



PROFESSIONAL SKILLS  
DEVELOPMENT: A GUIDE  
TO PASSING PAPER 18



FINANCIAL REPORTING  
FRAMEWORK  
AND REFORMS IN  
PUBLIC SECTOR

# CPA CONNECT

*Promoting Professionalism in Accountancy*

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

ISSUE 9 - DECEMBER 2022

— IFRS 17  
HIGHLIGHTS &  
MAJOR  
AMENDMENTS  
IN IFRS 4

— TRANSITIONING TO  
NEW SYLLABUSES

+ APPLICATION OF  
IFRS 16 — LEASES

CPA  
Uganda



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 Institute of Certified Public Accountants of Uganda

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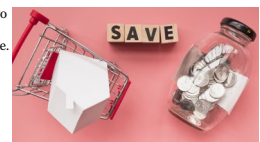
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Throughout the past two years (2020/2021), our hearts were inconsolable. They were filled with fearful fresh wounds beyond treatment.



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# MESSAGE FROM THE DIRECTOR EDUCATION



Dear Student,

Many of us are following the World Cup football matches in Qatar that commenced on 20 November 2022 and will end on 19 December 2022. Prior to this World Cup there were a lot of preparations on the part of the organisers and the teams. We all know that to appear in the line for a team, one must have intensively practised. That is evident in the art of playing. Similarly, before any student appears for examinations, one should have intensively prepared through intensive practice. Do not expect an accidental pass.

Following the release of the September 2022 CPA examinations results, we organised students' feedback webinars for eleven subjects. Those who attended should have found them useful. The links to the recordings and presentations were shared with all students. We appeal to all students to always look out for the respective webinars to empower yourselves to success.

The ATD and CPA syllabuses have been revised and will be rolled out in 2023. There was a students' engagement webinar to introduce the new syllabuses and the transitional arrangements. Ensure that you check out the syllabus and check it out. Some names of subjects have remained the same but the content has certainly changed to some extent.

All ATD and CPA students should have received conversion their status reports in October 2022. We shall again do so upon the release of the December 2022 examinations.

The CTA syllabus is still at National Council for Higher Education for accreditation. As soon as it is approved, we shall communicate to the students.

The Secretariat is still exploring the best way to roll out computer based examinations. Every student is

expected to be familiar with the use of a computer. The first computer based examination will be Integration of Knowledge in May / June 2023. More guidelines will be provided in due course.

The CPA study materials are still being written and an announcement will be made as soon as they are out. Ensure that you secure your study materials as soon as they are out.

We advise every student employed to enrol for practical experience training (PET). We have had engagement webinars on how to enrol for PET and maintenance of the logbook. The PET record will be very instrumental when applying for full membership. You may lose an opportunity because you are unable to process membership in a timely manner due to lack of PET record.

The Institute regularly organises continuing professional development (CPD) events. The year calendar for 2023 will be available on our website. We encourage you to look at it and select those topics that are relevant to the subjects you wish to sit for and your employment. You will certainly find these events very useful.

We wish to assure you that you have made the right decision to pursue an accountancy career. We have had testimonies of how our courses have changed people's lives for the better. The knowledge, skills and values acquired by our products have also contributed to improved organisational performance.

We wish you a Merry Christmas and Happy New Year.

**John Bosco Ntangaare**  
**Director Education**



## **CPA Nicholus Mushabenta**

He is a Partner at BDO East Africa. He has previously served in various roles at the firm, including Associate Partner, and Senior Audit Manager. CPA Mushabenta is the Board Chairperson of the CPA SACCO Ltd and a member of the Professional Standards Committee of ICPAU. He is also a CPA tutor. CPA Mushabenta is the CPA of the Year 2022.



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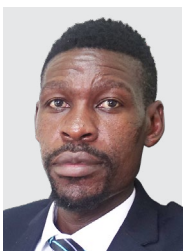
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## EDITOR'S MESSAGE

# IT'S A NEW DAWN



**G**reetings to you all, and a Merry Christmas to you and your loved ones.  
A new season is upon us!

Change comes with demands and we approach it with mixed feelings. On the one hand, we are excited about the novelty, and yet, on the other hand, we are a tad anxious about the demands that come with change.

The key to successfully dealing with change is to evolve with it. In one of his famous quotes, Jeff Bezos, a renowned entrepreneur and one of the world's wealthiest men said,

“What’s dangerous is not to evolve.”

The changes in the syllabuses are a good thing because they imply that the course contents have been enriched and the learning outcomes improved and refined to suit the requirements of the ever-changing business environment. When you read the new syllabuses you will attest to this.

As we embark on the journey of the new syllabuses for the courses, my advice to students is to acquaint yourselves with the changes as well as the requirements and then evolve with the new.

If you practise this, not only will the process be easier, but the outcome will also be beneficial for your professional journey.

I wish you the very best of the journey ahead.

Enjoy your reading

**Nancy Akullo**  
Head of Communications

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By **CPA Zedi Muyingo**  
Senior Supervisor of Commercial Banks, Bank of Uganda

# APPLICATION OF IFRS 16 – LEASES



IFRS 16 was issued in January 2016 to replace IAS 17 for annual financial reporting periods effective 1 January 2019. The standard provides guidance on how an entity should recognise, measure, present and disclose leases.

IFRS 16 Leases applies to all leases, including subleases, except leases of; exploration for or use minerals, oil, and natural gas, biological assets held by a lessee, service concession arrangements, licences of intellectual property granted by a lessor, and rights held by a lessee under licensing agreements for items such as films, videos, patents, and copyrights.

The standard was developed to prevent lessees from not recording some obligations on their balance sheets arising from lease obligations.

IFRS 16 offers a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the exception of the following:

- If the lease term is 12 months or less
- If the underlying asset has a low value such as personal computers, and office furniture.

### **Accounting by lessees**

At the commencement of lease, the lessee should recognise a right-of-use asset (ROUA) and a lease liability.



**Lease liability**

- The lessee should initially measure the lease liability at the present value of minimum lease payments, and any expected payments at the end of the lease term, using the interest rate implicit in the lease or the lessee's incremental borrowing rate.
- Subsequently, the lessee should amortise the lease liability over the lease period.

**Right-of-use Asset**

The lessee should initially measure the ROUA at the present value of the lease liability plus any initial direct costs incurred by the lessee, initial estimate of costs for dismantling the asset and restoring the site less any lease incentives.

Subsequently, the lessee should measure the ROUA using cost model unless it is an investment property or belongs to a class of assets to which the revaluation model applies.

If the lease transfers ownership of the underlying asset at the end of the lease term, the ROUA should be depreciated over the useful life of the underlying asset otherwise, it should be depreciated over the shorter of the useful life and lease term.



*Illustration*

Safe Ride Limited (SRL) operates a fleet of buses along Kampala – Kisoro route. On 1 July 2021, SRL decided to expand its operations to other routes in the country by acquiring 10 new buses on a five-year lease arrangement from Comfort Buses Limited (CBL), the supplier of buses in East Africa. The buses were estimated to have economic useful life of six (6) years and the lease agreement does not contain any purchase option. The lease agreement obliges SRL to incur annual minimum lease rentals of Shs.800 million payable in arrears.

SRL made an initial deposit of Shs.70 million on 1 July 2021, incurred legal and brokerage fees of Shs.25 million and Shs.15 million, respectively and received lease incentives worth Shs.5 million in respect of transporting the buses from CBL's premises to their head offices located in Kampala. The lease agreement, however, does not specify the interest rate implicit in the lease but SRL's incremental borrowing rate averages to 15% per annum.

►► **SRL would account for the above lease transaction as follows:**

**Initially (1 July 2021);**

SRL recognises the lease liability and ROUA as below:

$$\begin{aligned} \text{Lease liability} &= \text{Present value of lease rentals} \\ \text{Lease liability} &= 800\text{m} \times \text{Annuity factor of 15\% for 5 years} \\ &= 800\text{m} \times 3.352 = \text{Shs.}2,681.6\text{m} \end{aligned}$$

$$\begin{aligned} \text{Right of use asset} &= \text{Lease liability} + \text{initial direct costs} - \text{lease incentives} \\ &= 2,681.6\text{m} + 70\text{m} + 25\text{m} + 15\text{m} - 5\text{m} = \text{Shs.}2,786.6\text{m} \end{aligned}$$

**Initial entries;**

Dr. Right of use asset	Shs.2,786.6m
Cr. Lease liability	Shs.2,681.6m
Cr. Bank	Shs.105m

Subsequently, SRL should amortise the lease liability over the lease period and depreciate the ROUA as below;

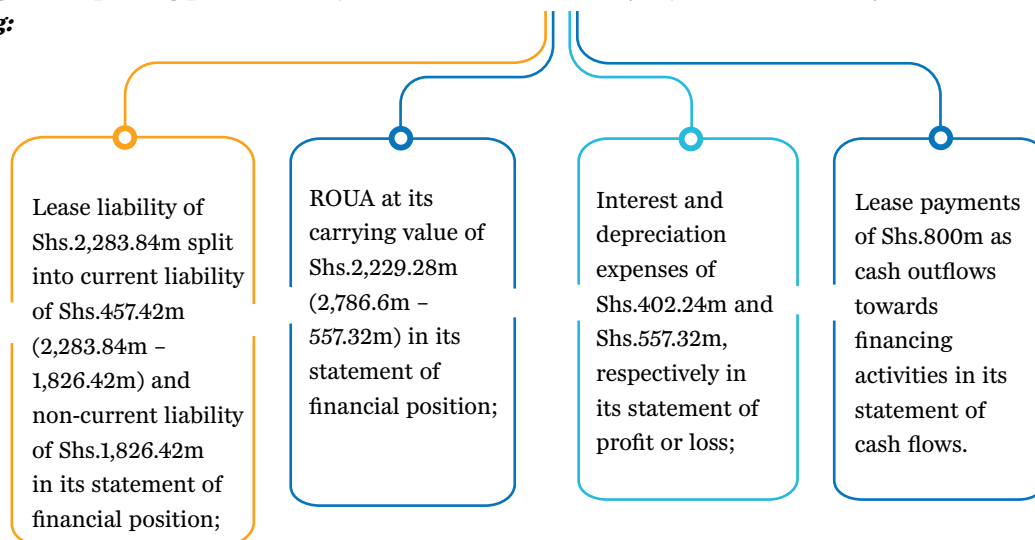
Amortization of lease liability (Shs.Millions)				
Years	Bal b/d	Interest expense (15%)	Lease rentals	Bal c/d
1	2,681.6	402.24	(800)	2,283.84
2	2,283.84	342.58	(800)	1,826.42
3	1,826.42	273.96	(800)	1,300.38
4	1,300.38	195.06	(800)	695.44
5	695.44	104.32	(800)	-

Depreciation of ROUA = Initial cost / Lease period

(Hint: If the lease period does not contain a purchase option, right of use asset must be depreciated using the shorter of lease period (5 years) and asset’s useful life (6 years)).

$$\text{Depreciation expense} = 2,786.6\text{m} / 5 \text{ years} = \text{Shs.}557.32\text{m p.a}$$

**Assuming SRL reporting period is the year ended 30 June 2022; ie year 1 of the lease, SRL should recognise the following:**



**Assuming lease payments were made in advance effective 1 July 2021 and the lease agreement contains a purchase option.**

►► **SRL would account for the lease transaction as follows:**

The lease period should be reduced by one (1) year when discounting lease rentals to determine the initial lease liability. This is because the first lease rentals are paid in year zero (0).

