC 1), is expected to become effective in 2020. ISQM 1 addresses a firm's responsibility to establish a system of quality management to support quality engagements.

Key Features of ISQM 1

ISQM 1 introduces a new approach to quality management. The extant International Standard on Quality Control 1 (ISQC 1) requires firms to establish and maintain a system of quality control. However the rapidly changing business environment and emerging corporate governance risks have forced many companies to revisit their business practices and activities. The evolving business environment has also created more pressure on accounting firms to intensify focus on quality and the increasing expectations of firms' stakeholders. This resulted in the need to change from quality control to quality management thus the proposition of ISQM 1.

The quality management approach is more risk-based and proactive. ISQM 1 requires a firm to customize the design, implementation and operation of its system of quality management based on the nature and circumstances of the firm and the engagements it performs. It is hoped that this will improve the robustness and effectiveness of activities undertaken by the firm to address engagement quality. Quality management is expected to facilitate

a proactive response by firms to changing circumstances and proactively managing or mitigating risks and promote continual improvement and responsiveness. This will aid in keeping ISQM 1 fit for purpose and adaptable to the changing business environment.

ISQM 1 also proposes changes to the components of the quality management system with elements of the extant ISQC 1 being retained or modified and some new ones being introduced. The eight components of the proposed system of quality management are as follows:

- ▶ Governance and leadership (formerly leadership responsibilities for quality within ISQC 1)
- ▶ The firm's risk assessment process (new)
- ▶ Relevant ethical requirements
- ▶ Acceptance and continuance of client relationships and specific engagements
- ▶ Engagement performance
- ▶ Resources (formerly human resources in ISQC 1)
- ▶ Information and communication (new)

► **Monitoring and remediation process (formerly monitoring in ISQC 1)**

Unlike the elements of extant ISQC 1 that appear disconnected from one another, the components of ISQM 1 are specifically designed and described as highly integrated. The integration of the components is not in a linear but an iterative manner. Additionally since ISQM 1 is scalable, firms may have different names for the components, may combine the components or may have additional components.

ISQM 1 includes a new approach that focusses firms' attention on risks that may have an impact on engagement quality. This component is proposed to comprise the process the firm is required to follow in implementing the risk-based approach to engagement quality. In this process, ISQM 1 basically requires all firms to establish quality objectives, identify and assess quality risks as well as design and implement responses to address the assessed risks. It is required that the quality objectives are outcome-based and the way they are achieved is determined by the firm thereby improving the scalability of the standard. The quality objectives should also be comprehensive enough to result in the system providing reasonable assurance that its objectives have been achieved.

Once the risks have been identified, the risk based approach in ISQM 1 supports firms to focus their efforts and resources on areas where they are needed most. ISQM 1 recognizes that it is not reasonable or practicable for firms to identify and assess every possible risk and to design and implement responses for every risk. Accordingly, ISQM 1 includes a process for identifying and assessing quality risks that includes a threshold for identifying quality risks and a requirement to assess those risks identified, such that the nature, timing and extent of the responses designed and implemented by the firm are appropriately focused on what is important for the system of quality management. The threshold for identifying quality risks is those risks for which:

- There is a reasonable possibility of the risk occurring; and
- If the risks were to occur, it may individually or in combination with other quality risks, have a significant effect on the achievement of a quality objective(s).

The firm is expected to identify and assess its own quality risks

for the quality objectives set in the standard and any additional objectives taking into account the nature and circumstances of the firm and the engagements it performs. ISQM 1 then requires the firm to design and implement responses to address the quality risks in order to achieve the quality objectives which are in addition to the responses required by the standard.

Another key aspect of the quality management approach is continuous improvement. Quality objectives, quality risks or responses may need to be revised to improve the system as a result of information from the firm's monitoring activities or as a result of changes in the nature and circumstances of the firm or its engagements.

ISQM 1 also includes a new component, information and communication, which includes requirements for the firm to establish an information system and emphasizes the need for effective two way communication within the firm, as well as the responsibility of all personnel for communication. The new component also supports the firm in addressing the need for robust communication and interactions during the performance of engagements. The communication system should also be designed to enable production of transparency reports in case needed as well as to facilitate communication with external parties.

