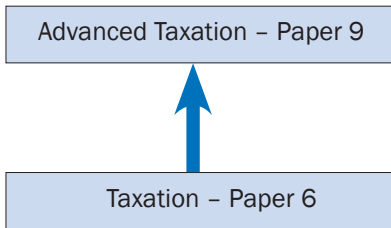


# TAXATION – PAPER 6

## SYLLABUS CHART



### **OVERALL AIM**

To provide the basic knowledge of taxation in Uganda covering all aspects of tax as considered by Government of Uganda. It will form a foundation for Advanced taxation – paper 9.

### **LEARNING OUTCOMES**

On completion of this course, the learner should be able to:

1. Understand the objectives of taxation and factors that determine the country's taxable capacity.
2. Understand different forms of taxation and tax administration in Uganda.
3. Compute the different tax liabilities for individuals and corporate bodies.
4. Explain the tax system as it applies to individuals and corporate bodies in Uganda.
5. Prepare and submit tax returns for individuals and corporate bodies.
6. Show an understanding of tax assessments.
7. Show an understanding of the e-tax platform.



8. Handle simple correspondence with tax authorities.
9. Analyse the local and global business environment.
10. Explain the challenges facing entrepreneurs and how to overcome them.
11. Recognise and evaluate business opportunities.
12. Explain the ethical challenges that are met when carrying out taxation issues.

## **STRUCTURE OF THE SYLLABUS**

The taxation syllabus forms a basis for advanced taxation paper which is almost independent of others. It however demands a student to have good knowledge of Business law – Paper 3 and Financial Accounting - Paper 1. Students should understand this relationship as a basis of the study and where it is necessary to review the previous paper(s).

## **LEVEL OF ASSESSMENT**

The examination will test the ability of the learner to demonstrate an understanding of legal framework and the general tax administration in Uganda

## **EXAMINATIONS STRUCTURE**

There will be a three hour examination made up sections A and B. Section A will comprise of 20 compulsory multiple-choice questions of 20 marks. Section B will comprise of five questions of 20 marks each, of which the candidate will be required to attempt four.

## **DETAILED SYLLABUS**

### **A. INTRODUCTION TO TAX ADMINISTRATION IN UGANDA**

1. History and background of tax
2. Tax administration from Pre- URA regime, URA regime, E- tax, E- Filing, and E- payment
3. Objectives of taxation
4. Concept of taxation
5. Principles of taxation (Canons of Taxation)
6. Incidence, impact, and tax base
7. Characteristics of a good tax system

### **B. NATURE AND SCOPE**

1. Classifications of taxes:
  - (a) Progressive



- (b) Proportional
- (c) Regressive
- 2. Types of taxes: direct tax and indirect tax; advantages and disadvantages
- 3. Taxable capacity
- 4. Tax compliance, Tax evasion and tax avoidance
  - (a) Meaning
  - (b) Factors influencing tax compliance
- 5. Methods of tax accounting
- 6. Tax structure in Uganda and its implications

### **C. INCOME TAX**

- 1. Meaning of chargeable income, gross income, and exempt income; examples of exempt income and exempt organisations – amateur sporting associations, charitable organisation, and listed institutions
- 2. Residence status:
  - (i) Tax residence status and non tax residence
  - (ii) Short term residence
  - (iii) Resident individual, company, partnership and trust
- 3. Year of assessment:
  - (a) Normal
  - (b) Transitional
  - (c) Substituted

### **D. EMPLOYMENT INCOME**

- 1. Meaning of employment and employment income
- 2. Sources
- 3. Valuation of the benefits
- 4. Exempt income
- 5. Pay as you earn system and its limitations
- 6. Computation of employment income and tax liability



## **E. BUSINESS INCOME**

1. Meaning of business, business income and examples
2. Characteristics of trade
3. Meaning of small tax payer and the implications of presumptive income tax
4. Determination of taxable business income:
  - (a) Allowable deductions
  - (b) Non-allowable deductions
  - (c) Capital deductions:
    - (i) Meaning of qualifying capital expenditures
    - (ii) Types of capital expenditures
    - (iii) Meaning of an eligible property
    - (iv) Computation of chargeable income and tax thereon of an individual and company

## **F. PROPERTY INCOME**

1. Meaning, scope and examples

## **G. TAXATION OF RENTAL INCOME**

1. Meaning of rental income and rental tax
2. Tax treatment of rental income; allowable deductions and tax threshold
3. Tax treatment of rental income for an individual and that of a company
4. Computation of rental tax