Therefore, initially (1 July 2021);

$$\begin{aligned} \text{Lease liability} &= 800\text{m} \times \text{Annuity factor of 15\% for 4 years} \\ &= 800\text{m} \times 2.855 = \text{Shs.}2,284\text{m} \end{aligned}$$

$$\begin{aligned} \text{ROUA} &= \text{Lease liability} + \text{initial lease rentals} + \text{initial direct costs} - \text{lease incentives} \\ &= 2,284\text{m} + 800\text{m} + 70\text{m} + 25\text{m} + 15\text{m} - 5\text{m} = \text{Shs.}3,189\text{m} \end{aligned}$$

Initial entries;

Dr. ROUA	Shs.3,189m
Cr. Lease liability	Shs.2,284m
Cr. Bank	Shs.905m

Subsequently, SRL should amortise the lease liability over the whole lease period and depreciate the ROUA as below;

Amortization schedule (Shs.Millions)					
Years	Bal b/d	Lease rentals	Net Bal b/d	Interest expense (15%)	Bal c/d
1	2,284	-	2,284	342.6	2,626.6
2	2,626.6	(800)	1,827	274	2,100.6
3	2,100.6	(800)	1,301	195.1	1,495.7
4	1,495.7	(800)	696	104.4	800
5	800	(800)	-	-	-

(If the lease period contains a purchase option, right of use asset must be depreciated using the underlying asset's useful life).

$$\text{Depreciation expense} = 3,189\text{m} / 6 \text{ years} = \text{Shs.}531.5\text{m p.a}$$

Assuming SRL reporting period is year ended 30 June 2022, SRL should recognise lease liability of Shs.2,626.6m split into current liability of Shs.800m and non-current liability of Shs.1,826.6m (2,626.6m – 800m)

**Re-Measurement of Lease Liabilities**

- IFRS 16 requires lessees to re-measure lease liabilities when there is a change in the lease term, lease payments, residual value guarantees, or assessment of whether the lessee will purchase the underlying asset.
- The lessee must re-measure the lease liability by discounting the revised lease payments using the revised discount rate and recognise the change in the carrying value of the lease liability as an adjustment to the ROUA.
- An increase in the lease liability upon remeasurement is debited to the ROUA and credited to the lease liability while a decrease in the lease liability is debited to the lease liability and credited to the ROUA.

**Accounting by Lessors**

Lessors must classify each lease as an operating lease or a finance lease. A finance lease is one that transfers risks and rewards incidental to ownership of an asset to the lessee while operating lease is lease which is not a finance lease.

**Characteristics of a Finance Lease:**

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price which is relatively below its fair value at the inception of the lease.
- The lease term is for a major part of the economic life of the asset, even if title is not transferred.
- At the inception of the lease, the present value of the minimum lease payments is almost equal to the fair value of the leased asset.
- The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.



By CPA Akatukwasa Charity Uwizera  
Tax Agent



In line with achieving budget goals, Parliament passed various tax measures on May 30th 2022 which were assented to by the President of Uganda on June 2, 2022, becoming Acts of Parliament. The Finance Minister specifically mentioned that no new taxes would be introduced but government will achieve revenue targets by improving efficiency in tax collection and enhancing compliance to tax laws.

Key among the amendments is improving taxpayer compliance on Value Added Tax (VAT) remittance and rental income tax remittance.

According to Uganda Revenue Authority, about Shs30.7 trillion will have to be generated domestically in this financial year 2022/23. Of this, Shs23.7 trillion will be tax revenue, while Shs1.7 trillion will be non-tax revenue.



## Income Tax

- Amendment to Section 2 (ea) to redefine “beneficial owner” to include a natural person who owns or controls a customer and also defines who comprises a beneficial owner in relation to a legal person. The amendment will mainly affect nonresidents who may seek to rely on provisions in Double Taxation Treaties between their countries of residence and Uganda. ▶

- ▶ ● Amendment of Section 2 (bb) by expanding paragraph B including not-for-profit research institutions among the exempt organisations. Previously, the exempt organisations were religious, charitable or educational institutions.

● Amendments to the taxation of rental income – the amendments had the effect of repealing the existing rental regime. A blanket expense deduction of 75% of gross income had been introduced in the year 2021 -22 as well as harmonising the tax rate to 30% for both individuals and non-individuals. The amendment introduced the following



- ▶ Individuals; Section 22(1) (ca) providing for deduction of mortgage interest and Section 22(1) (c) providing for deduction of expenses up to 75% of gross income were repealed. This means that an individual is no longer entitled to any expense deduction against rental income. Any annual gross rental income in excess of Ushs 2,820,000 will also be subject to a flat rate of 12% down from 30%.
- ▶ Non individuals; the blanket deduction of expenses of up to 75% of gross rental income was repealed and companies will now have the deduction of expenses against gross rental income capped at 50%. Any excess expenditure will not be eligible to carry forward and the applicable tax rate remains at 30%.

- Amendment to Section 85 by inserting subsection (5) which reads; “For the avoidance of doubt” income derived by a non-resident from the carriage of passengers, cargo, or mail that is not embarked in Uganda is not income derived from a Ugandan-source service contract. This, therefore, clarifies that payments for such transport are not subject to a 15% withholding tax.

- Amendment to Section 89QA provides clarification as regards the penalty that applies to a petroleum or mining licensee who fails to file a return or provide any other document to the URA within the required timeframe. The penalty amount remains the same at between USD 50,000 and 500,000, but it is now specifically stated that: (i) this is a penalty rather than a fine (implying that it can be imposed administratively rather than via a prosecution); (ii) it applies independently of the alternative (lesser) penalties under sections 48 and 49A of the Tax Procedures Code Act.

- The following organisations were added to the listed institutions exempt from income tax under the First Schedule:

- ▶ International Development Law Organisation (“IDLO”);
- ▶ Foreign Commonwealth and Development Office (“FCDO”), replacing the restructured DFID.

## Value Added Tax



- Amendment to Section 20 (2) to repeal the provision enacted in 2021 that exempted imported services used in the provision of exempt supplies.
- Amendment to Section 26 (1) to add supplies to government to the cash basis accounting. Previously, the section applied to taxable persons whose taxable supplies do not exceed Shs500 million. This is a relief to such suppliers who may experience delays in receiving government payments. However, for any taxpayer to benefit, he/she must elect to account for tax on cash basis.
- Amendment to the First Schedule to include the following
  - ▶ International Development Law Organisation (IDLO)
  - ▶ Foreign, Commonwealth, and Development Office (FCDO) (replacing the prior DFID)
- Amendment to the second schedule (exemptions) by
  - ▶ clarifying in paragraph (q) (xvi) that the exemption applies to oxygen cylinders and oxygen for medical use.

- ▶ In an amendment to paragraph (rr), the criteria for the existing exemption for the construction of a new hospital facility has been relaxed slightly by removing the requirement for the facility to be at the level of a national referral hospital.
- ▶ New exemptions added of:
  - ✓ the supply of assistive devices for persons with disability.
  - ✓ the supply of airport user services

charged by the Civil Aviation Authority.

- ✓ oxygen for medical use (under the category for dental, medical, and veterinary goods).
- Amendment to the third Schedule (zero rated) to include the supply of menstrual cups (previously exempt) and expanding the category of educational materials to include such supplies manufactured in a partner state of East African Community.

## Tax Procedures Code Act (TPCA)

Several amendments were made in the TPCA to improve tax administrative procedures. The major ones were;

Alignment of tax agent registration to the calendar year. Previously, it was for a period of 12 months from the date of registration.

The penalty under Section 19 (B) was enhanced to include failure to activate a tax stamp. Previously, the penalty applied to a person who failed to affix a tax stamp on prescribed goods.

Amendment to Section 33 to expand the notification for notice to close business due to non-compliance with the requirements of electronic receipting and invoicing and tax stamps. The days for such notice were also increased from 7 to 15.

The amendment to Section 42 introduces a new requirement for persons in the construction or extractive industries to disclose to the URA the names of persons contacted in the course of the performance of their business. The disclosure is required to be made within seven days from the date of signing the relevant contract, and failure to comply attracts a penalty of one 1,000 currency points.

The fine for providing false or misleading statements was increased from 200 to 5,500 currency points

New offences introduced;

- ▶ Failure to affix/activate a tax stamp.
- ▶ Printing over or defacing tax stamps
- ▶ Forgery of a tax stamp
- ▶ Failure to use an electronic receipting or invoicing
- ▶ Forgery of electronic receipt or invoice
- ▶ Interfering with electronic fiscal device or electronic dispensing control device.
- ▶ Failure to file an information return relating to the automatic exchange of information.
- ▶ Failure to maintain records for purposes of the automatic exchange of information.
- ▶ Omitting or making a false or misleading statement in the information return.

The fines for most of the above new offences are 1,500 currency points or 10 years or both with the exception of offences relating to Failure to file an information return relating to the automatic exchange of information where the fine is 2,500 currency points instead.

There were amendments made to the Excise Duty Act, Stamp duty Act, East African Community Common External Tariff and East African Community Customs Management Act. Details of these can be accessed on the Uganda Revenue Authority Portal /A-Z Topics/ Tax Amendments 2022-23. ♦



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# FINANCIAL REPORTING FRAMEWORK AND REFORMS IN PUBLIC SECTOR



**F**inancial reporting is the process through which government owned and controlled entities record, analyse, classify, summarise, communicate and interpret financial information about transactions and other economic events involving the receipt, spending, transfer, usability and disposition of assets and liabilities for purposes of service delivery.