The proposed ISQM 1 has various new and improved requirements for monitoring and remediation in particular the requirements to promote more proactive and effective monitoring activities and increased emphasis on tailoring the monitoring activities to provide a sufficient basis for the firm to evaluate the system. ISQM 1 also focuses on monitoring all aspects of the system and not just inspection of completed engagements as was the case in the extant ISQC 1. The responsibilities of firm leadership has been enhanced and includes a requirement to determine the effectiveness of remedial actions and an evaluation at least annually of whether there is reasonable assurance that the objective of the system has been achieved.

Unlike extant ISQC 1, ISQM 1 explicitly requires the firm to exercise professional judgement in applying the requirements of the standard. Doing so is necessary so that a firm's system of quality management is appropriately tailored to the nature and circumstances of the firm and the engagements it performs.



Conclusion

The new quality management approach is scalable to deal with differences in the size and nature of firms or the services they provide. This is likely to drive firms to think about the nature and circumstances of the firm and the engagements it performs in designing, implementing and operating its system of quality management. The approach is also focused on achieving quality objectives that are outcome based. Over time, a more tailored and focused system of quality management will result in more effective use of firm resources to ensure the firms' systems continue to be robust and effectively support high quality audits and other engagements.



By CPA CTA Nakayenga Zuriat,
Senior Tax Advisor

ARE YOU WITHHOLDING LOCAL SERVICE TAX THE RIGHT WAY?



Local Service Tax (LST) is a tax levied, among others, on all persons earning salaries, wages, and business proprietors. It is governed by the local government (Amendment) No.2 Act 2008. Employers must withhold it upon payment of salaries in four equal instalments at the beginning of the financial year that is from July to October.

The Payment Advice form (PAF) can be obtained from the Authority division or mobile telecom pay platform like Pay way, among others. Unlike many other taxes, this tax is not collected by Uganda Revenue Authority (URA) but its administration is directly under the jurisdiction of the local authority where the employee resides for example Kampala Capital City Authority.

Given that October is the fourth month of the beginning of a financial year, it is expected that all employers will comply with their Local Service Tax withholding obligations or otherwise brace themselves for the repercussions for failure to do so.

Employers have also got to be mindful of the right way to withhold this tax without imposing an extra tax burden onto their employees. The extra burden arises when the Pay As You

Earn (PAYE) for the month in which Local Service Tax is paid is computed on gross pay before allowing (deducting) for Local Service Tax resulting into an overpayment of PAYE and under payment of the net pay to the employee.

Generally, under section 22(2)(d) of the Income Tax Act Cap 340 the Income tax payable in Uganda cannot be claimed as a deductible expense for income taxes. However, it is clear under Section 22(1) (d) that Local Service Tax paid by individuals is allowed as a tax deductible expense. Employers must therefore allow (deduct) Local Service Tax paid before they can compute PAYE to be paid for the period starting July to October in any financial year.

Who is exempted?

Salaries of members of the Uganda Peoples' Defence Forces, Uganda Police Force, Uganda Prison Service and Local Defence Force are LST exempt. More so, unemployed Ugandans, motorcyclists, local food vendors and generally Ugandans earning below UGX 100,000/= annually are exempted from this tax.

Are you Withholding Local Service Tax the right way?

Employers who do not deduct Local service tax from the gross pay before computing PAYE during that month of income increase the tax burden of the employees by reducing the effective net take-home salary. PAYE method of collecting tax is designed in a progressive way and any deduction in the gross pay reduces the PAYE tax burden and the reverse is true. Employers are advised to engage qualified persons to carry out routine tax health checks and be guided on the proper tax treatment to avoid over/under payment of tax.

It is imperative therefore, for tax planning that employers realise that they have a statutory obligation to withhold this tax, and that they should withhold it in the right way and that failure to withhold imposes the tax burden onto them. The payment of this tax must be made within the first four months for which the tax was assessed and those liable to payment of this tax must voluntarily register with the nearest tax office of the local government in their area of abode.

By Esther Nassali Masanso,
Has experience in publishing, digital
marketing and top level management.



DEALING WITH STRESS

No one is immune to stress but students are particularly vulnerable to it. Stress occurs when your tension level exceeds your energy level, resulting in feeling overloaded. For as long as your available energy exceeds your tension level, then you are in an okay state. But if energy is low and tensions are higher, that can result in a state of anxiety, depression and feeling overwhelmed. Stress management involves controlling a person's level of stress to improve the functioning of their whole body system.