## **H. H INCOME TAX RETURNS AND ASSESSMENTS**

1. Meaning of the return of income and assessment
2. Persons eligible to file a return of income
3. Circumstances where a return of income is not required
4. Due dates for filing a return of income: final return, provisional return, estimated return, and amended assessment
5. Provisions of the law regarding the extension of time to file a return of income
6. Tax assessments:
  - (a) Based on tax payer's return



- (b) Self assessments, additional assessments/amended assessments and estimated assessments
- 7. Small business tax payers
  - (a) Meaning
  - (b) Computation of small tax payer's liability, return of gross income, election or option for income tax
- 8. Payment of taxes:
  - (a) Final
  - (b) Provisional tax
  - (c) Payment of tax withheld
  - (d) Due dates for payment

## **I. WITHHOLDING TAX**

- 1. Meaning of withholding tax and the parties to this tax
- 2. Payments subject to withholding tax
- 3. Conditions in which withholding tax is a final tax
- 4. Implications of taking withholding tax as final tax
- 5. Payment of withholding tax and penalties for non-compliance

## **J. CAPITAL GAINS TAX**

- 1. Meaning and scope of capital gains tax:
  - (a) Business assets
  - (b) Cost base of an asset
  - (c) Disposal of an asset:
    - (i) Gains or losses from disposal
    - (ii) Cost base of a non- arms length disposal
    - (iii) Part disposal of an asset
    - (iv) Disposal by exchange
    - (v) Disposal by way of gift
    - (vi) Deemed disposal by fire
- 2. Computation of capital gains tax on various disposals

## **K. VALUE ADDED TAX (VAT)**

- 1. Meaning of VAT; advantages and disadvantages



2. Administration of VAT:

- (a) Operations of the VAT department
- (b) VAT registration
- (c) Taxable persons
- (d) Taxable supplies of goods/services, zero rated supplies, exempt supplies, and mixed supplies
- (e) Place of supply
- (f) Rates of tax and tax periods
- (g) Returns and due dates
- (h) Penalties and offences
- (i) Deregistration

3. Accounting for VAT:

- (a) Time/point of supply
- (b) Valuation of supplies.
- (c) Taxable value of imported goods and services
- (d) Cash accounting and invoice accounting
- (e) Advantages of cash accounting over invoice accounting

4. VAT accounts and records:

- (a) Tax invoices
- (b) Credit notes
- (c) Debit notes

5. Types of returns:

- (a) Amended returns
- (b) Returns that are filed separately

6. Powers and duties of the Commissioner

7. Rights and obligations of a registered payer

8. Computation of input and output tax

9. Refund procedures

**L. OTHER SOURCES OF REVENUE**

1. Sources of revenue which include: Fines, licences, lotteries, rates, compulsory saving schemes, government securities etc

**M. CUSTOMS MANAGEMENT PROCEDURES**

Importation procedures:

- (a) Arrival and reporting procedures for vehicles
- (b) Arrival by international trains, vehicles and other means overland
- (c) Re-export procedures
- (d) Goods in transit

Unloading and removal of cargo:

- (a) Entry examination
- (b) Removal of goods by sale in customs warehouse
- (c) Passenger clearance

Customs warehouses

- (a) Meaning
- (b) Receipt/ delivery of goods
- (c) Disposal of warehouse goods

Bonded warehouses

- (a) Meaning
- (b) Customs procedures for bonded warehouses:
  - (i) Receipt/delivery of goods
  - (ii) Entry and control of goods prior to bonded ware house
  - (iii) Licensing of bonded warehouse
  - (iv) Goods not allowed in the bonded warehouse

Exportation procedures under customs for example

- (a) Customs procedures for exports
- (b) Entry out wards of goods
- (c) Procedures for re-exportation
- (d) Export of bonded goods

Smuggling of goods

- (a) Meaning
- (b) Forms of smuggling
- (c) Reasons for imposing prohibitions
- (d) Reasons for restriction of certain goods
- (e) Problems associated with smuggling
- (f) Ways of preventing smuggling of goods and services; and treatment of offenders.