Since public sector entities are financed through parliamentary appropriations of public funds, financial reporting enables them to provide accountability for the appropriated public resources. This facilitates decision making in relation to the extent of their service delivery and exercising of the stewardship roles.

In Uganda, Central and Local Government votes prepare financial records and statements as per the requirements of different regulatory frameworks such as the Public Finance

Management Act, 2015 (as amended), Public Finance Management Regulations, 2016, Treasury Instructions, 2017, Government of Uganda Financial Reporting Guide and Templates, 2020, Local Government Financial and Accounting Manual, 2007 and Local Government Financial and Accounting Regulations, 2007.

Financial records and statements are prepared in accordance with the government Chart of Accounts, 2022 on either cash, accrual, modified cash or modified accrual basis as specified by the Accountant General. Currently, government votes use differing accounting bases, but plans are underway for all votes to embrace full accrual accounting and adopt International Public Sector Accounting Standards (IPSASs).

Over the years, Government of Uganda (GoU) has implemented the following reforms to improve the management and control of Government resources as well as financial reporting for both central and local government votes.

**Implementation of the Integrated Financial Management System (IFMS).**

IFMS bundles many essential financial management functions into one Oracle based software suite. The Oracle E-Business Suite provides a set of financial applications used by government that encompasses all key business processes. Oracle Financials encompasses closely related financial modules of Purchasing, Accounts Payable, Accounts Receivable, Cash Management, Fixed Assets and General Ledger that facilitate budgeting, budget execution and reporting



**Treasury Single Account (TSA).** Effective Financial Year 2013/14, GOU implemented the Treasury Single Account as a unified structure of government bank accounts enabling consolidation and optimum utilisation of government cash resources. A TSA is a prerequisite for modern cash management and is an effective tool for the government through Treasury to establish oversight and centralised control over government’s cash resources.

**Electronic Payments.** Government adopted the electronic payments in 2007 to make government payment processing safe, reliable, and cost-effective. The scale of government payments meant that improvements in the way government payments are processed could have a significant positive impact for the government. Through IFMS and the TSA, the government has been able to fully automate the processes related to government payments. Currently, all payment requests made by votes are verified, recorded, accounted for, and released automatically.



**Straight Through Processing (STP).** The adoption of STP in 2008 has significantly decreased the time lag in processing of government payments. Previously, payments were made to a single account in a bank accompanied by a schedule with instructions to credit each recipient’s bank account. However, STP allowed for embedding all payment details within an Electronic Funds Transfer Instruction so that recipients’ accounts are directly credited, and adequate accountability is provided.

**Decentralisation of Payroll Payment Processing.** Following the Public Finance Management Reform Strategy (2011/12-2016/17), GOU decentralised the management of the government payroll and salary processing system in 2014. This was aimed at addressing deficiencies such as consistent delayed payments of salaries, persistent wage shortfalls, errors and inaccuracies arising from the management of a centralised payroll as well as improving accountability for the wage bill of each vote.



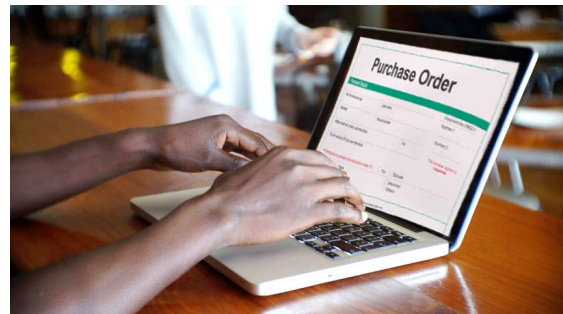


- ▶▶ **Decentralised Control of Cost Centre Budgets.** Historically, invoice processing has been solely the domain of the accounting department. Heads of Department played a mostly non-existent or small role in the allocation of budget funds for expenditure. However, currently, they are tasked with initiating and approving expenditure against their department's budget.

**Automatic Generation of Periodic Financial Statements.**

Information from IFMS general ledger module is used in the preparation of government entities' financial statements. The Statement of Financial Performance, Financial Position, and Cash Flows all make up some of the key financial statements generated from IFMS. Successful implementation of IFMS combined with effective internal controls provides assurance that the data being extracted from the system is both current and accurate.

**Electronic Purchase Orders.** An electronic purchase order is a digital document that outlines the line items in an order, the terms, and conditions that must be adhered to such as pricing and delivery timelines. IFMS transmits all purchase orders electronically to all government suppliers in real-time. The paperless process saves time, money and promotes accurate reporting of financial transactions.



**Electronic Tracking of Appropriation-In-Aid (AIA).**

AIA refers to Non-Tax Revenue that a government entity is authorised to retain (rather than immediately surrender to the Consolidated Fund). Traditionally, these funds have been collected and immediately spent at source. This has presented challenges of potential misrepresentation of collections received by government entities especially when, at reporting, expenditure by these entities does not match revenue collected. Commencing in 2016, all revenue collected from the government is captured on IFMS, transferred to the consolidated fund, and released quarterly to the votes through a cash limit up to the amount collected and remitted.

In conclusion, government has implemented several reforms to improve financial reporting for both Central and Local Government votes. This is in preparation for the full adoption of full accrual accounting and IPSASs. The implementation of all these reforms has been possible thanks to the robust legal and regulatory framework, enhanced capacity of staff, strong leadership and ownership of these reforms, effective training initiatives, dedicated support team, and collaboration amongst key stakeholders. ♦

**Electronic Cash Transacting.** The E-Cash platform is a mobile commerce platform, accessed through a secure web portal. The purpose of the platform is to eliminate physical cash transactions in government especially to recipients of one-off payments. All E-Cash Payments are initiated on IFMS and are eventually settled through the E-Cash platform. This fosters efficiency and convenience in execution of payments to beneficiaries, ensures transparency of the pay-out process, enhances the ability to track cash pay-outs, eliminates fraud or loss of money due to theft or careless handling of physical cash, and provides faster and accurate processing of accountability reports for pay-outs.

# A COMPILATION OF EXAMINERS' COMMENTS

## General Comments

### During Preparation

Candidates are advised to:

- Prepare adequately by covering the syllabus broadly. They should demonstrate understanding of the whole syllabus to enable them make the best choice of the examination questions set.
- Read examiners' reports together with the solutions which are always uploaded on the ICPAU website. This will enable them to understand the identified candidates' deviations from the examiners' expectations. Learners should also practice such questions from past papers to acquaint themselves with such scenarios.
- Comprehensively discuss previous examination questions to get a feel of the examiners' expectations.

### In the Exam

Candidates are advised to:

- Read and follow the examination instructions.
- Properly utilise the first 15 minutes to understand the questions. This ensures proper allocation of the examination time to the marks awarded. It also helps candidates with proper planning and formatting of their answers. Most candidates reach the middle of their answers and get stuck due to poor comprehension of the question and information therein.
- Clearly indicate the questions attempted both at every beginning of the solution and in the space provided on the cover page.
- Attempt only the required number of questions and show all the workings.
- Raise the required number of points in order to score highly.
- Show all necessary working to their computations and adhere to the required degree of accuracy.
- Endeavour to use the appropriate formulae provided.

## CPA

### Financial Accounting (Paper 1)

- Candidates are advised to attempt the required number of questions and show all the workings.
- Candidates are advised to cover the syllabus in order to attempt Section A well.
- Candidates are encouraged to understand all the formats of financial statements covered by their syllabus.
- Candidates are advised to appreciate the double entry principles for recording transactions as it is a fundamental to all topics.
- Candidates are advised to appreciate accounting for not-for-profit making organisations and how they are treated.
- Candidates are advised to appreciate the principles of the matching concept in the preparation of the income and expenditure statement. Candidates should fully understand the adjustments that relate to particular scenarios.

### Quantitative Techniques (Paper 2)

- For questions involving large figures requiring computations involving use of tables such as questions involving mean, standard deviation, Index Numbers e.t.c. as in the following illustration table:

$x$	$f$	$fx$	$fx^2$
600	10	6,000	3,600,000
700	22	15,400	10,750,000

We recommend easier handling of large figures as below for ease of computation and saving of examination time

$x'00'$	$f$	$fx'00'$	$fx^2 '0,000'$
6	10	60	360
7	22	154	1078

- For questions involving linear programming the two approaches; graphical and simplex tableau should be studied with respect to both maximisation and minimisation problems.

- ▶ • Students are encouraged to use graph paper. They should avoid drawing graphical work on the answer script.

### **Economic Environment (Paper 3)**

- Candidates have a tendency of avoiding questions which involve calculations and when attempted they usually fail them which indicates a poor mathematical background.
- There is still more need to revise the first topics like Price theory, production and elasticity for better performance. Questions on specific issues like the operation of companies as well as international institutions are still a challenge.

### **Business Law (Paper 4)**

- Candidates are advised to follow the instructions and avoid answering more questions than required.
- Candidates should follow the instruction of beginning each question on a fresh page.
- Candidates are reminded that this examination tests the knowledge of legal principles, application of the principles in different practical scenarios and the skill to identify only the relevant issues, from the given facts.
- In the case study questions, candidates are advised to avoid wasting time by:
  - Re-writing given facts and the law applicable
  - Raising very many irrelevant issues

### **Management & Information Systems (Paper 5)**

- Candidates are encouraged to prepare adequately for the examinations by reading widely.
- They should also give more attention to scenario questions so as to be able to extract the required answers.
- Candidates are advised to take time to read and interpret scenarios and avoid simply reproducing knowledge but instead create their own knowledge.

### **Cost & Management Accounting (Paper 7)**

- Candidates are advised to understand and apply the knowledge of relevant costs for making short-term decisions.
- Comprehend interlocking and integrated accounting systems and reconciliation of the profits from an interlocking accounting system.
- Demonstrate comprehension of:
  - ▶ Inventory control valuation measures.
  - ▶ Determination of unit product costs using activity-based costing.
  - ▶ Process costing involving work in progress.
  - ▶ Variance analysis.

### **Financial Reporting (Paper 8)**

- Candidates at this level should understand the application of the relevant accounting and reporting standards and appreciate their integration in a practical environment.
- Candidates should note that no question may be examined with only one standard and therefore they are encouraged to appreciate the entire syllabus.

### **Advanced Taxation (Paper 9)**

- Candidates are advised to read widely and understand the application of the updated Income Tax Act (ITA) Cap 340, VAT Act (VATA) Cap 349, the Tax Procedures Code (TPC) Act 2014 and East African Customs Community Management Act (EACCMA) 2004 in preparation for examinations.

