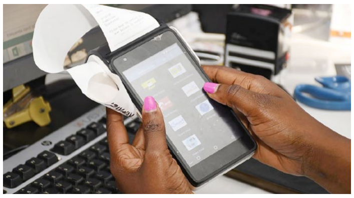


A USER'S PERSPECTIVE ON E-TAXATION

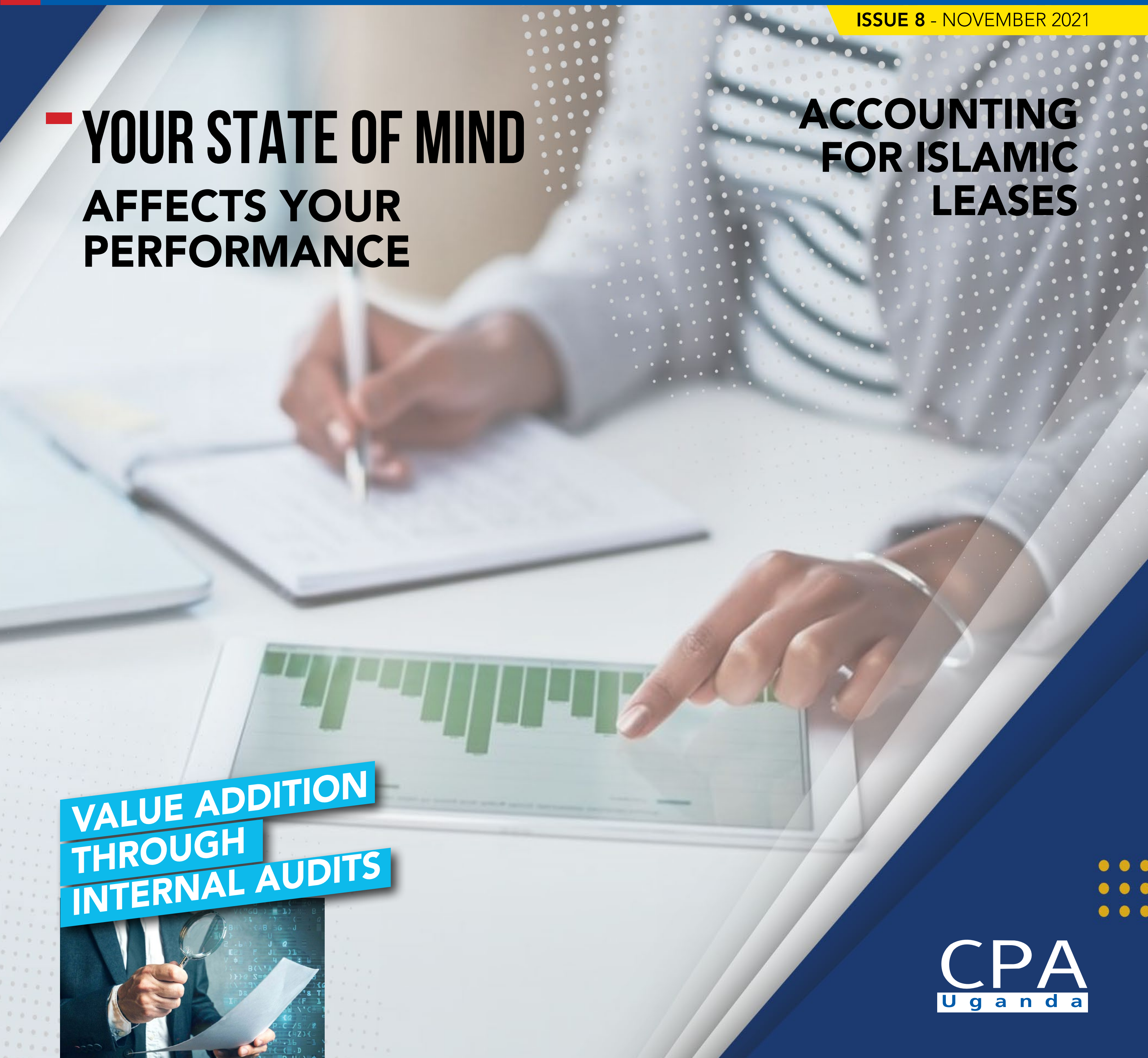
ARE YOU GAINING ANY NEW SKILLS DURING THIS PANDEMIC?

CPA CONNECT

Promoting Professionalism in Accountancy

The Student's Magazine for The Institute of Certified Public Accountants of Uganda (ICPAU)
www.icpau.co.ug

ISSUE 8 - NOVEMBER 2021

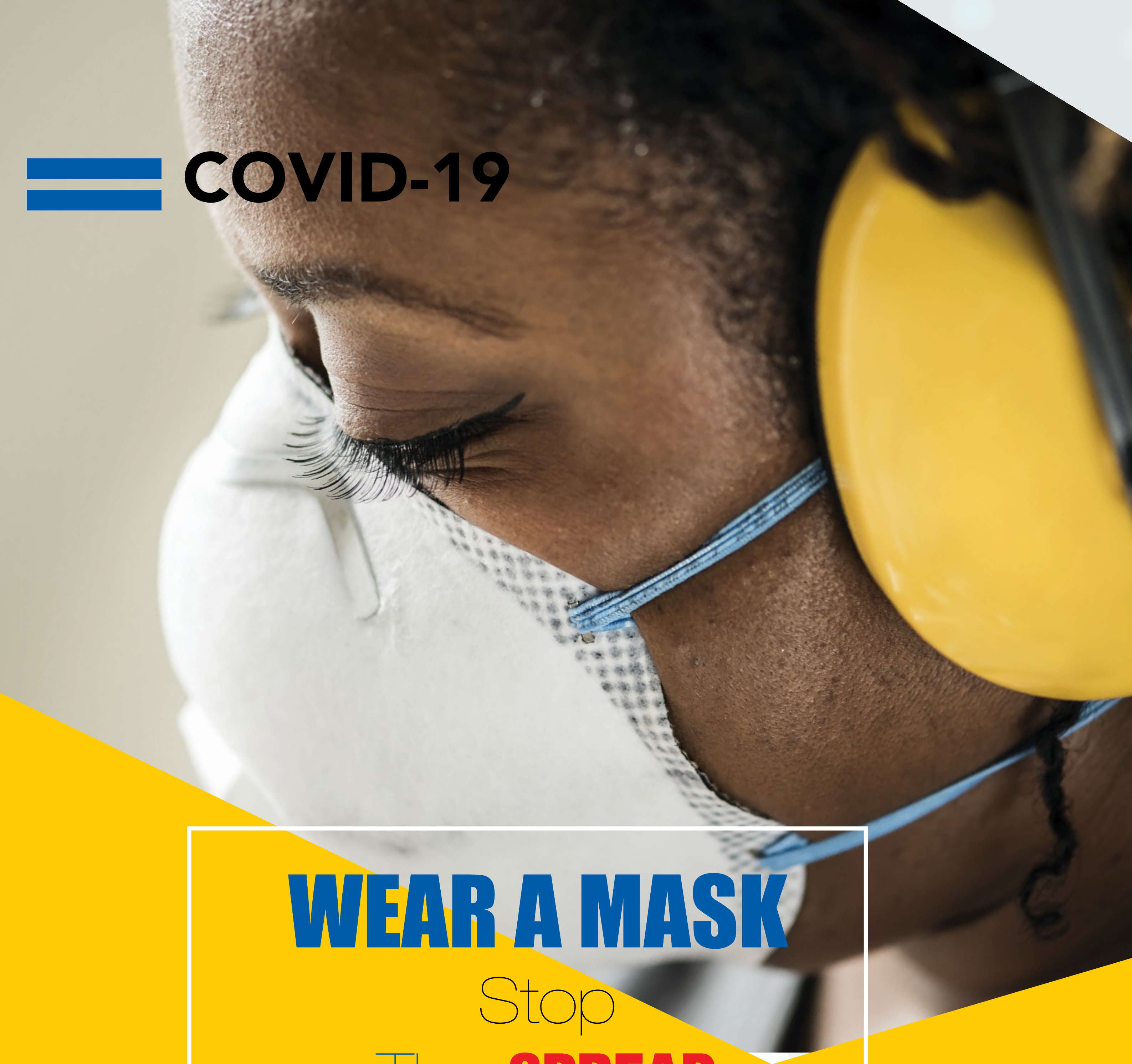


YOUR STATE OF MIND AFFECTS YOUR PERFORMANCE

ACCOUNTING FOR ISLAMIC LEASES

VALUE ADDITION THROUGH INTERNAL AUDITS

CPA Uganda



COVID-19

WEAR A MASK

Stop
The **SPREAD**

#TugobeCorona

CPA
Uganda

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ISSUE 8: NOVEMBER 2021

MESSAGE FROM THE CEO

Dear ICPAU Students,

Welcome to the 8th edition of the CPA Connect Magazine.

I hope that you are still keeping yourselves and your loved ones safe from COVID-19.

The accountancy profession is premised on continuous learning and this magazine is dedicated to you for that purpose. It is my prayer that you take keen interest in the content and stories herein.

The COVID-19 pandemic strengthened our resolve to embrace technological innovations to serve you better. We have intensified communication on email, text messages and social media. We have also made vitual engagement part of our operations via zoom webinars.

All this is aimed at keeping you abreast with updates about developments at your Institute at a time when physical interactions are limited.

I encourage you to effectively use the study materials provided by ICPAU. These are available for all papers (1-18). Please, be reminded that interactions with your tutors and colleagues will go a long way in helping you achieve success.

The October 2021 examinations were conducted from 4-8 October 2021.

The results from these examinations were released on Wednesday, 27 October 2021 at ICPAU offices. I am pleased to inform you that there was an improvement in the performance for CPA, ATD and CTA courses. I congratulate all those who passed their examinations.

However, it was noted that a number of candidates failed Financial reporting, Management Decision and Control, Auditing, Public Sector Accounting and Reporting and Advanced Financial Reporting. This is an uncomfortable situation because these papers are the cornerstone of the accountancy profession. You cannot be a good accountant without appreciating and mastering them.

I call upon all students who failed these examinations to intensify reading and consultation with tutors and peers, as you prepare for the next examinations diet scheduled for 17 – 21 December 2021.

Practice Experience is a requirement for you to become a full member of ICPAU. Always visit the ICPAU portal to populate the form. In case of any challenges, please contact us on email pet@icpau.co.ug for assistance.

I call upon each and everyone of us to embrace the COVID-19 vaccination exercise. I have taken my doses, and so should you. This is the only way your uninterrupted education journey will be guaranteed.

Stay Safe

Derick Nkajja
Secretary / CEO
ICPAU

EXPERTS

CPA Bruno Muramuzi is a member of the Institute of Certified Public Accountants. He has a Master's degree of Science in Accounting and Finance and Bachelor of Commerce (Hons) from Makerere University. He is an Officer Domestic Taxes in Uganda Revenue Authority. He has previously worked with Makerere University as an Assistant Lecturer in Accounting Department, PDM (U) LTD as an Accountant and Sejjaaka, Kaawaase & Co Certified Public Accountants as an Auditor. His research interests are in Sustainability reporting and Tax compliance

CPA Nakayenga Zuriat is a Certified Public Accountant and a pioneer Certified Tax Advisor (CTA) graduate. She is currently a Senior Tax Advisor, Ernst & Young, Certified Public Accountants. She previously worked at Friends Consults Limited as a Finance Manager.

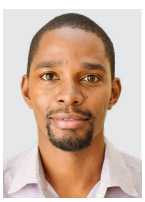
She holds an MBA of Makerere University and a Postgraduate diploma in tax and revenue collection of the East Africa School of Taxation.

Ian Rumanyika Muhimbise - (MBA, MCIPR, MCIM, PROSCI®, BCOM, PMI)

Manager-Public Relations and Corporate Affairs at the Uganda Revenue Authority. Ian Muhimbise Rumanyika is a seasoned Communications and Marketing specialist with an experience spanning over twelve years in Public relations and marketing. He currently serves as the Manager-Public Relations and Corporate Affairs at the Uganda Revenue Authority.