7. Importation by post:

- (a) rocedures for clearing post parcels
  - (i) Examination procedures for parcels



- (ii) Redirecting parcels
- (b) Warehousing post imported goods
- 8. Customs Union
  - (a) Meaning
  - (b) Benefits and challenges
  - (c) Opportunities created
- 9. Common markets
  - (a) Advantages
  - (b) Trade barriers

## **N. ETHICAL ISSUES**

1. Ethical challenges that may be met when carrying out tax work

# **ENTREPRENEURSHIP**

## **A. BUSINESS ENVIRONMENT**

1. Types of business environment
  - (a) Internal environment
  - (b) External environment
2. Entrepreneurship and Small and Medium enterprises
  - (a) Meaning and the environment of small business
  - (b) Managing small and medium enterprises:
    - (i) Human resource management
    - (ii) Financial management
    - (iii) Marketing: shop design, front, walls and ceiling, colour scheme, customer spotting, interior design, floor, methods of allocating space, design basics, window display
    - (iv) Purchasing objectives, policies, procedures, documents evaluation of suppliers, and legal implications
  - (c) Risk and failures analysis of small and medium businesses
  - (d) Advantages and disadvantages of small and medium businesses
  - (e) Role/ contribution of small and medium businesses to the development of the economy
  - (f) Ending the business venture (definition, reasons and ways of terminating





## **B. FORMS OF BUSINESS ORGANISATIONS**

1. Sole proprietorship.
2. Partnership.
3. Private limited companies.
4. Public Limited Companies.

## **C. FORMS OF BUSINESS GROWTH**

1. Natural Growth
2. Artificial Growth

Business Combinations:

- (i) Mergers
- (ii) Acquisitions/ Absorption/ Take-overs
- (iii) Rationale for acquisition/ merging; merits and demerits
- (iv) Buyout (Definition, factors to consider, format for buyout, taking over a family business, merits and demerits)
- (v) Franchising in business (Nature, importance, types, benefits, limitations to franchiser and franchisee)
- (vi) Holding company
- (vii) Joint ventures

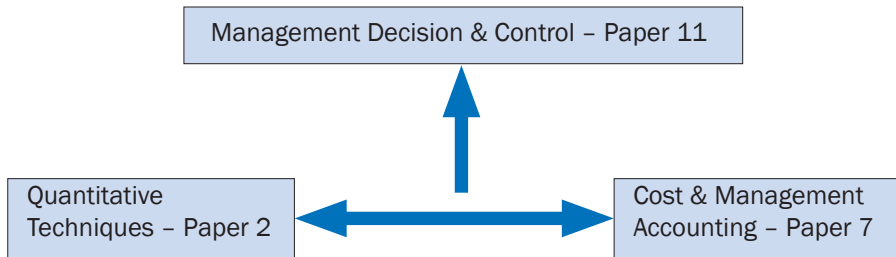
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# COST AND MANAGEMENT ACCOUNTING – PAPER 7

## SYLLABUS CHART



### **OVERALL AIM**

To enable the learner develop cost and management accounting principles for the production of information for decision making.

### **LEARNING OUTCOMES**

On completion of this course, the learner should be able to:

1. Explain the roles of cost accounting, management accounting, and financial accounting.
2. Identify elements of costs.
3. Allocate and evaluate costs.
4. Calculate product costs under different methods of cost accounting.
5. Identify relevant costs for decision-making.
6. Describe the principles of budgeting and prepare budgets.
7. Identify any ethical issues that may be met by management accountants.



## **LEVEL OF ASSESSMENT**

The examination will be centred on the basics of management accounting, testing mainly knowledge and comprehension, as well as application and analysis.

## **EXAMINATIONS STRUCTURE**

There will be a three hour examination made up sections A and B. Section A will comprise of 20 compulsory multiple-choice questions of 20 marks. Section B will comprise of five questions of 20 marks each, of which the candidate will be required to attempt any four.

## **DETAILED SYLLABUS**

### **A. INTRODUCTION**

1. The nature and scope of management accounting
2. Role of the management and cost accounting function
3. Relationship between management accounting, cost accounting and financial accounting
4. Users of management accounting information
5. Information needs of internal and external users of management accounting information
6. The role of a management accountant and financial accountant
7. Objectives; advantages of a costing system
8. Ethical requirements of a management accountant

### **B. COST CLASSIFICATIONS**

1. Meaning of:
  - (a) Cost, cost unit, cost centre, cost object, cost behavior
  - (b) Cost classification
2. Explain the following costs:
  - (c) Product
  - (d) Period
  - (e) Variable
  - (f) Fixed
  - (g) Relevant
  - (h) Irrelevant
  - (i) Avoidable



- (j) Unavoidable
- (k) Controllable
- (l) Non-controllable
- (m) Job
- (n) Process
- (o) Sunk
- (p) Opportunity
- (q) Replacement
- (r) Notional
- (s) Budgeted
- (t) Standard
- (u) Historical
- (v) Pre-determined
- (w) Normal
- (x) Abnormal
- (y) Differential
- (z) Marginal
- (aa) Future
- (ab) Conversion
- (a) Discretionary
- (b) Out-of-pocket