### **Management Decision and Control (Paper 11)**

- Avoid spotting of syllabus areas since a single question may contain at least two syllabus areas.

### **Auditing & Professional Ethics & Values (Paper 12)**

- Give relevant and applicable answers as opposed to generic answers that do not relate to the scenario or concepts identified in the questions.
- Endeavour to give sufficient points to enable them score above average.

### **Advanced Financial Reporting (Paper 13)**

- Candidates should get back to class or develop a strong reading culture of the International Financial Reporting Standards to ensure adequate preparations for the exams.
- Candidates are encouraged to read about and appreciate current financial reporting developments in the global and local environments.

### **Public Sector Accounting and Reporting (Paper 14)**

Candidates are advised to read and acquaint themselves with the relevant Standards and regulations such as the IPSAS, the PPDA Act, Procurement Guidelines for Government of Uganda and Measurement of inventory costs of a service provider, new reforms in the financial management system of the Government, reporting templates of Government of Uganda, the Local Governments Act, 1997, as amended and other Government laws, and, the Code of Conduct and Ethics for the Uganda Public Service.

### **Business Policy and Strategy (Paper 15)**

- Candidates are reminded that at this level, the bulk of the marks are on application of knowledge and provision of way forward as a result of analysis of the situation in question.

- Consequently, candidates are highly advised to first familiarise themselves with the information provided in the case study since it provides directions on how the examiner expects candidates to respond to the question.

### Advanced Financial Management (Paper 16)

- Read and understand the key areas of the syllabus most importantly the capital budgeting and financing decisions, corporate restructuring and financial markets as these areas form the core of the paper as well as the role of finance managers.
- Present workings as appendices to recommendations and always draw relevant recommendations. Candidates are reminded that professional marks are awarded for demonstrating knowledge about the principle of the area examined even if the candidate has made numerical errors in his / her computations.
- Update yourself with new developments in the financial management field such as Islamic banking and develop the ability of applying financial management principles in the day-to-day operations of the business.

### Auditing & Other Assurance Services (Paper 17)

- Students are strongly advised to pay attention to the information in the scenarios given per question, re-read the questions, critically analyse the requirements of each question/part, and remember to customise/relate answers to the scenario.

### Integration of Knowledge (Paper 18)

- Background materials should be kept to a minimum with focus on key issues, which set the context for the issues discussed in the main report. The executive summary on the other hand summarises the key contents of the report.

## ATD

### Business Accounting (Paper 1)

- Candidates are advised to appreciate accounting for depreciation and disposal of non-current assets. Specifically, candidates should appreciate the different accounts involved in depreciation and disposal and the transactions that go through each account.

### Business Communication (Paper 2)

- Candidates should be well acquainted with the contemporary trends of communication and increase their awareness of the day-to-day scenarios in the commercial environment.

### Business Mathematics and Statistics (Paper 3)

Candidates should:

- Present their solutions in a logical order.
- Show all necessary working to their computations and adhere to the required degree of accuracy.
- Answer only the required number of questions.
- Endeavour to use the appropriate formulae provided

### Principles of Law (Paper 4)

- Candidates should be able to not only identify relevant issues to the problem questions but also resolve them.
- Candidates should avoid re-writing the given facts of the problem question.

### Introduction to Management Accounting (Paper 6)

Candidates are advised to comprehensively read the whole syllabus to make the best choice of the examination questions set and also seek expertise guidance from lecturers and practitioners.

Candidates are advised to read and understand:

- Preparation of a flexed budget.
- Inventory valuation and control system.
- The least squares method of estimating production costs.
- Determination of unit product costs using activity-based costing.
- Determination of total production costs using job costing.
- Relevant costs for decision-making.
- Interlocking accounting system and preparation of a profit reconciliation statement.
- Preparation of a profit statement using marginal costing.
- Computation of variances.
- Determination of unit product costs using activity based costing.

### Financial Accounting (Paper 10)

- Candidates are advised to pay the same level of attention to the theory explanations of all standards on the syllabus. Candidates need to appreciate that comprehensive understanding of the underlying doctrines on the presentation and treatment of each line item in the financial statement impacts greatly on the candidates' understanding of the subject as a whole.

### Principles of Taxation (Paper 11)

- Candidates are advised to give equal attention to all sections of the syllabus and avoid neglecting customs.

### Entrepreneurship (Paper 12)

- Candidates are advised not to neglect the last section of the syllabus (emerging trends in entrepreneurship), with special reference to globalisation. Candidates are

- ▶▶ also advised to clearly read and interpret the questions before attempting them.

## CTA

### Principles of Accounting (Paper 1)

- Attention should be paid to both the theory and the computational sections in a question.
- Candidates should appreciate double entry as this topic is fundamental to other sections of the syllabus.
- Candidates should grasp the formats of the different statements.

### Principles of Taxation (Paper 3)

- Candidates are advised to read widely and understand the application of the: Income Tax Act (ITA) Cap 340, VAT Act (VATA) Cap 349, the Tax Procedures Code (TPC) Act 2014, Excise duty Act, International Taxation aspects, East African Community Customs Management Act (EACCMA) 2004 and case laws in preparation for sitting examinations.

### Managerial Economics & Public Finance (Paper 4)

Candidates should put more emphasis on relating the economic concepts in the Ugandan context.

### Principles of Accounting (CTA 5)

Candidates are advised to:

- Pay attention to the different accounting standards applicable to their syllabus.
- Gain knowledge of the format of all the components of financial statements.
- Comprehensively understand the double entry system of recording transactions
- Appreciate the various inventory valuation methods, including the disclosure requirements.
- Understand how to correct errors made in the cash book and bank statement and distinguish between un-presented and un-credited cheques.

### Value Added Tax (Paper 6)

Reference to the relevant Sections of the applicable tax laws and cases earn marks to candidates especially as a Certified Tax Advisor.

### Income Tax (Paper 8)

Candidates are advised to:

- Read widely and understand the application of the Income Tax Act (ITA) Cap 340 (including Subsidiary Regulations and Practice Notes) and the Tax Procedures Code (TPC) Act 2014) in preparation for examinations.
- Provide adequate detail when citing a reference by quoting the Act, Section, Subsection (and paragraph)

whenever possible. Candidates are warned to desist from a habit of quoting wrong sections of the laws as this may lead to loss of marks.

- Be abreast with the amendments of the current year tax laws and other developments as they impact on application of some provisions of the Tax laws.
- Read and understand cases decided by courts. Case law not only sets a precedence but also provides interpretative source of tax laws. While the wordings in the main Act remain intact, their interpretation, scope and application may be detailed by case law.

### Tax Audit, Investigation & Ethics (Paper 9)

- Students are encouraged to be familiar with recent developments in taxation of Uganda.

### EAC & International Taxation (Paper 10)

- Candidates need to keep abreast with current affairs in the international taxation arena, laws, publications and regulations paying special attention to the domestic laws relevant to this subject.
- They are encouraged to be more thorough in their handling of presented questions as this is a good indicator of a satisfactory understanding of the principles/ concepts under examination and must relate concepts to facts presented.
- Candidates need to pay special attention to question interpretation, marking the words used (especially technical terms) and remember that the marks awarded are an indication of the responses expected from them.

### Tax Practice (Paper 11)

- Candidates should correctly tailor the provisions of the law to the scenario provided. Candidates are advised to always quote the relevant tax laws, interpret them and communicate appropriately in relation to the scenarios, always imagining they are addressing a particular client's practical problem requiring an expert tax advice.
- They are advised to familiarize themselves with the various recommended books on tax laws that they would use in open-book exams to save time used in opening such books and get to know the actual location of the book sections.
- Candidates should ensure they cover the whole CTA syllabus since this is a tax practice paper and being the last paper, it examines the candidates' knowledge acquired from all the previous CTA papers and their application.
- They should also read widely and understand the application of the Income Tax Act (ITA) Cap 340, VAT Act (VATA) Cap 349, the Tax Procedures Code (TPC) Act 2014, Excise duty Act, International Taxation aspects, East African Community Customs Management Act (EACCMA) 2004 and case laws in preparation for sitting examinations. ◆

# WHEN A DIRECTOR LENDS TO THE BUSINESS...

## **Q. Can a director of a business lend the business, and charge interest on the same loan to his business?**

**A.** There are so many ways through which a business can raise capital (particularly working capital). Among such ways include shareholders/Directors' loans. While a director's loan could be money a director borrows from the company or money the director lends to a company, our analysis below will concentrate on the latter. Therefore, it is possible for the shareholder/Director to extend loans to the company at terms agreeable with the business' decision-making body.

## **Q. What entries do I pass to this effect?**

**A.** The kind of entries to pass will depend on whether the loan has been obtained at commercial terms or not. Loans are one type of financial instrument. As such they are governed by IFRS 9 'Financial Instruments' which requires all financial instruments to be initially recognised at fair value. This can create issues when loans are made at below-market rates of interest, which is often the case for loans to related parties, like directors' loans.

If a loan is made on normal commercial terms (both in terms of principal and interest), no specific accounting issues arise and the fair value at inception will usually equal the loan amount, that is the transaction price of a loan (ie the loan amount) will represent its fair value. In such instances you will debit Bank/Cash and Credit Director Loan Account(liability) in simplicity.

For loans made to related parties however, this may not always be the case as such loans are often not on commercial terms. Where this is the case, the fair value of the loans must be calculated and the difference between fair value and transaction price accounted for. Where a loan has been provided interest free or at below market interest rates, it would generally require that the loan is initially recorded at the present value of the future payments discounted at a market rate of interest for a similar debt instrument, and subsequently measured at amortised cost.

## **Q. What supporting documents are required to validate the transaction as a loan and not additional capital?**

**A.** Directors' loans should be supported by loan agreements. Sometimes such loan agreements will lack the level of detail and documentation of commercial lending agreements. In such circumstances, you may need to take additional steps to clarify (and document) rights and obligations of the parties under the agreement in order to determine the appropriate accounting or else you may need to seek legal advice if necessary.

## **Q. What are the tax implications of the transaction?**

**A.** Where the director charges a higher interest rate than the market price then the following need to be considered:

- There may be need to maintain transfer pricing related documentation as per R.8 of the Income Tax (Transfer Pricing) Regulations 2011.
- There is need to prove that the transaction was done at arm's length, particularly in respect to the terms and conditions set within the agreement.
- Any interest payment made to the director will attract withholding tax under s.117 of the ITA.

Please note that Directors' loans are a high-risk area for tax purposes as thus, the need to establish source of income of the director and having proper document related to the loan transaction are paramount.