He runs the PR Fundi Master classes as Lead facilitator and host and he is a consultant at Node Group Ltd - a public relations and marketing communications agency, focused on branding and media outreach campaigns designed to maximize effective communication.

Ian serves in different capacities, a board member at the URA SACCO, Uganda Revenue Authority Football Club (URAFC), and Board chairman at the Corporate Games Uganda. All of these have benefited from his strategic leadership, counsel and ongoing public relations support.



Eric Zachary Mugisha is a digital communications expert, content writer, and inbound digital Methodist. He maintains two personal blogs - www.ericfm3.wordpress.com & www.underinfluenceblog.wordpress.com and currently works as a Communications Officer – Digital Platforms at ICPAU

CPA Ronald Mutumba is a Practising Accountant, a Certified Tax Advisor and Insolvency Practitioner with Mutumba Mukobe and Associates. Ronald holds a Master's Degree in Business Administration and a Uganda Diploma in Business Studies of the former National College of Business Studies, Nakawa. Ronald has 15 years' experience in Finance and Accounting and has worked for various employers including MTN Uganda, Warid Telecom (U) Ltd, Smile Communications (U) Ltd and Afrimax Uganda Ltd trading as Vodafone Uganda.

Ronald also has over 15 years' experience of lecturing Business and Finance modules especially Financial Management for Professional Accountancy Qualifications (CPA and ACCA) and Post Graduate Studies (Herriot-Watt University MBA programme).

Ronald is a Council member of ICPAU

CPA Noor Nakato is a Technical Officer at ICPAU. She is responsible for providing support to the development, implementation and promotion of IFRS & Non-IFRS Standards issued/adopted by ICPAU. Noor holds a CPA qualification and a Bachelor of Commerce Degree (BCom) of Makerere University. She is pursuing a Master's Degree in Islamic Finance at the Islamic University In Uganda

Pearl Gahwera is the AMAZE Global Partnerships Fellow at Advocates For Youth, an organization that works to promote effective adolescent reproductive and sexual health programs and policies, under the Atlas Corps Fellowship.

She is also a feminist and Global Shaper with the Kampala Hub, and is invested in efforts towards improving employment, education and gender equality.

CPA Elizabeth Kaheru is a Technical Officer at ICPAU. She has over 10 years' experience in accounting and finance. She previously worked with Post Bank and Kisaka and Co. Certified Public Accountants. She holds a Master of Business Administration and a Bachelor of Arts Degree, of Makerere University.

EXPERTS

CPA Tamale Augustine has 23 years of financial accounting experience, serving 15 at senior management level. He is currently the Chief Finance Officer of Vision Group a position he has held for 3 Years. He also served as Senior Finance Manager of Vision Group for a year, and 9 years Revenue Accounting Manager at the same organisation. At Makerere University, Augustine served as University Bursar for 2 years.

Augustine is a Member of the National Council, Scripture Union of Uganda and a Board Treasurer, SASA Innovations Academy (2020 to date). He has also served as a Board Audit committee member- Bible society of Uganda (2014-2018) and Board Treasurer- World Trumpet Mission from 2017 to date

He is a seasoned Financial Consultant from 2005 to date
CPA Tamale holds an MBA Accounting and B.Com from Makerere University. He is an FCCA, ACCA and a member of the Institute of Certified Public Accountant of Uganda.

CPA Samuel Mankaati is an Assistant Manager Internal Audit at the Deposit Protection Fund. Previously, he worked as an Internal Auditor at Bank of Uganda, External Auditor at Office of Auditor General and an Assistant Lecturer at MUBS. Samuel is also a Director at Sammy Professional Trainers and Consultants, a full member of ICPAU and a member of the Professional Standards Committee of ICPAU Council.

EDITOR'S MESSAGE

It is an absolute pleasure to welcome you to Issue 8 of CPA Connect Magazine. The Magazine is designed to help you appreciate new developments relevant to your CPA, CTA, ATD career journey.

In this magazine, you will read about the EFRIS as designed by the Uganda Revenue Authority to ease revenue mobilisation. To give this topic a balance, we have also included the user perspective.

Read about accounting for leases under Islamic banking, value addition through internal audit, insolvency and business restructuring, and most importantly how to be a strategic internal auditor to your clients and organization.

Government made changes to the income tax Act for the financial year 2021/2022. Read about the practicability of these new tax measures, and more.

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.

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.

Enjoy the Reading

John Linonn Sengendo

MESSAGE FROM THE DIRECTOR EDUCATION

Dear Students,

Welcome to issue 8 of the CPA Connect Magazine. This magazine is dedicated to helping you navigate your professional accountancy journey.

Just like last year, this issue comes at a time when the COVID-19 pandemic is still disrupting operations, globally and locally. The disruption has impacted our examinations scheme. At the beginning of the year, we had set out to hold four diets of examinations – March, June, September and December to cover up for the lost time in 2020. However, we were only able to hold the March examinations as scheduled, but not the June diet. This was due to a resurgence of COVID-19 and the resultant lockdown that affected education institutions. The June examinations therefore were held in October following special permission granted by the Ministry of Education.

We are grateful to the Ministry of Education and Sports for acknowledging the importance of the profession and allowing our students to sit their examinations.

However, we must continue to observe the standard operating procedures issued by the Ministry of Health in order to protect ourselves from COVID-19.

The next diet of examinations will be conducted from 17-21 December 2021 at all examinations centres. It is your cardinal responsibility to prepare for these examinations as adequately as possible. We encourage you to purchase the ICPAU study materials to ease your preparation. We have all the materials for the CPA subjects, including Integration of Knowledge- Paper 18.

The Practical Experience Training (PET) logbook is available through the ICPAU portal. We would like you to note that when one completes the CPA course, the next step is to apply for ICPAU membership. The PET record from the logbook must be attached to support your application. If you have not registered for PET, the time is now. If you are already registered, please ensure that you record your PET regularly. I wish you enjoyable reading.

John Bosco Ntangaare
Director Education

CPA Uganda

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA (ICPAU)

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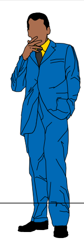
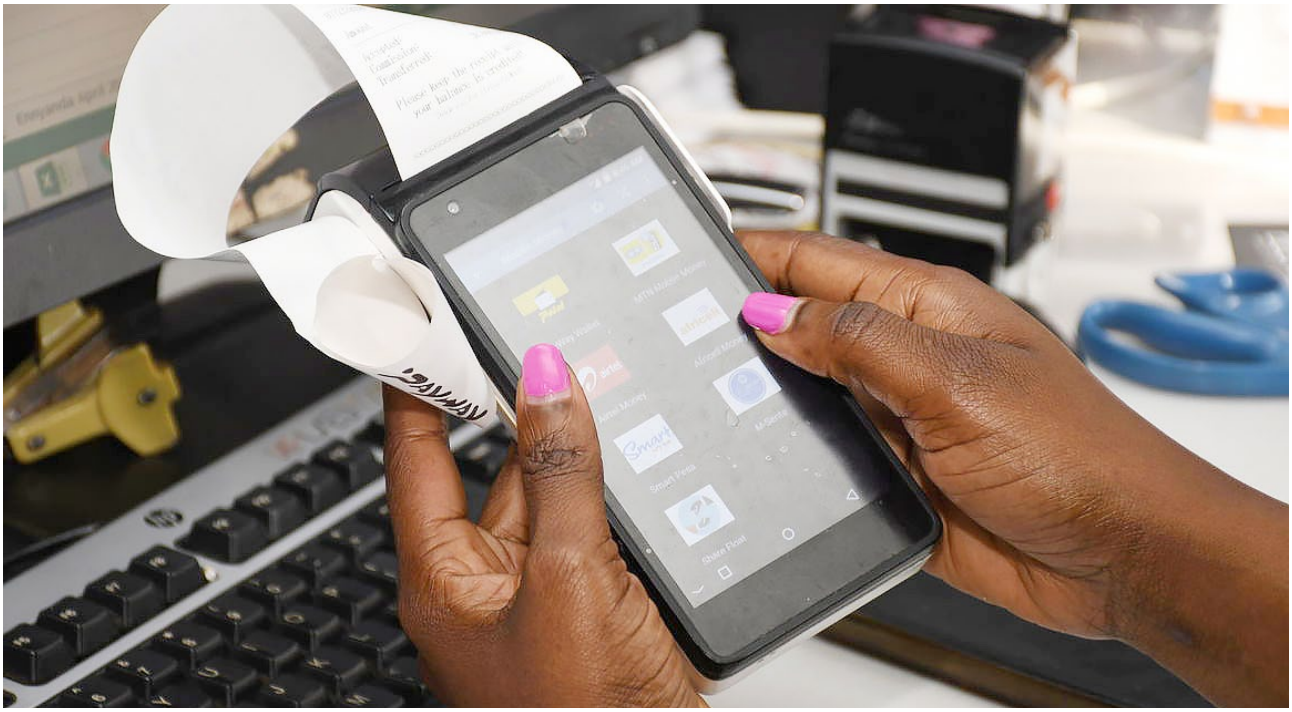


CPA Augustine Tamale,
Chief Finance Officer, The New Vision Group

A USER'S PERSPECTIVE ON E-TAXATION



Uganda Revenue Authority (URA) has over the years rolled out automation of tax administration and payment. The recent release of the Electronic Fiscal Receipting and Invoicing System (EFRIS) was ground breaking. The system has re-engineered processes for both URA and the taxpayers.

Individuals and Small Enterprises with no Accounting Software have received automated billing. They only need to log into EFRIS and invoice their customers. They are able to search for previous invoices and do customer and supplier account reconciliations easily.

Medium and Large Enterprises which have Accounting Software have two options:

1. **Dual billing:** In this case, a taxpayer invoices in customers using the entity's Accounting Software and logs into EFRIS to raise the fiscal invoices. The customer is therefore given two invoices but all for the same service/goods. Some entities with walk-in clients actually lamp the invoices for the walk-in clients for the day onto one fiscal invoice while those for corporate and business clients have separate fiscal invoices for each entity raised. This is tedious for a high transaction entity as the accountants do double work in two software.
2. **Full Integration:** In this case, the entity has EFRIS installed onto its server and end-to-end integration implemented by software programmers for billing and receiving of items/services. Whenever a customer is invoiced, the accounting software sends the billing information in real-time to EFRIS. In return, EFRIS sends a Fiscal Document Number (FDN) to the entity's Accounting Software and it is captured onto the entity's invoice instantly. The customer therefore receives one invoice with two numbers: the Accounting Software invoice number and EFRIS FDN which is for tax purposes. In addition, a QR code is planted on the face of the entity's invoice which when scanned helps to verify whether the invoice is captured in EFRIS.

Vision Group opted for full integration because the sheer volume of transactions would cause a nightmare if the accountants were to do double billing in two software. However, changes had to be implemented by both URA and Vision Group for the full integration to occur:

1.

URA had to accept that credit notes are normal for all newspaper distributors daily. In Fast Consumer Goods dealerships, there are no returns for unsold goods since they will always be sold in subsequent days. A grocery beverages distributor does not return unsold crates of drinks since customers will keep buying in the subsequent days. However, a newspaper distributor will always return to the media house any unsold copies since they expire at the end of the day. So EFRIS was adjusted to accept daily credit notes for multiple customers.

2.

Vision Group had to adjust the capture of newspaper returns by ensuring that distributors return unsold copies from upcountry within the first week of the subsequent month for credit notes to be tenable for Value Added Tax (VAT) adjustment. In addition, upcountry distributors had to send their returns from various outlets faster as only one credit note is possible per invoice in EFRIS.

3.

The accountants must be accurate when billing because a credit note involves approval by the customers for it to be posted into EFRIS for the business-to-business transactions. It is embarrassing and tedious to call customers time and again for approval of rectifying billing errors.

So, the introduction of EFRIS caused process re-engineering for both URA and the taxpayers. URA has practically studied the taxpayer's businesses in various industries and adjusted EFRIS to the operations therein. Taxpayers have re-thought their processes to upgrade them into procedures that are logically acceptable in tax administration. Efficiencies have been enhanced at both ends.