A story is told of a lecturer holding a jar full of water and asking his students how much it weighs. The students respond and he tells them that the weight of the water does not matter but how long he keeps holding onto the jar. If he holds the jar for a short while, then it will be light. But if he holds the same jar for hours on end, it puts a strain on his hand and eventually the body. He then needs to put it down and take a break. Use this as an analogy to real life situations. Short term stress is not bad and can surprisingly be

good for you because it allows your body to react and respond quickly to situations that are demanding or could have been dangerous. The problem comes with long term stress which can take a significant toll on you and consequently your grades. It is detrimental to your health and general wellbeing. From "simple" illnesses like headaches to depression, obesity, heart problems, high blood pressure and others. The extent of damage can be unfathomable; even leading to death. So when something is causing you stress, ask yourself if it is worth putting your life at risk for.

There are some telltale signs of stress. Mood swings, anxiety and depression, irritability, memory and concentration problems, and compulsive behaviour. Recognize the triggers and develop strategies to cope. Several people especially those that are both working and studying feel a need to relieve stress. But with all of the activities and responsibilities that fill a student's schedule, it is sometimes difficult to find the time to dissipate that stress. The following list of stress relievers is appropriate because they are relatively easy, quick and relevant to a student's life.

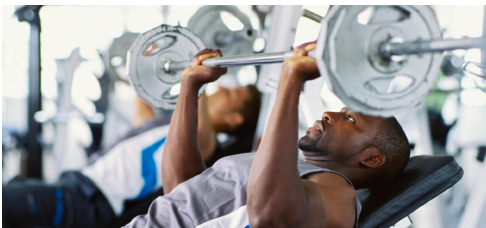
Get more sleep

Students with their packed schedules, are susceptible to missing sleep. It may be tempting to hit the hay at 4a.m. and then attend an 8a.m. class. Unfortunately, operating in a sleep-deprived state puts you at a distinct disadvantage. You are less productive, you may find it more difficult to learn, and you may be a hazard behind the wheel. Do not neglect your sleep schedule. Aim to get at least seven to eight hours a night and take power naps when you can.



Exercise

When you are stressed, moving around may be the last thing you feel like doing. But as little as 20 minutes a day of physical activity can blow off steam and reduce stress levels. You could try to incorporate exercise into your routine, for instance, discussing a concept while taking a walk with a friend. Whatever you decide to do make sure it is something that you enjoy doing because you are not going to continue doing something you do not like. For people that use public transport, the walk to the taxi park or from the stage to your home could be advantageous as opposed to taking motorcycles all the time.



Get or maintain your hobbies and passions

Learn and accept relation techniques such as massages, yoga, listening to music, reading a book and others. Your schedule may be tight but try to incorporate a couple of hours each week to pursue a hobby or activity that you

Avoid overloading yourself and take a break

It may be difficult if it is work or study but like the water in the jar, one can leave that stress at school or the workplace and use the time at home to refresh and increase the energy levels for the next day. If you have signed up for an excessive number of courses, do not be afraid to drop one. Do not hesitate to decline a responsibility that may weigh you down.

Eat well balanced healthy meals

Your diet can either boost your brain power or sap you of mental energy. Junk food will give you short-term comfort that will eventually decrease your energy levels, leading to a lower threshold for stress. Improving your diet can keep you from experiencing diet-related mood swings, light-headedness and more. Eat more healthy foods such as vegetables and fruits..



Get social support; talk to someone

Venting your frustrations to a trusted family member or friend can go a long way in fighting stress. Choose one who will not be judgmental or try to give lots of advice.

Avoid alcohol and artificial energy boosters

Taking three or four beers to unwind after a hard day may seem perfectly logical. But any unresolved stress will just come flooding back after your buzz subsides. Plus, if you overindulge, you may have to deal with unpleasant side effects, like hangovers. Repeated indulgence could also result into alcohol dependence.

Artificial stimulants like caffeine pills or prescription meds may help you stay awake for that all-night study session. But putting off your body's need to sleep will result in an energy crash, leading to a greater susceptibility to stress.



enjoy. If you are feeling exhausted, do something that feeds the peace of your soul and stay connected to it.

Finally and most importantly, have a positive attitude. Smile, laugh and accept that there are events you can not control.



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