## **Q. What Financial reporting standards if any explain the transaction?**

**A.** You may need to refer to the following standards depending on the circumstances available

- IFRS 9 Financial Instruments
- IAS 24 Related Party Disclosures and the
- The Conceptual Framework for Financial Reporting

***The responses in this content were compiled by the team in the Standards Directorate of ICPAU***

Disclaimer: ICPAU disclaims any responsibility or liability that may occur, directly or indirectly as a consequence of the use and application of the information provided in this document.

By CPA Benard Bwire  
 Head of Finance  
 Comprehensive Rehabilitation Services of Uganda (CoRSU)



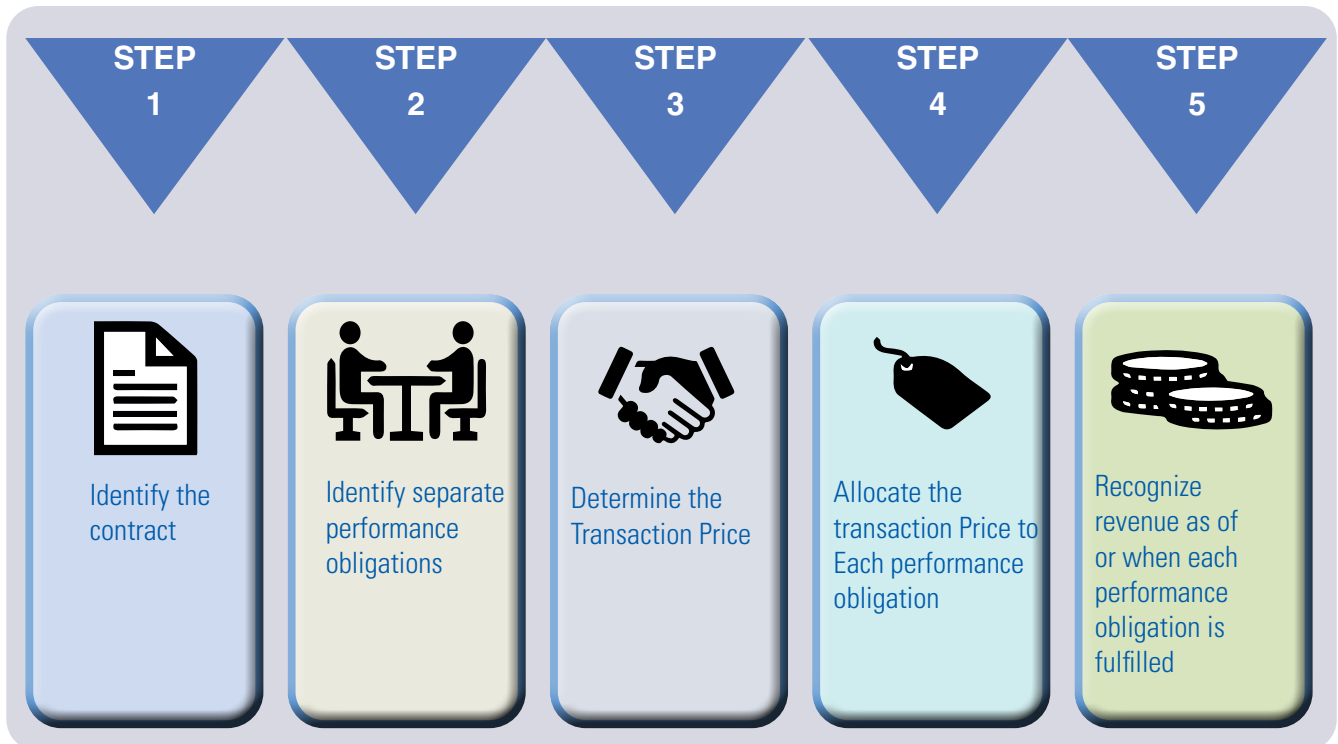
# IFRS 15: HOW DO WE RECOGNISE REVENUE?

IFRS 15 establishes the principles that a vendor applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The underlying principle being that a vendor should only recognize revenue depicting the transfer of the promised goods or services to its customers and in an amount that reflects the consideration to which the entity is entitled in exchange for the goods and services.

Revenue in this instance is recognized when control of the goods or services is transferred to the customer.

**IFRS: 15 Sets out a 5-step core principle which an entity should apply in order to recognize revenue**





►► The five steps illustrated above are expounded as below;

**i.** Identify the contract(s) with a customer: A contract could be in a written or non-written form or be implied, approved by both parties on a commercial basis. A contract should create enforceable rights and obligations between both parties.

A contract modification is a change in scope and / or price of a contract as approved by both parties. And a vendor may account for a contract modification as a separate contract, such that the original contract can remain unchanged if;

- the scope of the contract changes due to the addition of promised goods or services that are distinct for purposes of the performance obligation.
- the price of the contract increases by an amount of consideration that reflects the vendor's stand-alone selling price of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract (e.g., a discount to reflect that the vendor did not incur the same costs as it would do for a new customer).

**ii.** Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.

**iii.** Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer. This may include significant financing components and incentives and non-cash amounts offered, which affects how revenue is recognized.

**iv.** Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.

**v.** Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

## EXAMPLE

Zion Computer Limited sells a computer to Peter for shs. 20,000,000. As part of this arrangement, ZCL gives Peter a voucher. The voucher entitles Peter to a 25% discount on any purchases up to 10,000,000 in ZCL's store during the next 60 days. ZCL intends to offer a 10% discount on all sales to other customers during the next 60 days as its seasonal promotion. ZCL regularly sells this model of computer for 20,000,000 without the voucher.

ZCL notes that the discount voucher provides a material right that Peter would not receive without entering into the original sales transaction. This is because Peter receives a 15% incremental discount compared with the discount expected to be offered to other customers (25% discount voucher - 10% discount for all customers).

Therefore, the discount voucher is a separate performance obligation. ZCL estimates that there is an 80% likelihood that Peter will redeem the voucher and will purchase additional products with an undiscounted price of 5,000,000.



Therefore, ZCL should allocated the transaction price between the computer and the voucher on a relative selling price basis as follows.

Performance Obligation	Selling Price	Selling Price Ratio	Price Allocation
COMPUTER	20,000,000	97.09%	19,417,476
VOUCHER	600,000	2.91%	582,524
	<b>20,600,000</b>		<b>20,000,000</b>

The stand-alone selling price for the voucher is computed as  
 Estimated Purchase of Products x Incremental Discount x Likelihood of exercise  
 5,000,000 x 15% x 80%  
 600,000

To recognise the initial sale; ZCL will Record the following entries		
	DR	CR
Cash	20,000,000	
Revenue		19,417,476
Contract Liability		582,524

Peter purchases shs 2,000,000 of additional products (pre-discount) within 30 days of the original purchase for shs 1,500,000 cash payment. Peter makes no additional purchases before the voucher expires.

Therefore, at the expiry date ZCL recognises the remaining amount allocated to the voucher as revenue.

Discounted sale price of additional products purchased:  $2,000,000 - (2,000,000 \times 25\%) = \text{shs } 1,500,000$ .

Partial satisfaction of performance obligation  $582,524 \times (2,000,000 \text{ purchases} / 5,000,000 \text{ total expected purchases}) = \text{shs } 233,000$

Settlement of performance obligation on expiry  $(582,524 - 233,000) = 349,524$

Therefore, to recognise the subsequent purchase;

To recognise the subsequent purchase; ZCL will record the following entrie		
	DR	CR
Cash	1,500,000	
Contract Liability	233,000	
Revenue		1,733,000

To recognise the expired voucher; ZCL will record the following entries		
	DR	CR
Contract Liability	349,524	
Revenue		349,524



# MY ATC OPENED DOORS IN GERMANY

Ritah Aiso-Fuchs is an administration employee at the Organisation “Internationaler Bund” Berlin - Germany. International Bund is an organisation specialised in Social works and

Humanities. She studied the Accounting Technicians Certificate of Uganda (now the Accounting Technicians Diploma – ATD), and shares her story of how the course worked to her advantage in Germany. >>

## ► My Motivation to Study ATC

My motivation to pursue the accounting journey started within the family. My father (deceased) was a senior accountant and three of my older siblings went on the accounting pathway so, it was a bit inevitable for me to do the same.

After my A-levels, I went to the Uganda College of Commerce in Soroti from 1999 – 2021, the only option I was left with since my mother could not raise the university self-sponsorship fees. I pursued a diploma in Business Studies up to the last semester, handed in my dissertation, but did not graduate! WHY?

I had two failed attempts with Management Accounting. Unfortunately, Makerere University Business School (MUBS) scrapped the curricular, and I was expected to repeat probably one and a half years or later because of the massive changes in the curricular. Though I was willing to repeat, it was not financially viable. That is when I considered finding out more about the Accounting Technicians Certificate – ATC (U).

The ATC (U) offered me the best chances to educate myself while maintaining my employment. I immediately registered with Team business College which was managing the CPA / ATC centre in Soroti district. I wrote my first exams in July 2004 and finalised in December 2009.

The ATC journey was exciting but very tasking because I had to do most of the studying alone during the week and went for lectures on Friday late evening through Saturday and Sunday. Everything progressed well. Not even the birth of my first child in 2005 stopped me from going to class. But things changed when my spouse and I had to relocate to Ethiopia on a work assignment.

I was left with four subjects to finish and I had to fly to Uganda once in a while to write the ATC exams. For that reason, it delayed the whole process but I worked hard to complete it and eventually graduated.

## Career progression with ATC

The interesting part of the career development is mostly my experience in Germany. I moved back to settle in Germany in 2016 and realised that though I was educated, I still felt illiterate!

In Germany, the official language is Deutsch. All other foreign languages are an asset when you know them but Deutsch is the official language of communication.

I invested at least eighteen months to learn and improve my language skills. Although I eventually registered for the job market, I encountered some challenges.

These employers are sceptical about taking on someone with a qualification they are not familiar with and there is a prejudice among many people that all African education systems are of low standard. Hence, I was always asked random questions like; Are you educated? Does it hold any value and will it be acknowledged? etc. Thereafter, I got an offer from the Federal Employment Agency to take part in a computer course. That was my turning point.

I met a real professional educator in the institute where I would enrol for the computer package. He understood what chartered accounting was all about and he convinced me about enrolling for accounting and taxation modules too, including accounting software which lays a foundation for advanced software like ASP. So I signed up and the only difference I had learnt in the accounting module here in comparison to the ATC was the German language and different approaches to things which would eventually lead to the same result.