The advantages of EFRIS are:

1. **Timely VAT claiming:** Before EFRIS, a taxpayer was at the mercy of the supplier to claim VAT. If a supplier has not submitted the invoice in their output VAT declaration, it is not admissible in the input VAT claim of the customer. EFRIS enables the customer to verify the invoice by scanning the QR code or puncing the FDN number in EFRIS. The customer rejects invoices that are not in EFRIS and in order to be paid, the supplier has to post the invoice in EFRIS. In this way, transactions are declared in a timely way by both parties which enables timely VAT claims in the subsequent month.

2. **Efficient Customer Account Reconciliation:** The monthly transaction values for a supplier/customer are a function of the EFRIS taxable amounts. Whatever is not declared cannot be admissible in debt collection. So, administration of receivables and payables has been made easy.

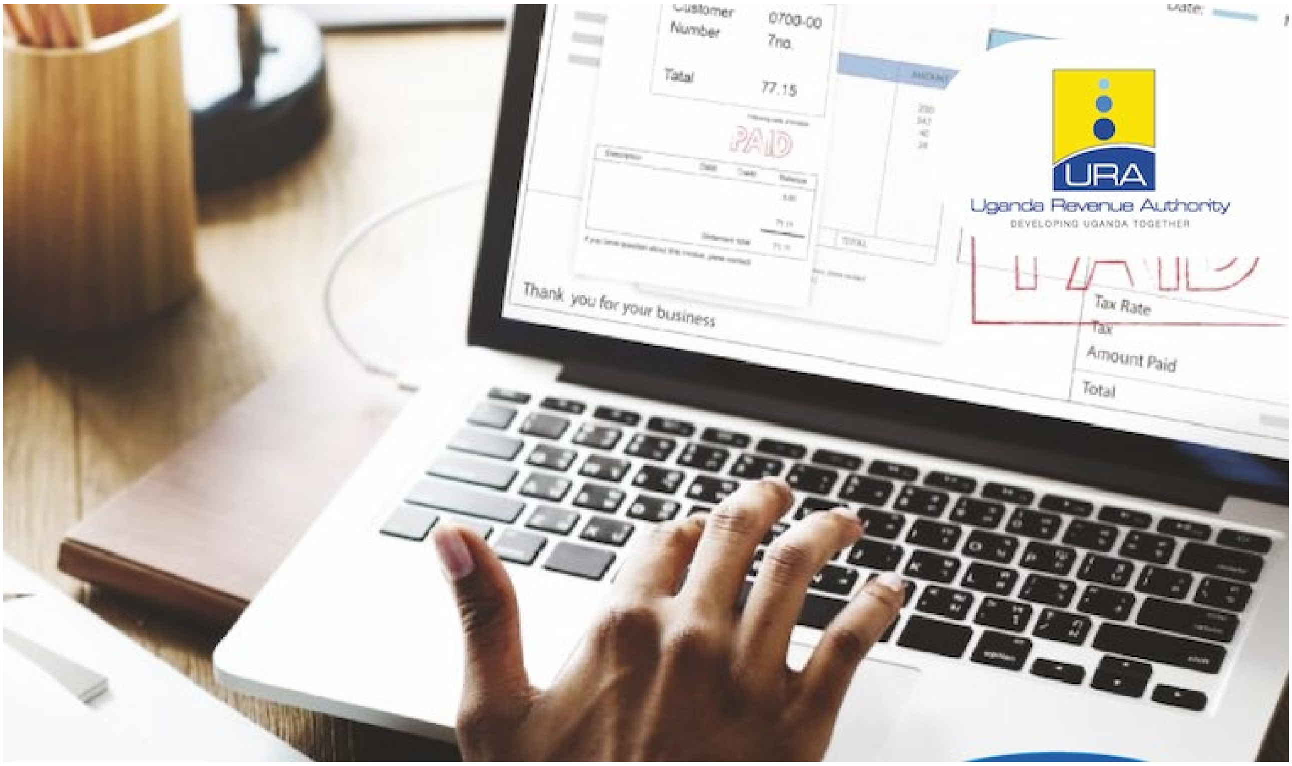
3. **Full view of Taxable Income:** Business transactions are promptly declared to suppliers, customers and the tax authorities. This implies that revenue, expenses and the applicable domestic taxes are known by all concerned parties. Filing and payments now involve little adjustments because erroneous/fictitious entries and omissions have been minimised in the business processes and declarations.

4. **More taxpayers identified:** In a way, the entire economy is interlinked. So, all those evading taxes are now identifiable and the collections by URA are set to increase. Compliant businesses will disclose their non-compliant customers and suppliers and a whole chain of taxpayers downstream or upstream will be brought to light. In this way, tax revenue will increase and a case for tax cuts will be possible in subsequent years since most Ugandans will be compliant and the government will have sufficient revenue.

EFRIS has therefore been a ground breaking innovation and the nation will benefit immensely.

Ian Rumanyika Muhimbise,
Manager-Public Relations and Corporate Affairs at the Uganda Revenue Authority

EFRIS: MAKING SMES TAX COMPLIANT



Electronic Fiscal Receipting and Invoicing Solution (EFRIS) is a business solution by the Uganda Revenue Authority (URA) aimed at helping taxpayers to maintain accurate records, keep track of their stock and generate business transaction reports instantly. The business solution offers these benefits in four modules; Registration, Stock Management, Fiscal Document Management and Reporting modules. The main aim of the solution is to address the business and tax administration challenges relating to business transactions and the issuance of receipts to improve business efficiencies and reduce the cost of compliance.

When URA rolled out EFRIS, there was unease and discomfort within the business community that came with challenging the status quo and the learning curve. URA enhanced its awareness for the EFRIS system through a six-month campaign dubbed “KAKASA” be in charge of your business. The taxpayers’ role is in learning the EFRIS system as well as its benefits. From the experience of implementing e-Tax 10 years ago, the largest transactional e-government system in the country that handles an averagely 1.5 million transactions a day, URA was confident and committed to walk this transitional journey on EFRIS with taxpayers.

This new smart business solution helps business operators to record business transactions and share the information with URA in real-time (concurrently). A business operator can connect directly to the system via the URA website or using the existing system in your business (system to system connection) to issue e-invoices or e-receipts. Later, businesses will be able to issue similar e-invoices and e-receipts using Electronic Fiscal Devices (EFDs) and Electronic Dispenser Controllers (EDCs). Once a transaction is initiated using any of the solution's components, transaction details are transmitted to URA in real-time to generate e-receipts and e-invoices.

URA has taken lessons from her peers in the East African region where the system was implemented over 10 years ago. We've learnt that the design of this system has to ensure low-cost implications for businesses. That is why the EFRIS system in Uganda provides options for web/phone and direct system connections, unlike our neighbours where it is compulsory to buy a Fiscal Device to issue e-receipts or e-invoices. Our regional peers are already in the advanced stages to upgrade to Uganda's version of the system which minimises cost requirements on small enterprises.

URA has started the initial phase with only Value Added Tax (VAT) taxpayers who must have annual sales above UGX 150million. By the end of June 2021, over 97 per cent of all VAT registered taxpayers had been registered on EFRIS. The small businesses that enroll for VAT (and therefore EFRIS), do so voluntarily. SME start-ups that do not deal in VAT taxable items and sell items below UGX 150million in a year do not have to register for VAT or EFRIS, it is their voluntary choice. Those who enrolled for EFRIS are encouraged to adopt the easier platforms that we have availed. The direct connection of a taxpayer's system or the issuance of receipts via the URA web portal are cheaper and simpler alternatives. This is free software that is downloadable from the URA website and readily usable by the taxpayer, even when you are offline you can still issue E-Invoices and Receipts.

EFRIS also simplifies the tax declaring process. It is a response to the challenges that taxpayers have been facing to maintain proper records for their businesses, monitor and generate accurate reports on their businesses to be sure of their business performance and tax position. No wonder, in the first phase of its implementation, the system has been focused on Value Added Tax (VAT) clients who have strict record-keeping requirements when filing tax returns to URA to claim tax refunds or pay taxes due. EFRIS will in time ease the VAT return filing process. But like any new technology, clients have experienced some challenges especially the knowledge gap on how to use the system but URA has been steadfast in addressing the gap amidst the year-long COVID-19 constraints, through awareness campaigns.

Nevertheless, with EFRIS, taxpayers have a great opportunity to a free solution that streamlines their bookkeeping, remotely monitors in real-time their business transactions and generates business transaction reports at will.

Taxpayers are now protected from fictitious invoices issued by unscrupulous business operators who have made them lose their input tax credits and tax refund claims. Now, thanks to EFRIS, clients can verify *(on the URA website or Kakasa with EFRIS mobile App)* invoices issued to them to safeguard themselves from such losses. For invoices that are returned by the EFRIS system, the system highlights the problem on the invoice and notifies the taxpayer of the corrections needed (for example, if a taxable item is presented as non-taxable).

EFRIS is an opportunity for small enterprises to re-organise and acquire new markets. Large retailers such as supermarkets should encourage and assist their suppliers to register on EFRIS, with or without VAT to streamline and track transactions. That is how business value chains grow, by standardising business management practices such as setting standards for items

supplied and registration for EFRIS. SMEs do not have to meet unmanageable costs to procure the e-receipting system because URA has provided very cheap alternatives to connect directly through the TIN account or existing systems in the business to issue fiscalised receipts. URA is also ready to assist organised groups of suppliers from various large retailers and has already invited and trained staff of many of the retail outlets.

Previously, suppliers have cried foul when rretailers they supplied have closed shop without paying them. Solutions such as EFRIS will have such records and government interventions in similar circumstances will be more informed. During the implementation of the e-tax system, URA encouraged employers to have all their staff registered for Tax Identification Number (TIN) to streamline the accounting for PAYE (a form of Withholding Tax). Years down the road, employees who did not register for TIN have found difficulties claiming refunds (for example, Withholding tax, where due).

The Electronic Fiscal Receipting and Invoicing Solution (EFRIS) is an initiative under Uganda's Domestic Revenue Mobilisation Programme whose aim is to address the tax administration challenges.

CPA Ronald Mutumba,
Practising Accountant, Certified Tax Advisor and Insolvency Practitioner with Mutumba Mukobe and Associates.

COVID-19 has brought tough times to the corporate world. Companies may end up experiencing financial distress which might require that the company considers appointing an insolvency practitioner to help the company navigate through the current situation.

One challenge, however, is that many business executives and professionals (including accountants) may not be certain of what insolvency practitioners do . This article provides a basic explanation of the roles and responsibilities of an insolvency practitioner and the value that they add to a business, especially in financial distress.

Who can be an insolvency practitioner in Uganda?

An insolvency practitioner is a professional licensed to act on behalf of companies and individuals when they are facing insolvency or acute financial distress as provided for in Uganda by the Insolvency Act, 2011 (herein referred to as the Act).