3. Cost classifications:

- (a) Types
- (b) Importance of each type

4. Elements of manufacturing costs; direct, indirect and non-manufacturing costs

5. Cost sheet /cost statement

**C. MATERIAL COSTING**

1. Meaning and components of material cost

2. Materials control:

- (a) Objectives
- (b) Procedures
  - (i) Purchasing
  - (ii) Issuance of materials from store
  - (iii) Storage



3. Inventory records:
  - (a) Bin card
  - (b) Stores ledger card
4. Types, merits and demerits of stores management systems:
  - (a) Centralised
  - (b) Decentralised
  - (c) Imprest
5. Documents used in materials control:
  - (a) Materials requisition note
  - (b) Bill of materials
  - (c) Goods received note
  - (d) Delivery note
  - (e) Materials returned note
  - (f) Materials transfer note
6. Techniques of inventory control:
  - (a) Economic order quantity
  - (b) Control level
  - (c) Just in time
  - (d) ABC analysis
  - (e) Inventory (stock) turnover ratio
7. Types, merits and demerits of the inventory counting (stocktaking) methods:
  - (a) Continuous inventory counting
  - (b) Periodic inventory counting
8. Perpetual inventory control system
9. Methods of inventory valuation and their applications:
  - (a) First in first out
  - (b) Last in first out
  - (c) Weighted average
10. Advantages and disadvantages of each method of inventory valuation
11. Accounting treatment for material losses



## **D. LABOUR COSTING**

1. Meaning of labour costs
2. Procedures followed in controlling labour costs
3. Labour turnover
  - (a) Meaning
  - (b) Causes
  - (c) Effects
  - (d) Costs
4. Job evaluation versus job analysis
5. Merit rating: merits and demerits
6. Payroll accounting
  - (a) Meaning
  - (b) Comparison with labour cost accounting
  - (c) Functions and responsibilities of the payroll function
7. Determination of gross wages:
  - (a) Clock and time cards
  - (b) Piece work cards
  - (c) Employee record card
  - (d) Job card
8. Fraud in the payroll department and how to overcome it
9. Concepts of idle time, idle capacity, overtime and their treatment
10. 10. Methods of labour remuneration:
  - (a) Time rate system
  - (b) Piece rate method
  - (c) Premium and bonus plans
11. Advantages and disadvantages of each method
12. Principles of a good incentive scheme
13. Incentive schemes:
  - (a) Halsey premium plan
  - (b) Rowan plan group bonus scheme



- (c) Merits and demerits of each scheme

## **E. OVERHEAD COSTING**

1. Meaning of overheads
2. Ways of overhead classification
3. Methods of semi-variable overhead segregation:
  - (a) High-low method
  - (b) Scatter diagram
  - (c) Least squares regression method
  - (d) Simultaneous equations
4. Allocation and apportionment of overheads
5. Re-apportionment of service department overheads to production departments:-
  - (a) Simultaneous equation method
  - (b) Repeated distribution method
  - (c) Elimination/step method
6. Overhead absorption
  - (a) Determination of overhead absorption rates:
    - (i) Actual overhead rate
    - (ii) Predetermined overhead rate
    - (iii) Blanket and departmental overhead rates
  - (b) Methods of overhead recovery:
    - (i) Direct material cost
    - (ii) Direct wages
    - (iii) Prime cost
    - (iv) Direct labour hour
    - (v) Machine hour rate
    - (vi) Rate per unit of output
    - (vii) Sales price
  - (c) Accounting treatment of under/over recovery of overheads
  - (d) Causes of under/ over absorption of overheads
7. 7. Meaning and determination of capacity levels:
  - (a) Idle capacity
  - (b) Normal capacity



- (c) Actual capacity
- (d) Practical capacity
- (e) Maximum capacity
- (f) Capacity based on expected sales

## **F. COST ACCOUNTS**

1. Meaning of integrated and interlocking cost accounting systems
2. Advantages and disadvantages of each system
3. Principal accounts maintained under each system
4. Reconciliation of profits under the two systems

## **G. SPECIFIC ORDER COSTING METHODS**

1. Job costing
  - (a) Meaning
  - (b) Features
  - (c) Procedures
  - (d) Determination of the cost of a job
2. Batch costing
  - (a) Meaning
  - (b) Procedures
  - (c) Determination the cost of a batch
3. Contract costing
  - (a) Meaning
  - (b) Features
  - (c) Procedures
  - (d) Preparation of contract accounts
  - (e) Determination of profit/loss on contracts