After the eight months' course, I got a job with an Irish apparel business and worked in the customer care department. At this point, my qualification was not yet officially acknowledged but it was up to the employer's discretion and I was lucky that the company was open to any learned labour force.

In 2019, I visited the German Chamber of Industry and Commerce, also known as, **Industry und Handel's Kamer (IHK)**, which is responsible for all vocational courses and non-university diplomas, to find out the prospects of getting my Ugandan qualification acknowledged.

They were willing to help me through but little did I know that they placed me in an acknowledgement process for persons without academic qualifications but who had rather gained a lot of working experience in a specific area. At the same time, I had started a new administration job in the Organisation Internationaler Bund and there they strongly advised that I send my ATC certificate so as to find out its equivalent in Germany. The reason is for proper placement in the job and determination of the salary scale according to the accepted labour laws

## Acknowledgement process

During this new job, I met a consultant who was curious about my progress in Germany. She saved my day! She shared how she had been placed in the wrong place, explained how the whole process works and advised me to send my application to IHK-FOSA which is specialised in foreign skills approval.

I submitted all the required documents including the ATC complete curriculum and all the necessary accreditations that the Director of Education at ICPAU and his team availed me.

I was awarded an equivalent of a German Business diploma and according to the report, the curricular content was standard. They acknowledged that ICPAU is a national Institute solely responsible for regulating the accounting profession in Uganda. The missing mandatory apprenticeship on our ATC curricular was traded off with the working experience I have gained here.

## Advice

No matter how tough it may be, do not give up. Work persistently on achieving your goals. ICPAU is providing a world-class education. Take the pride in letting an African Institute pave your way for the future. 💡

# TOP CANDIDATES SHARE WINNING TIPS – CPA SEPTEMBER 2022 DIET



**DOREEN KYOMUHENDO,**  
**TOP AND BEST FEMALE STUDENT**  
**INTEGRATION OF KNOWLEDGE – PAPER 8**

Words were not enough to explain my excitement about the win. The feeling I had in 2010 when I emerged as the second best student in Kabarole district in UACE re-manifested in 2022 in CPA. I studied through in-person classes at a training institute. My success tips are personal commitment and dedication, an encouraging lecturer, and above all God's grace. Continuing students should never give up because there is light at the end of the tunnel. The CPA journey is a bittersweet one with a beautiful ending.

My achievement in the September exams meant the beginning of a new career for me, especially amid COVID-19 and the present economic challenges. My mode of study involved attending classes at Glory Professional Trainers, MAT-ABACUS and Sammy Professional Trainers and Consultants, among others. ICPAU reading materials, examiners' comments, ICPAU YouTube videos for engagement seminars, discussions, and committed tuition providers were helpful. I also attribute my success to my supportive family, and above all, God. My next step is to finalise my PET, apply for membership of ICPAU and begin practising, of course with continuous learning.

Continuing students should attempt more than one Paper in each sitting to avoid disappointments from failing a single Paper attempted. CPA requires time so students should dedicate enough time and other resources to it.



**JACKSON NSHIMYE**  
**THIRD TOP STUDENT**  
**INTEGRATION OF KNOWLEDGE – PAPER 18**



**ERON NABATANZI**  
**TOP STUDENT,**  
**FINANCIAL REPORTING – PAPER 8**

I was extremely happy with my performance. Although I didn't expect it, I worked hard for it. I attended online classes at MAT and did extra lessons with CPA Zedi, coupled with group discussions. My success tips are prayer, commitment, continuous revision, and encouragement from my husband.

I was extremely joyous. I am very proud of myself and more than grateful to the Most High God for torching his light upon my path. I studied privately, but under the guidance of a very good friend and lecturer, Francis Bazzekuketa. My success tips are prayer, self-belief and hard work. You have to pray about success, believe you can achieve it then put in the work day in and day out.



**ALFONSE OPOKA OROMA**  
**TOP STUDENT**  
**QUANTITATIVE TECHNIQUES – PAPER 2**



# Big Data, Artificial Intelligence are must-have skills for tomorrow's Accountants - BoU



## 1. What is the structure of the Finance department at the Central Bank? Please mention the number of professional accountants.

At the Bank of Uganda, we have a Finance Directorate (a collection of similar service departments) which is comprised of 2 departments: The Accounts department and the National Payment Systems Department (NPSD). The Finance Directorate is headed by the Executive Director Finance, and the departments are headed by Directors. The department charged with financial reporting is the Accounts department (headed by the Chief Accountant). This department has Eighteen (18) qualified/professional accountants out of total staffing of 26 staff. Other than financial reporting, the department is also charged with Operations that include Budget Preparation and monitoring, Accounts payables Management, and Payroll processing.

## 2. What value do accountants add to the Central Bank's operations?

- Accountants are in charge of preparing the Financial Statements of the Central Bank. They ensure that the Financial Statements are in compliance with International Financial Reporting Standards.
- Accountants are also in charge of the Internal Audit Department and they ensure that the internal controls and risk management framework in the Bank are robust.
- Accountants also play a crucial role in supervising commercial banks and other regulated financial institutions and thus play a crucial role in financial sector stability.
- Accountants are in charge of the Bank's payment systems, processing internal and external payments thus they ensure that internal controls are adhered to and that there is no fraud in payments.
- Accountants are also in charge of the banking services to the government, and some are deployed in Currency operations.
- Due to the diversity of skills obtained from accounting professional courses, Accountants are also involved in strategy formulation and implementation. They indeed were instrumental in the formulation of the new Bank of Uganda Strategic Plan for 2022-2027. Various accountants are deployed in almost all corners of the Bank including medical services, procurement and administrative services among others.

## 3. Where do you see accountants in the next five years?

With quick adaptation to changes in the dynamic world we live in, I see accountants thriving with new skillsets in areas such as the use of Big Data, Artificial Intelligence, Integrated Reporting and Environmental, Social and Environmental (ESG) reporting, clearly bringing to the fore value such as cost reduction (operations), and clearly articulating our mandate as Bank of Uganda to our stakeholders. For those in the world outside BoU, the value they might add includes creating a competitive edge for the entities they work with and better business valuation.

## 4. What soft skills do accountants require to be effective?

Accountants need a little humour in their work, but specifically, the following skills would come in handy for them to be effective:

- Presentation skills
- Leadership skills
- Listening skills
- Mentorship skills
- Report writing skills

## 5. How does the Central bank support the accountancy profession?

- i. The Central Bank has previously provided budget support to ICPAU and has continued to participate in key events of the Institute through sponsoring staff and as a key sponsor at the Annual Seminar, Economic Forum and this year at the FIRE awards event,
- ii. Bank of Uganda also sponsors its staff to attend Continuous Professional Development (CPD) events,
- iii. The Central Bank pays subscription fees for all its staff that are members of ICPAU.
- iv. The Bank continues to pay Examination and Tuition fees for all aspiring accounting students that indicate a willingness to pursue the Professional Accountancy Qualification.
- v. The Bank has provided members that serve on the ICPAU Council and various Committees of the Institute.

*The responses in this article were provided by CPA Charles Mugisa, Chief Accountant - Bank of Uganda*





By CPA Nicholus Mushabenta,  
Partner at BDO East Africa



# IFRS 17 HIGHLIGHTS & MAJOR AMENDMENTS IN IFRS 4

## Overview

**T**he International Financial Reporting Standard (IFRS) 17 Insurance Contracts, has been the ‘talk of the day’ in the Accountancy profession and insurance sector for the past 3 years. IFRS 17 is replacing IFRS 4 and represents a complete overhaul of the accounting for insurance contracts, by setting out principles for recognition, measurement, presentation and disclosure of insurance contracts.

IFRS 17 was issued in May 2017 by the International Accounting Standard Board (‘IASB’ or the ‘Board’), meant to be effective on 1 January 2021, but later deferred to 1 January 2022, and further deferred to 1 January 2023. It is not only becoming the challenge for implementers, but it was also an over 20 years’ challenge for IASB to develop a single model for insurance products that differ fundamentally across jurisdictions. ▶

▶ IASB's overall objective with IFRS 17 implementation is "having a single global insurance accounting standard that increases the transparency of insurers' financial positions and performance, and make their financial statements more comparable with both other insurers & other industries". Key areas of comparability to be improved by IFRS 17 are;

- insurers issuing the same type of insurance contracts,
- similar insurance contracts issued by the same group in different jurisdiction, &
- insurers operating in the insurance industry with other companies operating in other industries

## IFRS 17 information process

Source  
systems



Actuarial  
and risk  
systems



Financial  
Reporting

### Key Questions on the New Standard IFRS 17

How will IFRS 17 **change the numbers** reported in the financial statements? Changes are reflected in the new metrics for presentation and disclosures in the financial statements.

How will IFRS 17 **changes be communicated** to investors and all stakeholders? New metrics (e.g. contractual service margin added from new contracts, insurance service results, and net investment margin) will be explained to all stakeholders by accountants, management or specialists.

To what **extent the objective of increased transparency** will be met given the complexity of IFRS 17 and cost of implementation? Nowadays, chief finance officers, finance managers and accountants, of insurance companies are feeling 'IFRS 17 feverish' than Covid-19 impact. Honestly, the damn IFRS 17 is complex than any other previous standard including IFRS 9 Financial Instruments.



### Accountant's Critical Role in IFRS 17 Implementation

Accountants will play the biggest role in **providing answers to the above questions**, through financial reporting, analysis and interpretation of financial information. It's true that actuaries and information technology (IT) specialists are highly needed in IFRS 17 implementation, however, they must depend on the accountant to interpret IFRS 17 requirements. Fellow accountants, let's continue shining and proving that we're like cash which is the lifeblood of every business.

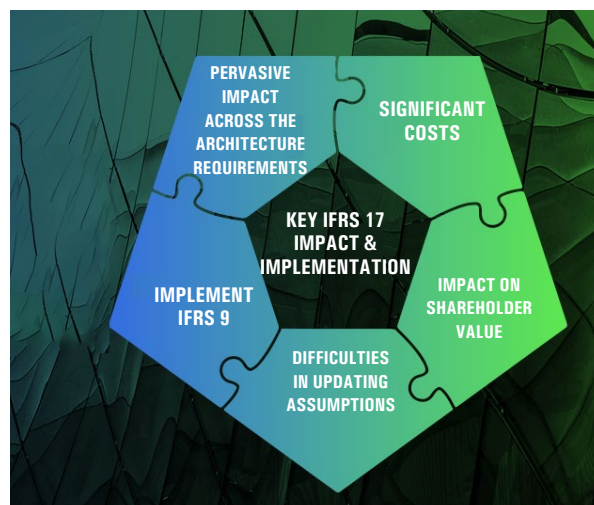
## Key IFRS 17 Impact & Implementation Challenges

IFRS 17 is expected to have a **pervasive impact across the architecture requirements** of the IT systems with need for a customised calculation engine and the finance functional system which covers the underwriting, claims, actuarial, and financial reporting modules.