The Insolvency Act, 2011 was assented to on 8 August, 2011 and provides for receivership, administration, liquidation, arrangements, bankruptcy, the regulation of insolvency practitioners, and cross border insolvency. **The ACT provides for an "insolvency practitioner** to mean a person who acts as either of the following;

a) a receiver;

b) a provisional administrator;

c) an administrator;

d) a provisional liquidator;

e) a liquidator;

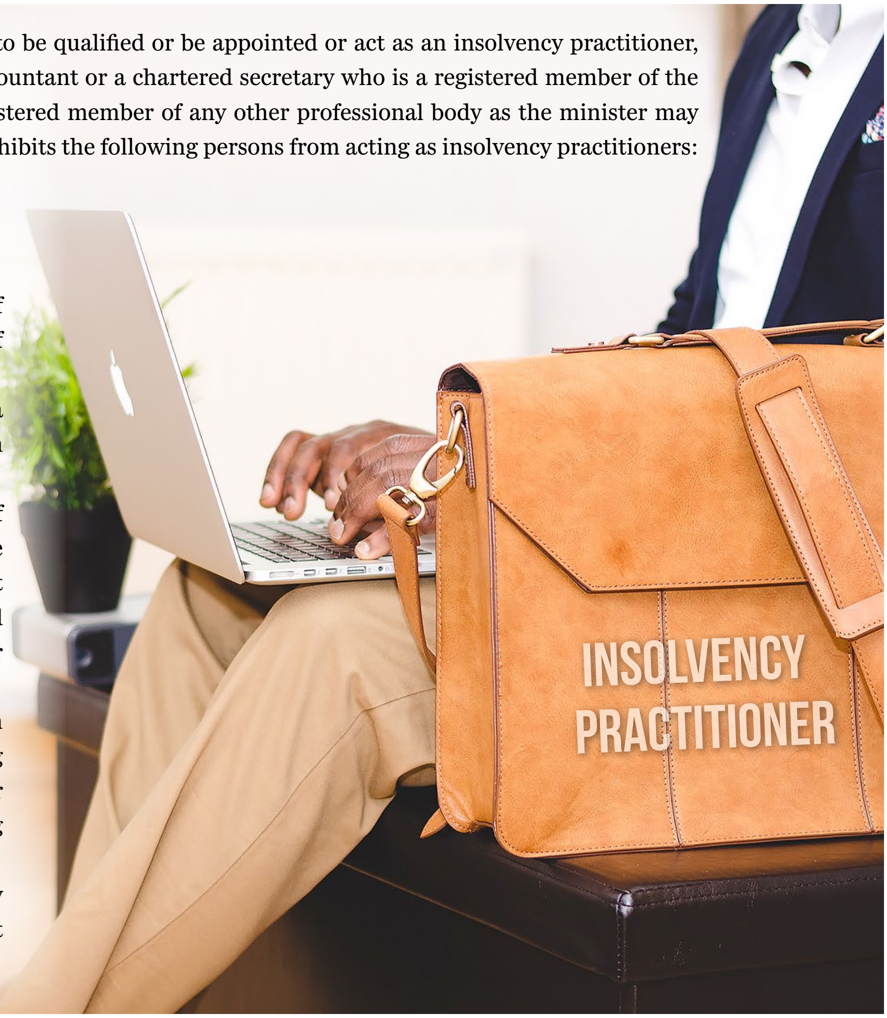
f) a proposed supervisor of a voluntary arrangement;

g) a supervisor of a voluntary arrangement; or

h) a trustee in bankruptcy.

The Act provides that, for a person to be qualified or be appointed or act as an insolvency practitioner, they must either be a lawyer, an accountant or a chartered secretary who is a registered member of the relevant professional body or a registered member of any other professional body as the minister may prescribe. The Act also expressly prohibits the following persons from acting as insolvency practitioners:

a) a person less than 25 years old;
b) a corporate body;
c) an undischarged bankrupt;
d) a person declared by a court of competent jurisdiction to be of unsound mind;
e) a person who is the subject of a prohibition order under section 209;
f) a person who is the subject of a disqualification under the Companies Act for fraudulent trading or who is disqualified from holding an office under the Companies Act;
g) any person who has been convicted in the preceding five years of an offence under the Act or a crime involving dishonesty or moral turpitude;
h) a person subject to disciplinary proceedings or punishment under any law.



How can an insolvency practitioner be of value to companies?

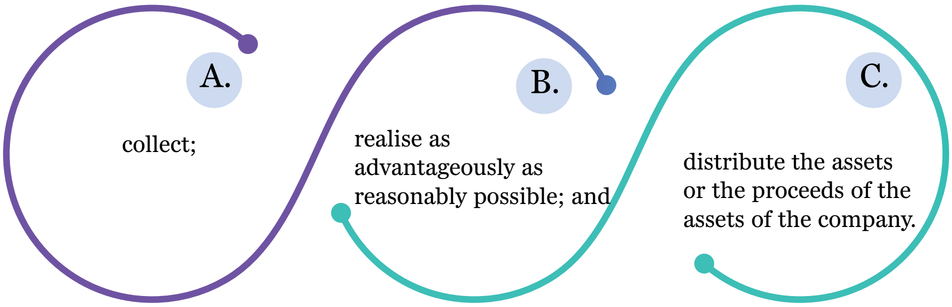
The Act provides for various avenues that can be considered by company directors, creditors and/or shareholders when corporate solvency becomes an issue. These include voluntary winding up, creditors' winding up, winding up by the courts, receivership and administration.

Liquidation

A company may be liquidated if it is resolved that the company cannot by reason of its liabilities continue its business and that it is advisable to liquidate. The Liquidation resolution could either be voluntary by the company's director or shareholders, creditors or by court.

Effect of liquidation on the business and status of a company is that the company shall, from the commencement of liquidation, cease to carry on business, except so far as may be required for the beneficial liquidation of the company.

- An insolvency practitioner is in this case appointed to take, in a reasonable and expeditious manner, all steps necessary to;



Liquidation has the net effect of taking the breath out of the company. The objective is to wind up the affairs of the company and distribute any available assets amongst the creditors and shareholders.

Receivership

A company is in receivership where an insolvency practitioner is appointed as a receiver. Where the appointment of a receiver is made by court, the receivership commences and the appointment takes effect as specified in the court order.

The fundamental duty of a receiver is to exercise his or her powers in a manner which he or she believes on reasonable grounds to be in the best interests of all persons in whose interests the receiver is appointed. The receiver has power over the property in receivership with reasonable regard to the interests of the grantor, any person claiming, through the grantor, an interest in the property in receivership, any unsecured creditor of the grantor; and any surety or guarantor who may be called upon to fulfil any obligation of the grantor to a person in whose interest the receiver was appointed, if that obligation is not satisfied by recourse to the property in receivership. Once appointed, the Act provides for the receiver to;

(a) take custody and control of all the property which is under receivership;

(b) register in his or her names all land and other assets under receivership;

(c) investigate the state of affairs of the property under receivership;

(d) give a general notice of his or her interest in all property that has not yet come under his or her control;

(e) keep all money relating to the property in receivership

The key objective of receivership is for the receiver to exercise their powers in the best interests of all persons in whose interests the receiver is appointed. The objective cannot therefore be to keep the company afloat.

Administration can either be provisional or commence with the execution of an administration deed by the company in a general meeting.

The fundamental duties of a provisional administrator are (a) to investigate the company's business, property, affairs and financial circumstances; and (b) to exercise his or her powers in a manner which he or she believes on reasonable grounds to be likely to achieve one or more of the following outcomes;

I. the survival of the company and the whole or any part of its undertaking as a going concern;

II. the approval of an administration deed under section 150; and

III. a more advantageous realisation of the company's assets than would be achieved in a liquidation.

The effect of provisional administration is to protect the company from an application for the liquidation of the company or the appointment of a receiver of any property of the company except with the provisional administrator's written consent or with the leave of the court and in accordance with such terms as the court may impose. An administrative receiver may, however, remain in office during a provisional administration, but his or her functions, powers and duties shall be suspended.

On the other hand, administration commences with the execution of an administration deed by the company in a general meeting. An administration deed binds the company, the company's directors and secretary, the company's shareholders, the administrator; and all the company's creditors in relation to claims arising on or before the day specified in the deed.

A person bound by a deed is restrained by the Act from making an application for the liquidation of the company or proceeding with an application, except with the leave of the court and in accordance with the terms as the court may impose. A person bound by the deed is also restrained from taking steps to enforce any charge over any of the company's property, or commencing or continuing execution proceedings or other legal process or levy distress against the company or its property.

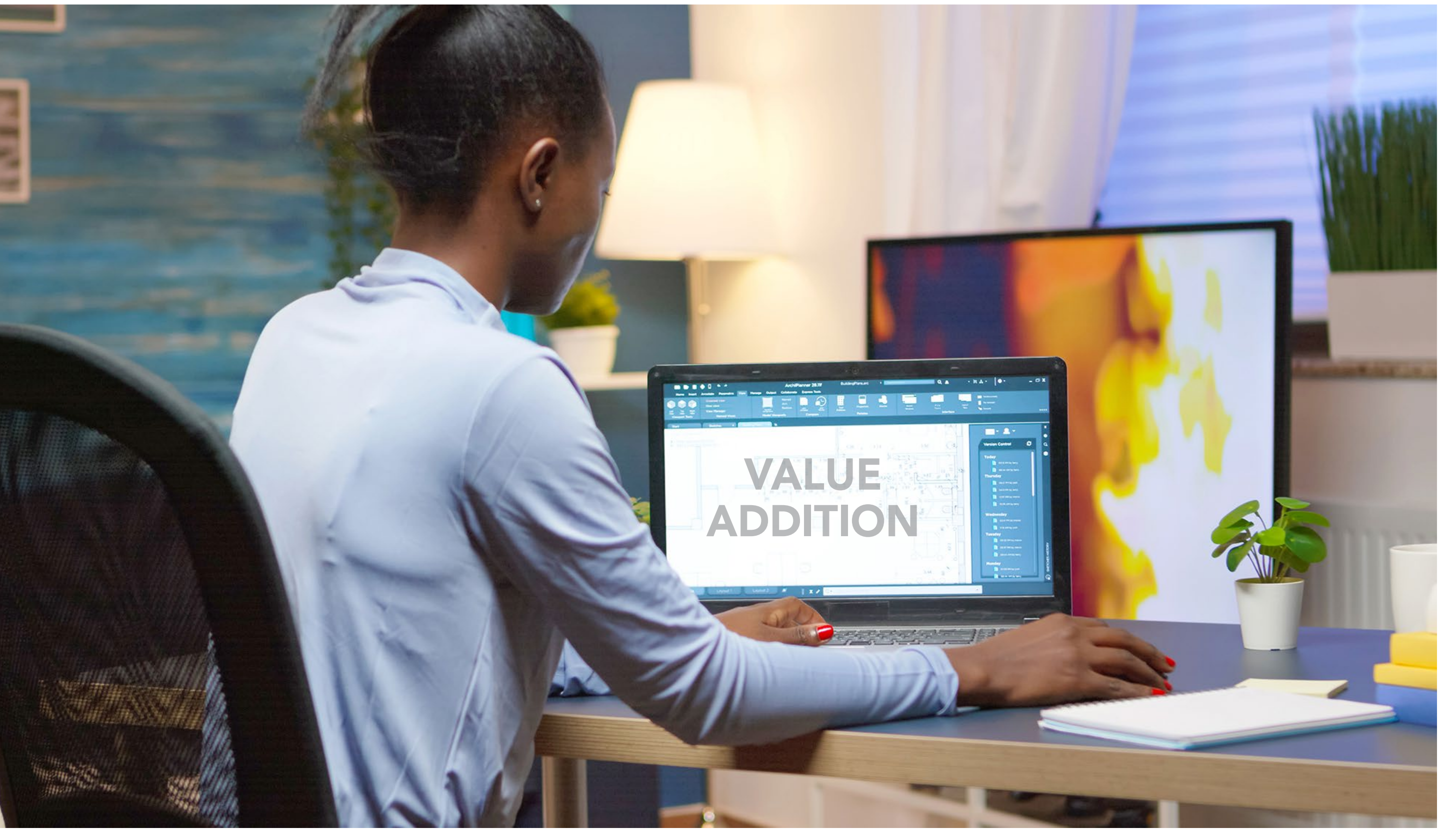
Administration therefore provides room for business restructuring mechanisms for financially ailing businesses. The purpose is to ensure that an entity in financial distress is provided protection through a court order which enables the company to reorganise itself as a going-concern while paying off its debts and re-strategising its business activities.

An insolvency practitioner appointed by the creditors and/or directors of the company as administrator of the company would be very critical for the implementation of the administration deed. Successful implementation protects value that can then be handed back to the shareholders upon the company being turned around.

Administration calls for tough measures which would include cost cutting, redesigning and reorganisation of business processes, capital reconstruction schemes and other financial management related activities. This is an area for which an accountant is expected to have adequate training and should be therefore in position to deliver exceptional value.