## **H. PROCESS COSTING**

1. Process costs:
  - (a) Meaning
  - (b) Features
  - (c) Specific order costing versus process costing
  - (d) Preparation of process accounts





- (e) Concepts of normal and abnormal losses or gains
  - (f) Accounting treatment of normal and abnormal losses or gains
  - (g) (Work-in-progress)
    - (i) Equivalent units
    - (ii) Determination of equivalent units
    - (iii) Preparation of appropriate statements
2. Joint products:
- (a) Meaning
  - (b) Methods of apportionment of joint costs:
    - (i) Average unit cost
    - (ii) Contribution
    - (iii) Physical unit
    - (iv) Survey
    - (v) Market value
3. By-products:
- (a) Meaning
  - (b) Classification
  - (c) By-products, main product and joint products
  - (d) Methods of accounting for by-products:
    - (i) Cost methods
    - (ii) Non-cost methods

## **I. ABSORPTION VERSUS MARGINAL COSTING**

1. Meaning of marginal and absorption costing
2. Marginal costing versus absorption costing
3. Merits and demerits of each method
4. Impact of each method on the profit
5. Accountant's model versus economist's model of costing
6. Linear costs and revenue functions in the accountant's model
7. Determination, interpretation and construction of graphs for:
  - (a) Breakeven point
  - (b) Contribution
  - (c) Profit-volume
  - (d) Margin of safety



- (e) Angle of incidence
- 8. Preparation of cost-volume-profit statements

## **J. MEASUREMENT OF RELEVANT AND IRRELEVANT COSTS**

1. Concept of decision making
2. Meaning of relevant costs and irrelevant costs
3. Steps in decision making
4. Limiting factors for decision making
5. Relevant costs versus irrelevant costs for decision making
6. Preparation of statements of relevant costs and irrelevant costs under different decision scenarios:
  - (a) Determination of sales mix
  - (b) Discontinuation of a product line
  - (c) Make or buy
  - (d) Shut down or continue
  - (e) Equipment replacement
  - (f) Expand or contract
  - (g) Investment in asset
7. Evaluation of performance and interpretation of information to management

## **K. ACTIVITY-BASED COSTING (ABC)**

1. Meaning
2. ABC versus traditional costing systems
3. Merits and demerits of ABC
4. Classification of activities
5. Selection the cost drivers
6. Evaluation of the validity of different cost drivers
7. Determination of product costs using ABC

## **L. BUDGETING AND BUDGETARY CONTROL**

1. Meaning of budget, control and budgetary control
2. Advantages and disadvantages of budgets and budgetary control



3. Organisational and behavioural aspects of budgeting
4. Stages in the budgeting process
5. Limiting factors in budgeting
6. Types of budgets:
  - (a) Functional budgets
  - (b) Flexible and fixed budgets
  - (c) Master budget
  - (d) Basic and current budgets
  - (e) Short-term and long-term budgets
  - (f) Preparation of each of the above budgets
7. Zero-based budgeting (ZBB)
  - (a) Meaning
  - (b) Merits and demerits
8. Computation of control ratios:
  - (a) Capacity
  - (b) Efficiency
  - (c) Activity

## **M. STANDARD COSTING AND VARIANCE ANALYSIS**

1. Meaning of standard costing and standard costs
2. Standard costing versus budgetary control; standard costs versus budgeted costs
3. Advantages and disadvantages of standard costing
4. Steps for setting standards for standard costs:
  - (a) Establishment of cost centres
  - (b) Classification and codification of accounts
  - (c) Types of cost standards:-
    - (i) Basic cost standards
    - (ii) Ideal cost standards
    - (iii) Currently attainable standard costs
  - (d) Establishing cost standards
    - (i) Direct materials standards
    - (ii) Direct labour standards
    - (iii) Overhead standards



- (e) Ascertainment of desirable levels of attainment
  - (f) Ascertainment of activity levels
  - (g) Preparation of standard cost statements
5. 5. Types of cost standards:
    - (a) Basic cost standards
    - (b) Ideal cost standards
    - (c) Currently attainable standard costs
  6. Desirable level of attainment
  7. Activity levels
  8. Setting of standards for:
    - (a) Direct materials
    - (b) Direct labour
    - (c) Overheads; fixed, variable and semi variable
  9. Standard cost statements
  10. Meaning of variance analysis
  11. Determination of variances:
    - (a) Direct materials,
    - (b) Direct labour
    - (c) Overheads
  12. Determination of sales variances
  13. Responsibility centres for variances
  14. Profit and loss statement showing interrelationship of the variances

## **ETHICAL ISSUES**

1. Ethical responsibilities and challenges of management accountants

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