Many insurers will **implement IFRS 9** (another complex standard), with IFRS 17, due to interaction between the insurance liabilities and investments backing them. Most of the insurers had previously used the temporary exemption to continue applying IAS 39.

Anticipated **difficulties in updating assumptions** - to maintain data from previous periods, gather actuarial information on a timely to update assumptions at each report date, run actuarial models, and analyse changes since previous periods by splitting changes related to previous & current coverage from changes related to future coverage.

Incurring **significant costs (time, efforts & money)** by insurers implementing IFRS 17 mainly acquisition or upgrading of system(s), training key stakeholders, involving consultants for technical support, updating internal procedures, and communicating changes. Not only initial costs but also ongoing costs of maintaining accounting/actuarial systems, and gathering information to update assumptions.



**Impact on shareholder value (investors)** mainly those dealing in long-term insurance contracts due to associated implementation costs. This is despite of the Board's efforts to make IFRS 17 uncomplicated and cheap by allowing insurers; to simplify the measurement of some short-term insurance contracts with a coverage period of 1 year or less, to apply new requirements to a group of contracts rather than on contract-by-contract basis, and not to apply new requirements to some common contracts issued by non-insurers e.g. product warranties.

## Key Benefits of IFRS 17 as Solutions to the Gaps in IFRS 4

Since insurers are to be measuring, at each report date, insurance contracts using current estimates and assumptions determined using actuarial techniques that are updated, consistent with relevant market information, reflect the timing of cash flows (discount rate), and the uncertainty relating to the insurance contracts (risk adjustment), this practice will **provide current, updated information** about the effect of insurance contracts on insurer's financial position, risk exposure, and transparent reporting of changes in the insurance contract assets/liabilities.

Investors, analysts, and other users of insurers' financial statements will be able to **make better economic decisions** using transparent and timely information.

Under IFRS 17, all insurers will be **recognising revenue and profits as they deliver insurance coverage** in line with other accounting standards like IFRS 15, this addresses IFRS 4 gap of recognising cash premiums or deposits received for life business as revenue.

## Who're the Winners & Losers with IFRS 17?

As they say, "one man's meat is another man's poison", **system vendors, IT specialists and actuarial specialists** are smiling their way to the banks or boardrooms, to receive a share on the insurance **business owners'** wealth. None of the insurer will avoid significant costs relating to either upgrading their current IT systems or acquire new system(s) which allow integration of actuarial module with accounting module and interface

with related business functions like underwriting, claims and administration. Similarly with a saying, "the illiterate of the 21<sup>st</sup> century will not be those who cannot read & write, but those who cannot learn, unlearn, and relearn", none of the insurers' staff/ management, auditors, directors, and regulators, will be spared if one fails to learn, unlearn and relearn IFRS 17 skills.



## Illustrations for key changes in presentation of main components of financial statements

Major impact in presentation is reflected under the statement of profit or loss (SOPL), unlike statement of financial position (SOPF) which is affected by retrospective application of IFRS 17 resulting into restatement i.e. presenting '3 column balance sheets,' as shown below;

Extract of Statement of Profit or Loss (SOPL), under IFRS 17		2023	2022	Vs.	Extract of Statement of Profit or Loss (SOPL), under IFRS 4	2022
			Restated*			(\$'000')
	Notes	(\$'000')	(\$'000')		Gross premiums written	20,800
Insurance revenue	5	65,900	64,000		Changes in unearned premiums	(402)
Insurance service expenses	6	(52,000)	(51,000)		Gross premium income	20,398
Net expenses from reinsurance contracts	7	(2,100)	(1,600)		Premiums ceded to reinsurers (reinsurance cost)	(9,098)
<b>Insurance service result</b>		<b>11,800</b>	<b>11,400</b>		<b>Net premium income</b>	<b>11,300</b>
Interest revenue calculated using effective interest method	16	9,050	7,150		Net deferred acquisition cost	(130)
Other investment revenue	8	31,000	29,100		Commission income & fees	2,600
Net impairment loss on financial assets	17	(550)	(500)		Net underwriting income	13,770
<b>Investment return</b>		<b>39,500</b>	<b>35,750</b>		<b>Gross claims paid &amp; incurred</b>	<b>(3,020)</b>
Net finance expenses from insurance contracts	9	(31,070)	(30,070)		Claims ceded to (recovered & recoverable from) reinsurers	980
Net finance income from reinsurance contracts	7	720	700		Gross change in contract liabilities	260
Movement in investment contract liabilities	21	(2,200)	(2,100)		Change in contract liabilities ceded to reinsurers	(240)
<b>Net financial results</b>		<b>6,950</b>	<b>4,280</b>		<b>Net claims incurred</b>	<b>(2,020)</b>
Other incomes	10	930	630		Commission expense	(1,350)
Other operating expenses	12	(7,400)	(6,900)		Management expenses	(8,820)
Other finance costs	13	(802)	(712)		Underwriting results	1,580
Share of profit of equity-accounted investees, net of tax	22	410	310		Investment income	2,450
Profit before tax		11,888	9,008		Interest revenue calculated using effective interest method	630
Income tax expense	14	(3,568)	(2,708)		Other income	520
<b>Profit for the year</b>		<b>8,320</b>	<b>6,300</b>		<b>Net impairment loss on financial assets</b>	<b>(550)</b>
					Finance costs	(802)
					<b>Profit before tax</b>	<b>3,828</b>
					Income tax expense	(1,148)
					<b>Profit for the year</b>	<b>2,680</b>

<b>Extract of Statement of Financial Position (SOFP), under IFRS 17</b>	<b>Notes</b>	<b>31-Dec-23</b>	<b>31-Dec-22</b>	<b>01-Jan-22</b>
			<b>Restated*</b>	<b>Restated*</b>
<b>Assets</b>		<b>(\$'000')</b>	<b>(\$'000')</b>	<b>(\$'000')</b>
Cash and cash equivalents	15	30,800	25,600	15,400
Prepayments and other receivables	18	8,500	7,400	5,300
Financial investments - measured at fair value	16	520,500	515,300	435,100
Financial investments - measured at amortised cost	17	9,800	8,700	6,600
Current tax asset	29	801	681	361
Insurance contract assets	19	920	800	480
Reinsurance contract assets	20	13,100	12,000	9,900
Investment property	24	6,600	5,500	3,400
Equity accounted investees	22	3,320	2,220	120
Property & equipment including right of use assets	23	5,400	4,300	2,200
Intangible assets	25	14,500	13,400	11,300
Deferred tax assets	30	309	189	69
<b>Total assets</b>		<b>614,550</b>	<b>596,090</b>	<b>490,230</b>
<b>Liabilities</b>				
Payables	19	11,600	10,500	8,400
Derivative liabilities	26	2,350	1,250	750
Current tax liabilities	29	2,720	1,620	1,120
Investment contract liabilities	21	24,800	23,700	21,600
Insurance contract liabilities	19	480,100	474,900	394,700
Reinsurance contract liabilities	20	949	829	329
Loans and borrowings	27	8,300	7,200	6,700
Provisions	28	350	230	220
Deferred tax liabilities	30	4,001	2,901	2,401
<b>Total liabilities</b>		<b>535,170</b>	<b>523,130</b>	<b>436,220</b>
<b>Equity</b>				
Share capital	31	20,000	20,000	20,000
Share premium	31	5,000	5,000	5,000
Retained earnings	32	49,880	43,960	25,510
Statutory reserves	32	4,500	4,000	3,500
<b>Total equity</b>		<b>79,380</b>	<b>72,960</b>	<b>54,010</b>
<b>Total liabilities and equity</b>		<b>614,550</b>	<b>596,090</b>	<b>490,230</b>

By CPA Uthman Mayanja  
the Country Senior Partner at PwC Uganda



# PROFESSIONAL BEHAVIOUR INTEGRITY CHECK



## 1. What is integrity?

There are various working definitions of integrity for accountants. To my mind, having integrity is all about saying what you mean and meaning what you say, at all times. It requires courage and faithfulness and goes to the heart of demonstrating trustworthiness - being truthful even when doing so is disadvantageous to your position. This is how I apply the integrity principle laid out in our International Code of Ethics which requires us to be straightforward and honest in all business and professional relationships.

## 2. What is the role of integrity in accountancy practice?

Integrity is core to the accounting profession and it is no surprise that it is the very first fundamental principle of our professional code of ethics. As accountants, we must always act in the public interest, as opposed to our individual clients or employers.

*Integrity plays a critical role for the accountant be it in public practice or industry.* In fact, there is simply no substitute for integrity in our work for it goes to the very heart of our raison d'être, or reason for existence, which is, we exist to provide a record or account of the stewardship of resources by management to the owners of those resources. Therefore, at the core of our work is the need to impart trust. We cannot provide this trust unless we are truthful

at all times. In times of difficulty, however, integrity often requires that we go beyond truthfulness and demonstrate an arguably higher principle of transparency. This widens the expectation on the accountant to go beyond telling the truth as it is and provide full disclosure of all material facts and other information in a given situation. It also requires us to stand above the fray and holds us to a higher standard of discovery before we declare our position.

In other words, we cannot demonstrate integrity without applying competence and diligence to our work. This means that integrity also affects other fundamental principles that govern our profession.

## 3. How do we use ethics to build public trust as a profession?

Every professional person needs to be trusted. For those professionals, like accountants, that render services to the public, the need for trust is even greater as the public wants to be assured they are associating with the right person before starting a relationship and throughout that relationship.

We live in a world today where trust is at an all time low - whether in government and other public institutions or in private organizations. This month (November 2022) alone has seen the bankruptcy of FTX, the crypto trading platform, as well as the criminal sentencing of the founder of Theranos on charges of fraud. To provide context, the appointed receiver for FTX has reportedly said that the scale of deficiencies and malpractices already found at FTX by far exceeds those found at Enron, just over 20 years ago and several legal and regulatory reforms later.

Digging into FTX a bit more we find allegations of an US\$ 11 billion black hole, alleged potential illegal related party transactions and the absence, apparently by design, of records of approval for significant transactions. Such failures would clearly have been averted by good old fashioned accounting work informed by core ethical principles including professional competence and due care and integrity.