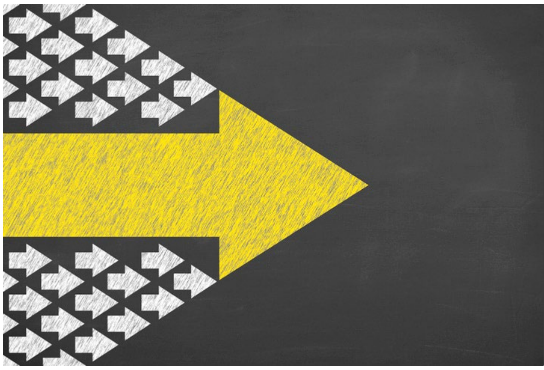
CPA Samuel Aggrey Mankaati,
Assistant Manager Internal Audit, Deposit Protection Fund and
Director at Sammy Professional Trainers and Consultants

VALUE ADDITION THROUGH INTERNAL AUDITS



The severity of the current global economic downturn as an adverse impact of COVID 19 pandemic has left organisations around the world searching for ways to control costs, improve efficiencies, maintain customer satisfaction levels and financial performance. This unprecedented economic crisis has necessitated urgent action for more robust risk management practices in global organisations irrespective of their scale of operation and jurisdictions in which they operate. In retrospect, many organisations are recognising that internal audit is positioned to play a critical role in managing the change since it provides assurances that existing and emerging risks are identified and monitored to achieve organisational objectives.

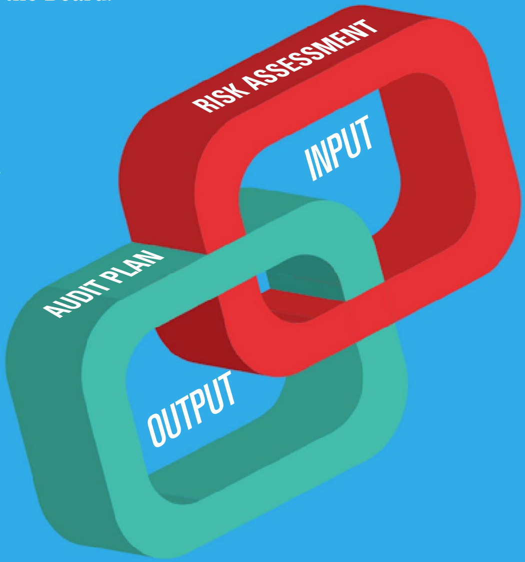
The role of Internal Audit has expanded as auditors have taken on more responsibilities including providing consulting services to management. Managers no longer only look at the internal auditors as evaluators of effectiveness, but they urge them to add value to their organisations. Thus, internal auditors are now expected to improve efficiency and operations, especially in the face of rising compliance risks and costs. Internal auditors can add value to an organisation through the following ways.



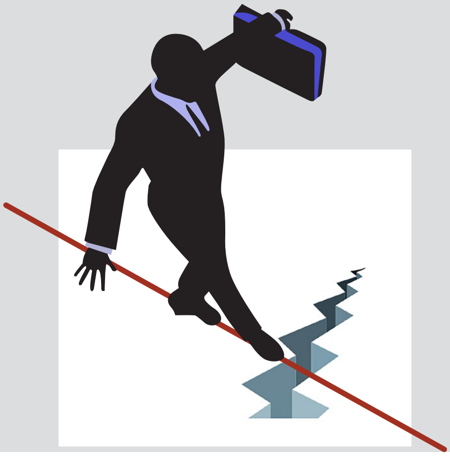
Strategic Alignment. Internal auditors should ensure that their audit objectives and plans are aligned with the strategic business objectives. This helps auditors to deliver relevant insights and sharpen the business' focus. In addition, through aligning objectives, auditors can prompt management to review the business objectives to ensure that they are precise, attainable, practical and value adding.

Focus on Integrated Audits. Internal auditors should perform audits that incorporate operational, financial, compliance, security and information technology issues. Integrated audits are designed to uncover errors, omissions, near misses, weaknesses, redundancies, fraudulent activities and missed opportunities and they enable an organisation to maintain firm control over all its critical operations; thus improving its performance.

Proper risk assessment and audit planning. Risk assessment and audit planning are core activities of an Internal Audit Department. A comprehensive risk assessment process identifies the organisation's existing and emerging risks and how these risks are controlled. Risk assessments should be revised and revalidated to ensure that they are relevant in a changing business environment. Therefore, Internal Auditors facilitate enterprise risk assessment, which is a risk-mapping exercise that prioritises the risks an organisation faces and all related actions taken to manage those risks. This information leads to the development of the annual audit plan and positions auditors to provide useful insights to senior management and the Board.



Emerging risks. The causes of the current economic crisis can be traced to new or emerging risks such as supply chain and business interruption exposures, commodity risk, third-party liability risk, cyber security threats and human resource management challenges. Internal auditors can help an organisation to identify previously unknown risks and manage emerging risks by linking relevant performance indicators and trending metrics to annual risk assessments. Through the risk assessment, reporting, management and monitoring systems that the internal audit team establishes, internal auditors can be an invaluable resource to management and the Board to facilitate economic recovery and long-term sustainability of an organisation.



Monitoring audit engagements. Internal Auditors should plan regular meetings to assess the progress of audit assignments and determine whether to review the audit objectives. Every audit has a different level of relevance. Based on that knowledge, auditors can give different weights to different audits. Objectives may change throughout the audit, so auditors need to continuously communicate with management and the Board. Through regular communication, auditors can quickly identify flaws in their audit plans and adjust their strategies.

Preparation of clear and targeted audit reports. Since reports are the auditor's mechanism for communicating audit observations and recommendations to management and the Board, crafting understandable, precise and concise reports is of utmost importance. Auditors should break down highly technical concepts into relatable terms and turn facts and data into a narrative that audit clients can understand. In addition, auditors should highlight areas of specific interest that highly impact the business objectives and this will enable management to address the high risky areas that add more value to an organisation.

Leveraging technology. Technology tools such as the risk management information systems and Computer Assisted Audit Techniques (CAATs) enable an Internal Audit Function to streamline and improve its processes. In addition, they enable auditors to adequately plan and execute audits as well as communicate the audit observations and recommendations to management and the Board.

Fraud risk management. As economic conditions decline, incidents of fraud increase. The Institute of Internal Auditor's recent revisions to its standards address the importance of fraud risk management requirements. Effective fraud risk management begins with a written policy that clearly defines fraud and the specific risks associated with it. Based on the established policy, organisations implement preventive controls, detective controls and appropriate deterrents, as well as reporting and investigative processes designed to deal timely with instances of fraud when they arise. Finally, communicating to and educating the organisation on fraud awareness by internal auditors plays an important role in both prevention and deterrence, and more firmly establishes an anti-fraud culture.

Agile auditing. This audit approach responds dynamically to changing risks and stakeholder expectations allowing auditors to stay current and relevant when executing audits. It is built on frequent feedback and short, targeted, collaborative audits that are flexible to adapt to changing environments. Agile auditing can improve the audit team's knowledge of relevant business risks and this results in preparation of high-quality reports that add value to an organisation.

In conclusion, Internal Audit can lead organisations out of the current economic downturn and into recovery if supported by management and the Board. The efforts that Chief Audit Executives initiate will help to reshape and solidify robust effective risk management strategies, prepare their organisations to face future challenges and enable them greatly add value to through provision of adequate insights, oversight and foresights.

CPA Bruno Muramuzi,
Officer Domestic Taxes, Uganda Revenue Authority

WHY ENVIRONMENTAL PERFORMANCE DISCLOSURE:

A CASE OF UGANDA'S MANUFACTURING FIRMS

Disclosure of information about the economic effects of manufacturing activities on the environment has become a significant concern in business management. Some investors have started using Environmental performance information to assess the value and future prospects of businesses and the costs of pollution control. Regulators and the general public have also started assessing the firm's environmental performance by using this information. In developed countries like China, North Korea, financial institutions have developed 'Green credit policies' which are used as assessment tools while advancing loans to companies. All these are used as mitigating factors to the adverse effects of the activities of manufacturing firms on the environment.

Developing countries like Uganda are faced with what Ullmann (1976) called dual tasks of economic development and environmental protection. Uganda is at its infancy in industrialization and may be concerned with growth regardless of second-order consequences of this growth, however informed corrective actions can only be undertaken if there is environmental performance disclosure by these manufacturing firms.

- World Bank report 2018 on Uganda's economy indicates that the Manufacturing sector's share of contribution to Gross Domestic Product has increased to 21% and forecasts it to be 30% by 2030. The government through National Development Plan (NDPIII) emphasizes industrialization as a key pillar to achieving Vision 2040. However, the same NDPIII indicates that pollution levels are on the increase and the country is contending with new and emerging environmental issues arising from waste, unsound use of chemicals, oil and gas development as a result of industrialization. Also, catastrophes such as droughts, floods rising water levels and biodiversity loss are on increase a result of industrialization.

WHAT IS BEING DONE?

In a bid to reconcile these worrying environmental issues, bodies like ICPAU and Capital Market authority have organized FiRe awards and unlike before, these awards have started considering Integrated Reporting while awarding the best entity. There is also an independent statutory body; National Environmental Management Authority (NEMA) that is charged with the responsibility of protecting the environment in Uganda.

We also note that some manufacturing firms are trying to disclose their environmental performance more especially on their company websites, others are preparing standalone sustainability reports though these are very few compared to the need. Also, the disclosures being made are just mere narratives because there are no set standards being used

WHAT SHOULD BE DONE?

In their study on environmental performance disclosure of Uganda's manufacturing firms, Nkundabanyanga, Muramuzi & Alinda (2021) assert that the increasing environmental challenges require efforts to expand the scope of accounting to better evaluate organizations' behaviour/practices. They suggest that Environmental Management Accounting systems should be used to capture the environmental information, the systems can only be availed to these organisations if their Boards are interested.

Regulatory bodies like NEMA in addition to ensuring that the environment is protected, should task all entities that have adverse effects on the environment to produce sustainability reports. These sustainability reports should be audited to improve the quality of disclosures being made.

Our financial institutions have continued employing the conventional 5Cs in assessment of borrowers which are not cognisant of environmental concerns like industrial pollution, yet manufacturing firms need to be coerced to disclose their environmental performance. Financial institutions should commit "no to provide loans to projects where borrower will not or is unable to comply with environmental policies and processes" by implementation of green credit policy. This is because industrial pollution has decreased in countries where financial institutions have adopted the green credit policy like China and North Korea.

In conclusion, Environmental performance disclosure is very important for manufacturing firms because it enhances the quality of decision-making. It enables these firms to establish targets for the reduction of the leading environmental indicators such as greenhouse gas emissions, energy usage, and resource usage. Through environmental performance reporting, companies realise the necessity for changing unsustainable consumptions, unfavourable productions patterns thereby protecting and managing available natural resources. It is therefore imperative to expand the scope of reporting by manufacturing firms in Uganda to include their effects on the environment

Ms. Elizabeth Kaheru
Technical Officer, ICPAU

THE STRATEGIC INTERNAL AUDITOR

The pace of change in most businesses is steadily increasing and companies face new and emerging risks as they implement strategies to combat challenges and capitalize on new opportunities in the dynamic business environment. As such, organisations today are spending more time on strategic issues and seeking more help from those with strategic capabilities. This has created a unique opportunity for internal auditors to help their organisations both manage risks and achieve their strategic goals. Consequently, internal auditors need to stay dynamic to develop plans and conduct audits that are aligned to the business changes. Internal auditors therefore need to transform the way they audit to ensure that their work effectively reflects the evolving risk profile of their organisations.

The Trusted Advisor

Today's internal auditor should strive to become a trusted advisor who responds to emerging and strategic risks, adds value to and realizes the untapped potential of the organisation. The internal audit function needs to take an objective look at where it is and develop a road map that will move it towards trusted advisor status. Each step closer to trusted advisor status can enable the internal audit function to contribute more to the organisation's long-term success, attract and develop top talent and provide a more rewarding experience for the internal audit team. The following are avenues through which internal auditors can play a more significant role and become more influential;

- Transformation of the internal audit function to provide foresight in critical business decision making. Internal auditors must become deeply involved in business matters, not just in dealing with questions about processes, controls and compliance. They need to have the ability to understand not only the risks of particular business actions but also the opportunities that should be capitalized on to achieve strategic objectives. This requires accurate anticipation of emerging risks or trends and provision of assurance over such risks.

- Shifting from traditional and conventional approaches to being strategic and focused on impediments to the achievement of important business objectives. Internal auditors need to do more to leverage technology, not just to help increase efficiency but also to improve the quality and depth of the insights being delivered to the business. This is because new technologies can help give internal auditors broader and deeper views into the risks they help manage, helping them deliver both insight and foresight.

- Proactive involvement of internal auditors in strategic initiatives. In order to contribute significant value to their organisations, internal auditors need to be involved in key areas, ranging from the implementation of new privacy and security strategies to cost reduction initiatives as well as new product and service development.

Internal auditors that fail to transform into trusted advisors may diminish their relevance and their level of impact and influence within the organisation. The end scenario will likely be for such internal audit functions seeing more of their budgets and opportunities repurposed to other functions that can provide foresight especially for areas deemed most critical for organizational success.

Becoming a Strategic Internal Audit Function

As businesses constantly evolve, internal auditors need to continually change with the business changes. In order to remain valuable contributors to their organisations, the internal audit function needs to be aligned with critical business strategies. This can be achieved in the following ways;

a) Working more closely with other lines of defense

Using this approach, internal auditors need to meet regularly with risk management, compliance and other second line of defense leaders to discuss the work being performed, synergies that may be accomplished and where they can better align. The internal audit function supports the risk management function in the assessment of emerging risks and can provide input about other key risks to the organisation. This will consequently result in less risk management fatigue as well as efficiency in enterprise risk management.

b) Proactive involvement in key initiatives

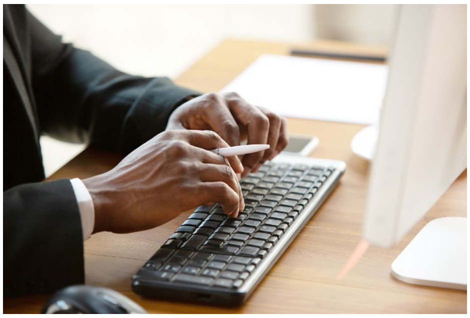
Internal auditors should have a purview of all key initiatives in the organisation even though not actively involved in every one of them. This will involve rating the risks associated with the different initiatives and engaging more deeply in those with the highest residual risk. This will necessitate reviews of project plans and milestones as well as management and audit committee reports and provision of assurance over these initiatives as they progress.

c) Alignment and engagement with stakeholders

Strategic internal auditors proactively engage with stakeholders. To accomplish this, the internal audit function should be structured to gain a better understanding of the business and foster deeper relationships within the organisation. The internal audit function should be aligned to business segments or functional groups or to both product and business lines in matrix organisations. This enables internal auditors to foster deep relationships, establish open communication lines, keep active vigilance on the business and to more effectively understand and identify new and emerging risks.

d) Assessment of third party relationships

As organisations increasingly adopt outsourcing of certain functions, it is imperative that internal auditors become involved in the engagement of third parties. The major concern should be the assessment of the third party processes and controls for their levels of data security and privacy.



Conclusion

Disruptive technologies and the trends affecting business are expected to intensify in coming years, making markets even more dynamic, competitive and opportunistic. Successful organisations will need to be agile and accelerate their decision-making in an environment where prolonged periods of rapid change will be the new norm. Internal auditors need to transform themselves to provide foresight to help management better evaluate its preparedness to deal with future events that will most likely impact the business. As such, successful internal auditors will be those that have the skills and ability to inform and shape critical decisions that their management teams must make.

CPA Noor Nakabugo Nakato,
Technical Officer, ICPAU

ACCOUNTING FOR ISLAMIC LEASES

The *Financial Institutions (Amendment)* Act, 2016 defines "Islamic Financial Business" as financial institution business which conforms to the Shariah or Islamic law. Islamic financial institutions (such as Islamic banks) are required to stay clear of practices that involve usury or interest (Riba); excessive uncertainty (Gharar), and gambling (Maisir) while observing Islamic business ethics. To operate within the realm of the Shariah, Islamic banks provide financing that is backed by real factors of production that is land, labour, capital, and entrepreneurship as opposed to selling of money for a fee known as interest. Among the Islamic Financial transactions mentioned in the Financial Institutions (Islamic Banking) Regulations, 2018 is Ijarah or Islamic lease-based financing—a form of financing popularly used for assets like vehicles and property. In the capital market space, Ijarah is used as the underlying contract for Islamic bonds.

How it works

Typically, there are two parties to an Ijarah transaction: the lessor - the party who owns the asset, who in this case is the Islamic bank; and the lessee (the party who is given the right to use the asset) who in this case is the customer. The Islamic bank transfers usufruct (the right of use) of an underlying asset to the customer in exchange for pre-agreed periodic lease rental payments. In practice, Ijarah is combined with another contract or series of contracts, ultimately taking the form of either: Ijarah Muntahiah bit-Tamleek (an Islamic lease that transfers ownership of the leased asset from the Islamic bank to the customer at the end of the lease term) or Al-Ijarah Thumma al-Bai (an Islamic lease arrangement that may be followed by a sale).

- Under Al-Ijarah Thumma al-Bai, the Islamic bank will lease the underlying asset to the customer for a specified lease term. The customer only intends to obtain benefits from the underlying asset but has the option to purchase the underlying asset from the Islamic bank upon expiry of the lease term. If the customer exercises this option, the Islamic bank and customer will conclude a sale contract and the ownership of the underlying asset will be transferred from the Islamic bank to the customer. If the customer does not exercise this option, at the end of the lease period, the ownership of the asset will remain with the Islamic bank. This arrangement is similar to operating leases.

On the other hand, under Ijarah Muntahiah bit-Tamleek, the customer seeking property financing and the Islamic bank sign an agreement wherein the Islamic bank undertakes to transfer a right of use of an agreed asset to the customer in exchange for periodic rental payments on specified dates. Additionally, the Islamic bank undertakes to transfer ownership of the underlying asset to the customer at the end of the lease term and the customer makes a binding promise to purchase the asset from the Islamic bank at the end of a specified lease term for a predetermined consideration. The Islamic bank as the lessor does not have the right to direct the use of the Ijarah asset during the contract term. Unlike the finance lease described in IFRS 16:63, the Islamic bank/lessor is required by Islamic law to assume all the risks and rewards associated with the underlying asset throughout the lease term until ownership passes to the customer/lessee.

Accounting in Non-IFRS jurisdictions

Some jurisdictions such as Bahrain and Pakistan have not adopted IFRS Standards for Islamic transactions. Instead, these jurisdictions have developed a set of "Islamic Accounting Standards" to cater for the unique aspects of Islamic finance. Details of that discussion are published in a related article titled, "Islamic Insurance: Insights for Accountants." In jurisdictions where Islamic Accounting Standards are applied, all leases are recognised as "operating leases" even when there is an option to transfer the leased asset to the customer at the end of the lease period. This treatment conforms to the Islamic law interpretation in those jurisdictions that transactions need to be accounted for separately that is, the lease should be recognised separately from the subsequent sale and not recognised as one transaction like is the case under IFRS 16's treatment of a finance lease.

Accounting in IFRS Jurisdictions

While IFRS 16:22 requires a lessee to recognise a right of use asset—a practice that is consistent with Islamic law, IFRS 16:62 only provides for two classifications of leases without describing anything in between. In its guidance on the treatment of a lease by a lessee, the International Accounting Standards Board (IASB) concentrates on the transfer of right of use of the underlying asset rather than the transfer of the asset itself. If the same was mirrored in the guidance for lessor accounting other than the current practice of carrying forward the principle in IAS 17:8 to IFRS 16:62, several concerns of Shariah scholars in non-IFRS jurisdictions would be resolved. However, in IFRS 16:BC60-66, the IASB decided it is not essential that the lessee and lessor accounting models are symmetrical. This has made IFRS 16 incompatible with the Ijarah transactions or Islamic leases.

Paragraph 2.12 of the Conceptual Framework, 2018 states, "Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon." Furthermore, paragraph 4.59 states, "The terms of a contract create rights and obligations for an entity that is party to that contract. To represent those rights and obligations faithfully, financial statements should report their substance."

These two paragraphs require an Islamic bank to recognise and measure transactions based on their economic substance rather than their legal form. However, information about the legal form may be disclosed in the entity's notes to financial statements to achieve faithful presentation. The substance of the Ijarah transaction is to finance a customer to purchase an underlying asset while its legal form is to lease the underlying asset to the customer. Accordingly, in modern Islamic finance, jurisdictions like Malaysia, both Ijarah Muntahiah bit-Tamleek (the financing lease) and Al-Ijarah Thumma al-Bai (the operating lease) are treated as financial assets measured at amortised cost under IFRS 9 Financial Instruments and not as leases under IFRS 16 Leases. To ascertain if the Ijarah structure can be recognised as a financial asset measured at amortised cost, the Islamic bank must determine if it satisfies both the business model and the "SPPI" test.

IFRS 9 requires that a financial asset is measured at amortised cost if it is held to collect contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Although interest is prohibited in Islam, profiting from permissible financial transactions such as leasing is permitted and encouraged as it may yield returns in the form of lease rentals. Accordingly, Islamic banks use the term 'profit' instead of 'interest' for income generated on such financing. On this basis, an Islamic financial asset is measured at amortised cost if it is held to collect contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit (not interest) on the principal amount outstanding. Included also in the financial assets measured at amortised cost are sale-based contracts (Murabahah) and construction-based contracts (Istisna') and this is due to the same reasoning.

Conclusion

In determining which IFRS Standard to apply to Ijarah transactions, paragraphs 2.12 and 4.59 of the Conceptual Framework, 2018 require an Islamic bank to recognise and measure transactions based on their economic substance rather than their legal form. The substance of the Ijarah transaction is to finance a customer to purchase an underlying asset while its legal form is to lease the underlying asset to the customer. Accordingly, in an IFRS jurisdiction like Uganda, an Islamic bank shall account for both Islamic financing and Islamic operating leases as financial assets measured at amortised cost under IFRS 9 Financial Instruments and NOT as leases under IFRS 16 Leases.

MY CPA JOURNEY
CHARLES BUSINGYE

"Charlie, the race is not for the swift or strong, test yourself, sit and write what you can,.." is what my tutor replied when I asked to be excused from answering a hard surprise mock exam for Advanced Financial Reporting, for which I had not revised yet. 2019 had been a long year with so many challenges; work assignments, deadlines, exhaustion, and fatigue. I was doing three papers on Level 3 in the same sitting and I was not about to give up.

My CPA journey began in July 2017 soon after I had landed my second job. From an audit firm, I had crossed to the public sector as a graduate trainee. While at my previous job, I had learnt of the benefits a professional course like CPA presents to an upcoming professional accountant like I was. My accounting degree was the best, but it could only fetch me an entry-level job. As soon as I joined my current employer, I registered for CPA.

It began with paper 1 and 2, which seemed fun because they presented, in a broad and deeper sense, concepts I had been exposed to at university. I made it a point to sit for at least five papers a year since my goal was to be certified in 3 years. For the second sitting, I sat for three, including paper 7 for which I was not exempted. It was the hardest accounting paper I had ever attempted. I had struggled to balance my reading for the three papers with late-night lectures, revision quizzes, and tests. I managed to pass all three and topped Advanced Taxation (paper 9) in the same sitting.

I must say, there's an unfathomable sense of accomplishment and joy when the hard work pays off. For those 3 years, I learnt valuable life lessons that have kept me afloat. The first being discipline; I purposed to give up on social gatherings, weddings, parties, hang-outs, and even relationships. Simply put, CPA was "bae"! (Chuckles). I spent more time in class and on my reading desk than with any of my friends and relatives. My weekends and evenings were for "bae"! I learnt the true meaning of sacrifice, dedication, consistency, and commitment to a cause.

As I traversed from one level to another, the fun got crazier, the nights became colder, the books became bigger and deeper so I got addicted. I was able to emerge best candidate in 3 papers including the very last, where I was the third best student in the December 2020 diet. Planning and having a strategy for each paper before I attempted it was something I took seriously. On top of lectures, I practiced with past papers, CPA study packs, lecture notes, study groups, class tests and mocks. The students' engagement seminars were a strong basis for my planning. Notwithstanding, the support from my lecturers, fellow students, family, and friends also played a pivotal role in my success. By the grace of God, I never failed any paper but I still add my voice that this journey is not for quitters. If you fall, get up, dust yourself, and soldier on to the Promised Land!

To fellow comrades who are still in the struggle, keep with like-minded peers, have a source of inspiration, and keep motivated. At the peak of it all, it will be worth it, I promise. The CPA certification presents numerous opportunities for career growth, a competitive edge in the job market, and opportunities for networking and connecting with other professionals.

IMPACT OF CPA ON MY CAREER

If you ever want to find me easily at work, ask any of the UEGCL employees who "Charles the pay-master" is. Not to brag, my reputation in the sense of what I do precedes me among my colleagues. It is rooted in the precision, dedication and nature of delivery of tangible results that are undeniably appreciated company-wide and I attribute this to the rigorous ethical training, professional diligence and the call of duty placed upon my shoulders by the nature of profession I chose. CPA has been more than beneficial in my professional journey. One year to finishing it, I was promoted from graduate trainee to project accountant.

After topping Advanced Tax (paper 9), I was nicknamed "Taxpert" by my work colleagues, which presented me with the opportunity to provide the much needed bankable advice on company tax issues and freelance opportunities to help out small business owners, friends and workmates with their taxes. This kind of platform was provided by the CPA certification and the trust that comes with being a certified professional.

Save from tax advisory, I enjoy a plethora of work responsibilities that are enhancing my skill-set for example, financial reporting, financial risk management, payroll & tax accounting, payments and expenditure, budgeting & budgetary control, among others.

Due to the potential to be a good professional through the success I registered in CPA, my employer set me up for greater horizons in my career by sponsoring me for the CFA (Certified Financial Analyst) course, which I am pursuing currently. This presents me with an archive of opportunities, not only in the finance industry but also the investment industry.

MY CPA JOURNEY
SAMUEL IBANDA

Growing up, I admired accountants and if you asked me what I wanted to be, I would say "Accountant." After my A level exams, we were asked to fill in the Public Universities Joint Admissions Board *(PUJAB)* application forms for our preferred courses, any course that led me to an accounting path was good to go since I loved numbers from my early school days.

I filled in Bachelor of Commerce *(BCom)* as my first choice with the view of specialising in Accounting, which I got on government sponsorship. When I joined University, I gave the course my best and earned a first-class degree after completion.

During the time at campus, a team of Institute of Certified Public Accountants of Uganda *(ICPAU)* came to our University and told us about the benefits of the CPA Course and how all those that had it were positioned for opportunities. I listened to this carefully and resolved to start CPA immediately after my degree.

With the small salary from my first Job, I started CPA in 2015 and since I hadn't graduated yet, ICPAU allowed me to use my A level certificate to apply and do the level one papers. I did personal reading and group discussions with my colleagues for the first two papers that is, financial accounting and quantitative techniques paper which I passed at first attempt.

I received my first CPA results a few days to my degree graduation and I used the degree transcript to get exemptions for the rest of the papers on level one in order to move to level two.

Once ICPAU sent us transcripts for the papers I had sat and passed, I updated my *Curriculum Vitae (*CV) right away. One day, as I was browsing the Internet, I came across this multinational company that was advertising for the post of Accounts Assistant but to apply, ome must have completed level one of CPA. Because I met this criterion, I immediately shared my CV and cover letter with them and in a short time, they invited me for the interview and granted me the job. I then realised the value of CPA and continued to give the course my best. I utilised ICPAU's past papers and solutions as well as discussion groups with fellow students, something which enabled me finish the course within two and a half years.

At the time of finishing CPA, I was employed as an accountant with an international NGO and I informed my employer about this accomplishment. I did this by emailing my transcript to the human resource office and informed them of how I was ready to add more value to the organisation using the CPA qualification.

Within a year, a position of finance manager fell vacant and at that time, you should have been a senior accountant in the organisation before becoming a manager. I was afraid to apply but with the CPA qualification I had just attained, I applied for the role and they later granted it to me because I beat the other candidates that didn't have the qualification.

It is now about now three years since I finished the course. One thing, for sure, is that I have continuously grown in my career because of the CPA qualification. This year, I was promoted to Partnership Finance Lead at Save the Children International.

MY CPA JOURNEY
ANTHONY NYENDE

In 2016 during the last semester for undergraduate degree, the University organised a career spark public lecture targeting third year students. Among the key speakers was the faculty dean of Business Administration. During her address, she focused her address on how to start a career fresh from University.

My key take home was aspiring to become a professional in the Accountancy profession where she hinted on the relevance of enrolling for a professional course, and how the course could unlock your potential, she hinted on the various Accountancy professional courses (CPA, ACCA, and CIMA among others).

The public lecture was organised at a time when we were preparing for our Year 3 final exams in May. After the presentation, I told my parents about how I was interested in pursuing a professional course in Accounting. Unfortunately, my parents were unwilling to sponsor since they were financially constrained.

I informed them that I would use my University savings to apply for CPA and do self-study since I was still fresh. On May 13, 2016 after my final paper, I stormed Institute of Certified Public Accountants of Uganda (ICPAU) offices for application and I was successfully registered.

The CPA glitches

Just like any CPA student, I have had mixed feelings whenever results were released (sad ,good), I found a lot of issues with CPA II because I did not know the right study materials to use and available tuition providers for the different papers. Although I failed many times, I was determined to finish the course. Since the course inception, I have never missed any sitting which increased my chances of passing and finishing the course in a relatively shorter time of 3.5years.

Relevance to career growth

When I enrolled for CPA in May 2016 , I was looking for an opportunity to kick start my career, with CPA Level I, I was able to compete for graduate Finance Intern position with Chemonics International which I needed at that time to start my career. After my internship, I was retained as a Grants and Subcontracts Assistant - a position I held for two years. Since then, I have got enormous offers in big international Non-Governmental Organisations (NGOs) like SOS Children's Villages as Grants Accountant, Youth Alive Uganda as Project Accountant, and currently with Baylor College of Medicine as Grants and Contracts Officer upon completion of CPA in March 2021. Every level of CPA completion has come with a new job offer which I attribute to technical knowledge, skills, and work exposure obtained from the different CPA levels/papers.

Attributes

Thanks to ICPAU for developing the study packs, the various tuition providers, and fellow students who made my CPA journey interesting. With CPA, you are an expert in various fields.

CPA CTA Nakayenga Zuriat,
Senior Tax Advisor, Ernst & Young

THE PRACTICABILITY OF THE 2021/22 INCOME TAX MEASURES

The tax amendment bills that were assented to by the President on 29 May 2021 took effect on 1 July 2021. The Income Tax (Amendment) Act, 2021 has introduced key changes set out below. We now discuss the practicability of the new measures introduced.

Deductibility of expenses relating to rental income for a person has been capped at 75%. The Act defines a person as an individual, a partnership, a trust, a company, a retirement fund, a government, a political subdivision of a government and a listed institution. The justification for the amendment according to Uganda Revenue Authority (URA) is to ensure equitable taxation of rental income irrespective of the nature of the person earning, targeting mostly individual property owners that own properties through companies to claim fictitious deductions. Before the amendment, companies were allowed 100 per cent deduction for expenses allowed to the extent that they were incurred in deriving rental taxable income and in line with the provisions of the domestic tax laws. Individuals/partnerships were allowed 20% of the gross rental income in addition to the annual threshold of UGX 2,820,000. The new amendment includes a controversial requirement that 75% will be subject to verification by Uganda Revenue Authority (URA). What is not clear is what the requirements for verification by URA will be, either verification for the gross rental income or the 75% allowable deduction. Could the clause for verification mean that taxpayers must obtain written approval to qualify for the claim of 75% from URA? Will individuals still be allowed to claim for a deduction of interest on a mortgage from

a financial institution as expenditure to construct premises that generate rental income on top of the 75% allowable deduction since the provision was not repealed? The new amendment is a welcome addition to the domestic tax laws subject to a few clarifications on the practical applicability of the amendment.

Additionally, the new amendments include the introduction of a uniform rental tax rate at 30% for all persons (individuals and companies) deriving rental income thereby increasing the tax rate for individuals from 20% to 30%. The reason for the amendment according to URA is to harmonise the tax regime by equalising the treatment of individuals and companies. Before the amendment, taxpayers would opt to register companies if they had huge allowable expenses or hold property as individuals in case of fewer allowable expenses to minimise tax exposure. The new amendment has levelled the ground for all taxpayers.

The new amendments include a reclassification of depreciable assets for purposes of claiming wear and tear. The new classes are class 1 at a rate of 40% comprising of computers and data handling equipment, class 2 with a rate of 30% comprising of plant and machinery used in farming, manufacturing and mining and class 3 with a rate of 20% comprising of Automobiles such as buses, minibuses, goods vehicles, construction and earth moving equipment, specialised trucks, tractors, trailers and trailer-mounted containers, rail cars, locomotives and equipment, vessels, barges, tugs and similar water transportation equipment, aircraft, specialised public utility plant, equipment and machinery, office furniture, fixtures and equipment and any other depreciable asset not included in another class. The amendment is aimed at reducing the number of firms making tax losses by lowering the depreciation rate. The new amendment implies that items that originally belonged to class 2 and class 3 have been transferred to class 3 of the new amendment and class 4 has been eliminated. The new change also means that the wear and tear for plant and equipment used in farming has remained 30% but the claim for wear and tear on non-commercial vehicles has reduced significantly from 35% to 20% and for commercial vehicles from 30% to 20%. Taxpayers must be mindful of this reduction in the claim for wear and tear when making capital expenditures decisions for tax planning purposes.

What is pertinent here is that wear and tear is not claimed on individual assets but based on assets in a pool/class. Notably though, is that taxpayers are likely to face an administrative burden of transitioning from the old wear and tear schedule with four classes to the new wear and tear schedule with 3 classes. The new transition practically requires that written down balances that originally belonged to classes 2 and 3 should be transferred to the new class 3. The written down balances that originally related to plant and machinery used in farming, manufacturing, and mining will be moved to class 2. What remains unclear is whether taxpayers will be allowed to fully claim wear and tear for the old classes and that the reclassification only applies to assets acquired from the period beginning 1st July 2021 onwards.

Furthermore, the new amendment also includes deferment of the claim for wear and tear for assets that qualify for initial allowance to the next year of income. Initial allowance is a tax incentive that allows taxpayers to claim for 50% of capital expenditure incurred when placing an item of an eligible property for the first time into use outside a 50 kilometre radius of Kampala and this excludes furniture, goods and passenger vehicles and home appliances and 20% claim for placing an industrial building other than a commercial building in addition to the claim for wear and tear and industrial building deduction. The justification for the new amendment by URA is to increase chargeable income and tax payable for the first year of income in which the depreciable assets are first used. Taxpayers should track the claim for initial allowance on eligible items and industrial buildings in the second year of use.

50%

Capital expenditure incurred when placing an item

20%

Placing an Industrial Building

Other key amendments include the repealing the provision that exempts income tax for Agro-processing. The justification for this was to do away with the duplication since similar exemptions have been accorded to investors in specific sections in the sector subject to an investment threshold and local content requirement. Previously, all Income derived from Agro-processing was exempt from income tax. The income tax act defines Agro-processing to mean an industrial or manufacturing process that substantially transforms or converts raw agricultural produce to convert the product into different chemical or physical states and it includes the activities that take place between slaughter or harvest of the raw product to change it or preserve it. The blanket exemption attracted investors to venture into Agro-processing irrespective of the level of investment. The new amendment implies that low-income earners will likely miss out in case they don't meet the acceptable capital requirements.

According to URA, the government is trying to close loopholes in the tax system and prevent loss of tax revenue. Through the various tax amendments, the government envisions to grow domestic revenue and reduce debt. However, the practical applicability of the new amendments remains a challenge not only for the taxpayers but also tax administrators. Therefore, there is need for continuous guidance through tax education and issuing public notices to provide clarity on the practical applicability of the new amendment and smoothen the transition. Taxpayers are also encouraged to quickly adapt to the new measures to minimise tax exposures in form of penalties and fines for non-compliance.

Pearl Gahwera,
AMAZE Global Partnerships Fellow, Advocates For Youth

YOUR STATE OF MIND AFFECTS YOUR PERFORMANCE

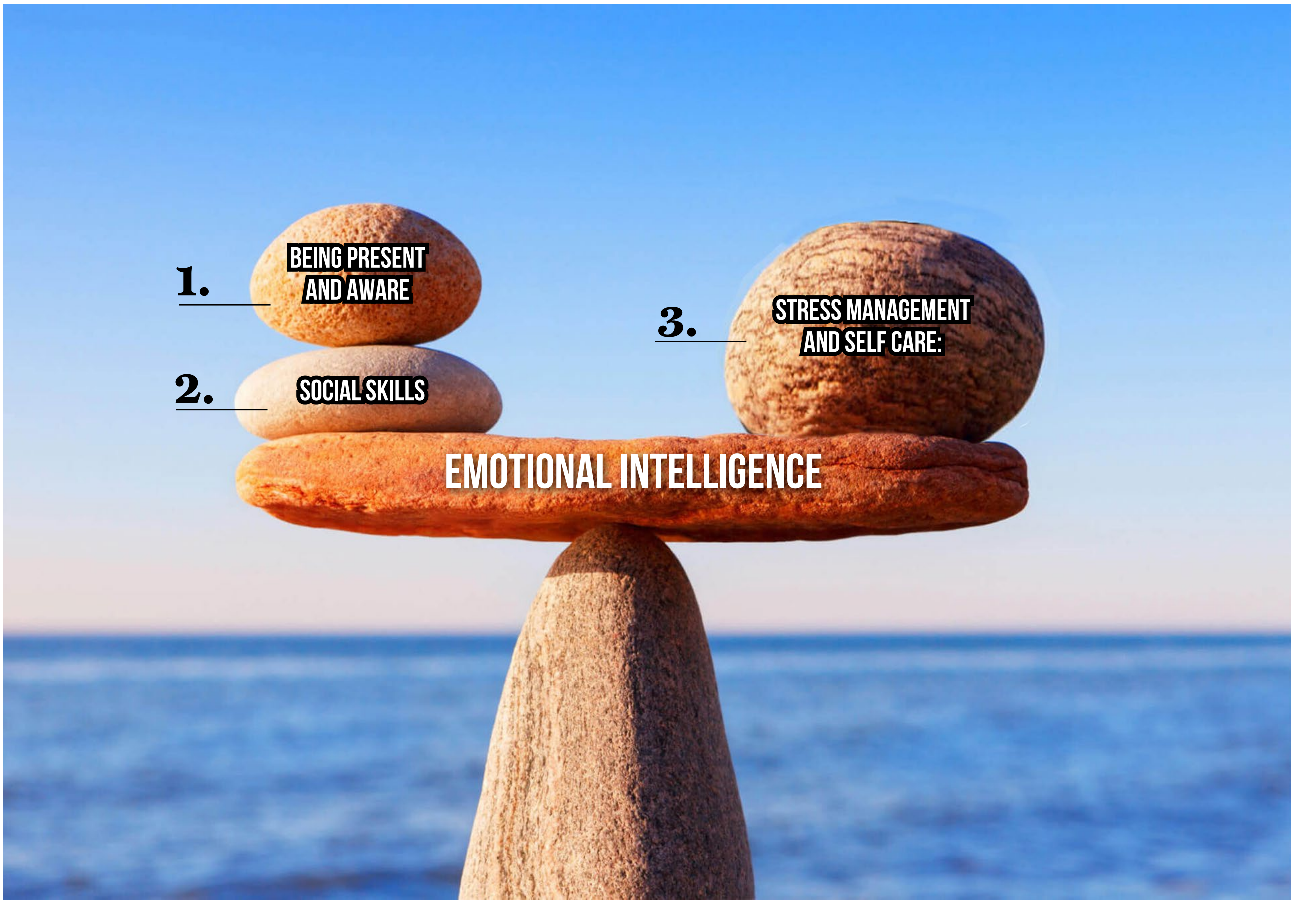
As we get closer to the end of the year, many people have already begun making plans and setting goals towards growing their careers. Unfortunately, we have been conditioned to focus more (most) on areas like doing further studies (a certificate, diploma, Master's, you name it), learning a new practical skill (hello YouTube university), networking because "your network is your net worth", applying for bigger opportunities, to mention but a few.

As a result, we tend to overlook other areas that play a crucial role in our career journeys. One of the grossly overlooked areas is emotional intelligence. Emotional intelligence is the capacity to be aware of, control, and express one's emotions, and to handle interpersonal relationships judiciously and empathetically. In simple terms, for the people at the back, it is a person's ability to identify and manage their emotions appropriately.

If you are rolling your eyes at this point because you don't see the role emotional intelligence plays in building and having a successful career, kindly give me a chance to change your mind.

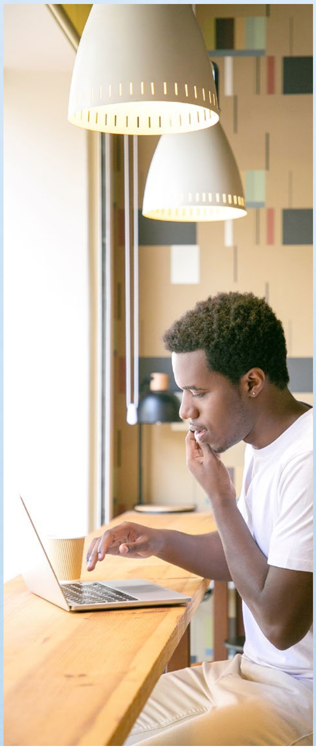
According to research by Stembridge Gainer, Perdeeta, The Effects of Emotional Intelligence on Productivity (2018), "emotional intelligence is becoming an essential area of study to determine a person's potential for overall success as well as success in the workplace. Although noncognitive skills are not always a factor that leaders use in determining workplace efficiency, these skills may impact productivity."

Let's bring this closer home with three examples where emotional intelligence plays a critical role.



1. **Being Present and Aware:** This dimension of emotional intelligence is about your ability to recognise, analyse and respond to your emotions. If a colleague shouts at you in the workplace, how does that make you feel? How will you react? Will you go into a shouting battle with them or will you walk away? Will you write to human resources to address the situation? At the end of the day, despite being the person that has been offended, how you react will also reflect on you. For example, your boss is not likely to trust you if you go into a shouting battle because they will assume that would be your reaction had it been a client, as human beings are creatures of habit, which would definitely be a disaster. Just to be clear, I am not recommending that you become a pushover. But your actions will be used against you – knowing when to fight and when to let it go, that's emotional intelligence.

2. Social Skills: Remember the networking I mentioned before? Well, guess what? Emotional intelligence boosts your social skills which is the heart of networking. Essentially, emotional intelligence helps you read the room and understand tones and nuances. 5 or 10 years ago, a quick Google search would have told you that it is unprofessional to use emojis in emails. Wait, had emojis been invented 10 years ago? I digress, the point is, for whatever reason, CEOs of Fortune 500 companies and venture capitalists with billions of dollars are sending emails with emojis. If you receive an email with emojis, that might be a cue for you to do the same instead of sticking to the traditional professional template. Some people like to be casual, and picking up on that nuance might be the difference between you getting a yes for that coffee chat or not.



3. Stress Management and Self Care: Kindly allow me to throw back to the time when we thought our lives would be easier/better because many of us started working from home. Knowing what we know now, it is clear that the jokes really do write themselves. From working at all times of the day, working during weekends, to lockdowns, curfews and so much more, the pandemic work experience is definitely different from anything most of us have experienced before. That alone is reason for us to be stressed and creates an urgent need for us to take better care of ourselves. With emotional intelligence, you are able to examine your emotions, understand your triggers for anxiety, depression, et al, and take deliberate time out to rest and regroup. As a result, you are less likely to burn out and if you do, you will know it is probably time for you to put in that leave request. All in all, emotional intelligence helps you get closer to living a more holistically fulfilling life.

Like every other concept, this barely scratches the surface of what emotional intelligence is. I do, however, hope that this has given you some insight into how useful emotional intelligence can be towards your career journey and that it will nudge you to read more about it so that you can leverage it as you continue to build your career.

All the best!

Eric Zachary Mugisha,
Communications Officer - Digital Platforms, ICPAU

ARE YOU GAINING ANY NEW SKILLS DURING THIS PANDEMIC?

Routines including the education calendar have been greatly influenced by the COVID-19 pandemic since March 2020 in Uganda. We have seen some of ICPAU's approved training/tuition centres adopt to providing both real-time virtual and pre-recorded classes, a great move to keep the learning cycle active as ICPAU gets clearance from the Ministry of Education & Sports to conduct exams this year.

In recent times, it's been common talk on how the future of Accountancy will be majorly digital and the COVID-19 pandemic has given us a feel of this; we have witnessed remote working in all sectors, virtual classes and seminars are the new normal, virtual databases for offices and a lot more.

So, what are the skills accounting students should focus on as we adopt new routines in the "half-open" economy today? This article will share FREE digital (online) certificate courses to help you better your skillsets and offering as an accounting student today.

"IBM estimates that every day, 2.3 trillion gigabytes of data are created, but only 1 in 3 businesses trust the source of data. Technology can provide information more quickly and often more accurately than humans but it cannot replicate human intelligence and quality decision-making. Therefore certified accountants hold a key role in data analytics invalidating the source of the data, interpreting and analysing the outputs." – ICAEW

Digital Skills for Accountants;

Under this section, we look at the different digital skills an accountant today needs in the world of automation of accounting processes. Accountants need to assure businesses of the value they create through the various business processes.

1.

Business Analytics; Knowing that 1 in 3 businesses trust the details in data they process, it's crucial for you as a training professional to be able to interpret data beyond financials. Have a go at Business Analytics Specialization by Wharton Business School of Pen University and Google Data Analytics Professional Certificate through www.coursera.org, and IBM's Data Analytics Basics for Everyone on https://www.edx.org/

2.

Communication; Accountants deal with figures that tend to speak for themselves, but the recent digital migration makes it important for upcoming professionals to develop skills in the quest to provide tailored accounting information to the different users. The focus here is on how best young accountants can present financial information in visual formats to make it appealing and understandable to non-accountants. Recommended courses include Communication Strategies for a Virtual Age by the University of Tronto on Coursera,Visual Presentation by RIT on Edx and Rochester Institute of Technology (RITx), and Excel Data Visualization for Business Analysts on www.udemy.com

Must-Have Skills;

Here, we focus on skills that sell you to employers, what you should perfect to stand out in the job markets and also, offer quality accountancy services to clients. These are a combination of Hard and Soft skills.

1.

Project Planning; Accountants in practice tend to manage clients as projects, it's key to know when to file VAT when to start audits, when present audits, how to cultivate good relationships with clients and how to meet the set deadlines. "Project Planning is needed to identify desired goals, reduce risks, avoid missed deadlines, and ultimately deliver the agreed product, service or result" - www.techrepublic.com

The internet has over 80 free certificate-based courses on Project Planning but try the Google Project Planning & Management course or Fundamentals of Project Planning and Management on coursera or Project Finance: Funding Projects Successfully on EDx

2.

Decision Making; Accountants are aides to management and clients on decision making, taking a certificate course will help you cement your knowledge and learn how to leverage accounting processes to guide management and client is a key skill every accountant should possess today. Most of the Courses on this are paid for but the Financial Analysis for Decision Making by Boston University on EDx provides great insights in polishing the skill set.

3.

Soft Skills; Accountants are critical thinkers, they pay attention to detail and are great time managers. As a training accountant, it's imperative you develop these skills at an earlier stage and use them to craft a brand for yourself as you pursue your CPA qualifications. Still, the internet maintains hundreds of classes on these subjects through the major digital learning partners in Udemy, EDx and Coursera. A simple search with lead you to Critical Thinking and Decision Making in Fortune 500 Firms on Udemy, Career Success Specialization by the University of California, Irvine and Professional IQ: Preventing and Solving Problems at Work Specialization on Coursera.

ICPAU continues to provide such skills and knowledge through the Continuous Professional Development education (CPDs) with webinars today, I encourage you to look out for webinars that speak to either your studies and attend them as they are quite affordable.

The internet is your friend, we are in the routine of not just scrolling social media sites for the latest "juice" but also using the various learning platforms to better our skillsets as training accountants.

I wish success as you prepare for the next examination diet, enjoy the read