Therefore, in order to rebuild public trust, our ethical principles provide a solid foundation. I can think of a few things that we can, and need to do, urgently:

- a) Recognise that we have challenges, own up and speak to those challenges in the right fora as a starting point for addressing our local challenges as accountants.
- b) Be comprehensive and courageous in identifying the problems, including the numerous elephants in the room. Without this, the solutions we come up with will not be enough to address the problems that we have.
- c) Push the envelope when it comes to seeking new solutions that will help us stay on top of the public trust issue
- d) Skill up - in recognition of the fact that without appropriate skills, we will not be able to sustain trust in our services and/ or the institutions that we serve
- e) Find our voice in matters of public discourse and express it professionally. Far too often things go wrong and the accountancy profession appears to have neither say nor views on the matter.

#### **4. How do we build a culture of integrity in young professionals?**

Unfortunately this question can be misinterpreted to suggest that integrity is a bigger issue with younger professionals whereas experience suggests that this is not entirely true. What is unquestionable is that we need to build integrity very early on in our careers. In fact, as an experienced recruiter, I will also say that integrity must exist within young professionals before they enter the profession to start with. That means that our work should start very early in schools, colleges and universities.

#### **5. What is the influence of digital technology in shaping professional behavior?**

Technology is changing many things - how we communicate; how we receive data and information; how we process that information; etc. Technology allows us to work much faster and to collaborate across time and geographies much more than we used to and with people that we have never met. It has also brought information and learning close to us, permitting learning and research to be performed on demand wherever we are. Quite often, we use the same gadgets and applications for business and personal purposes thereby blurring the lines between our personal and professional lives.

However, our ethical obligations remain unchanged and as accountants, we must remain vigilant and avoid ethical traps associated with technology. These include failure to maintain confidentiality as we use technology - for example through sending confidential correspondences to the wrong person or loss of gadgets that hold sensitive client information; commenting in public spaces (social media), privately or otherwise, without exercising the due care we would apply when communicating physically; exposing confidential or sensitive information to illegitimate access by using insecure internet connections; etc.

We can overcome these traps by always focusing on the substance of what we are doing rather than its form or setting. Our adoption of technology should always be preceded by a good old risk assessment aimed at ensuring that we have the appropriate measures in place to uphold our ethical obligations at all times regardless of how and where we are working.

#### **6. How should professional accountants respond to integrity temptations?**

Just say no. Accountants should always remember that integrity temptations are invitations to commit a criminal offence. Even the smallest infraction will almost certainly lead to larger or more frequent infractions. The consequences are very severe, including the likelihood of being jailed not only in this country but abroad as well. I think that when tempted, it is always good to remind ourselves of why we chose to be accountants - we were and remain willing to work hard for a decent reward as opposed to joining one of many other occupations that promise quick riches or easy lives. We should also remember that every integrity infraction has a victim. Quite often in Uganda, innocent people eventually die or suffer greatly due to the corrupt actions of a few. This is not a way for an accountant to live or support their family.

#### **7. What advice do you give to trainee accountants?**

You have chosen a noble profession. A respected profession. A very rewarding profession that permits you to earn an honest living. It is also a massive privilege as you are in a very small minority not only in your year at university, but indeed all your peers by whatever yardstick you apply. Success will come to you through commitment, consistency and hard work. There will be many opportunities to do exciting and iconic work throughout your career as well as opportunities to travel and see the world. In order to reap those opportunities, you will need to be prepared. The first step in this journey is to complete your examinations. I wish you luck 💎



By CPA Jack Mwebaze,  
Tutor for CPA Paper 18 – Integration of Knowledge

# PROFESSIONAL SKILLS DEVELOPMENT: A GUIDE TO PASSING PAPER 18

The Institute of Certified Public Accountants of Uganda is mandated to produce competent professional accountants capable of applying the knowledge, skills and values acquired in a practical situation. Integration of knowledge (Paper 18) is the final level examination for the CPA (U) course. It is a case study-based examination, which tests all aspects of the CPA (U) course {P.1 – P.17}. The exam presents a semi practical scenario to test the candidates’ readiness to offer expert advice to the wide-ranging business and social challenges.

This paper has four basic perspectives;



Competences in these four perspectives are examined and therefore should be reflected in the deliverable offered by the student.

Paper 18 exam is structured under two sessions that is morning and afternoon session and each of the sessions calls for unique competences.

### a) Morning Session – 9.00am-11.30am

Here, a student is presented with a case /story about a given entity and he is expected to analyse and make sense of it. This is because the afternoon questions will be based on this story. The setting of the morning session takes the form of a narration of entity/client issues to another party/respondent/expert, presumably competent enough to address them. The respondent can be designated a; consultant, technical advisor, or

manager.

During the morning session, a student/ respondent should endeavour to achieve the following:

- Read and understand the issues raised by the entity/client
- Identify the underlying challenges faced by the entity/client
- Summarise the story for quick reference
- Carry out all the necessary computation

Since there is a thin line between when students

complete the course and post qualification practice / consultancy, ICPAU will want to be sure that the students have the requisite competences required of the service standards. Key competencies examined at this level will include;

- ✓ **Technical competence** – Ability to solve technical challenges presented in the case (technical competence is obtained through training – for example the ability to compute and determine the NPV of a project)
- ✓ **Application of technical knowledge** – Transform data into information relevant for decision making. Provide solutions based on technical knowledge. (Explain to the client what NPV result means in the simplest form)
- ✓ **Analytical competences** – Look at the case holistically, draw appropriate conclusions from which recommendations are based. (Ability to extract important issues from the case)
- ✓ **Focus** – Distinguish between relevant and irrelevant information in a given body of data. **Relevant** information is one that influences decision making as evidence to support the answer. **Irrelevant** information can be something that is relatively minor, contradicted or negated by another fact, or is not required to support the advice
- ✓ **Judgment** – Display of good understanding of the concepts examined, demonstrate judgment in areas that require balanced outlook. A candidate is expected to evaluate all options for the user to make a choice.

**Integration**– Ability to package knowledge in an acceptable format, so that it is; elaborate, professional, flowing and information packed.

## b) Afternoon session- 12.30-4.00pm

Having engaged the client through the morning content, later on, in the afternoon, the assigning/engaging party (client) communicates areas they want addressed. The issues the client wants to be advised on are technically referred to as terms of reference (TOR).

The highly examined skill in this session is the ability of the student / expert to respond to the client professionally.

Communication is a highly tested / examined skill at P.18 because the **parties involved need to understand and to be understood** by the others.

A student is designated a position as the author and the writeup should bring this element out clearly. If designated as a consultant, the write up should conform to this title.

The nature of the audience will influence the tone of the communication. The way one addresses management is different from how an external expert addresses their clients, say shareholders. The author is expected to have

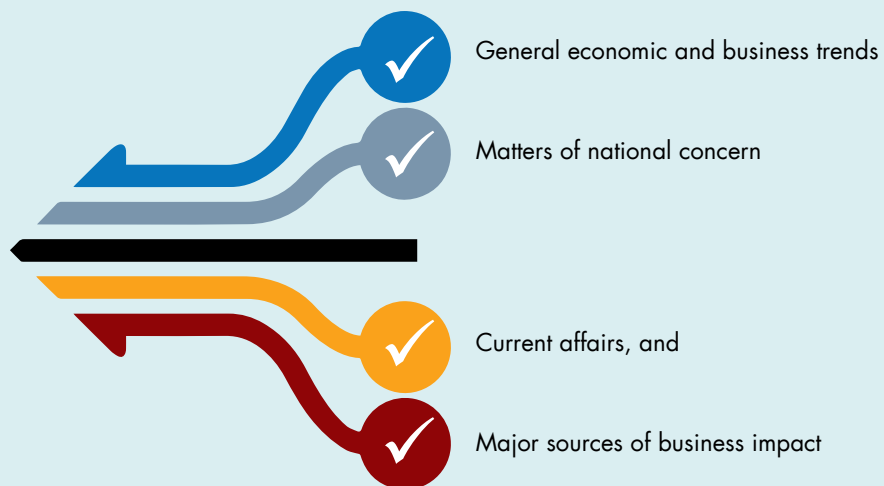
their audience at heart as they plan their communication. / Justify your choice as their advisor.

The student/ author should prove to the examiner/ client that they read and understood the case, and you are sure of what you are communicating

Communication is effective when all the parties attach same meaning to the content. Until this balance is obtained, a student will not earn the score allocated to this competence. The write up should be **elaborate, professional, flowing and information packed.**

Remember the deliverable is needed by someone somewhere. The Author should be mindful of how the output present the findings. How you write will reflect the extent to which you are in control of the exam. Being in control of the exam is equally important in this paper because it confirms confidence, organisation and capacity.

This paper does not limit a student to book knowledge but also tests his/her understanding of;



The accountancy profession is diverse in nature and a prospective practitioner should remain relevant, and always remember to keep perfecting what accountants are known for.

**Finally, I can confirm the saying that goes “Practice makes perfect.” I therefore encourage you to practise writing, and in a short time, you will become perfect. Do not wait to write your first report during the exam. This can be very fatal** ♦

# TRANSITIONING TO NEW SYLLABUSES



## Interview with ICPAU Examinations Manager, CPA Charles Bahakwonka Byaruhanga



New syllabuses for the Accounting Technician's Diploma (ATD) and the Certified Public Accountants (CPA) courses become effective in January 2023. In an interview with CPA Charles Bahakwonka Byaruhanga, he shares insights into the new developments.

### First things First. Why have the syllabuses changed?

The International Education Standards (IES) require member bodies of the International Federation of Accountants (IFAC) to periodically review the syllabuses for professional accountancy education, so as to match the rapidly changing environment.

Syllabus reviews take into account changing accounting standards, and regulations as well as the micro and macro environments within which organisations operate.

Therefore, we are basically matching the subjects of the previous curriculum with the current environment.

For example, because of the growing trend of Islamic Finance, we have introduced more of it into the new syllabus.

The learning outcomes have also been refined to match the changes aforementioned.

### What has changed?

For CPA, the Papers are still 18, and there are still 4 levels.

### Number of Papers per level:

- Level I: 6 Papers, from 7
- Level II: 5 Papers, same as in the current syllabus
- Level III: 6 Papers, from 5
- Level IV: 1 Paper, same as in the current syllabus

## The significant changes pertain to the following Papers:

### Taxation (Paper 11 Previously Taxation Paper 6)



Taxation Paper 6 has moved to level II as Paper 11: Taxation is a core subject for accountancy qualification, and yet we discovered that the desired content for the Paper was not being sufficiently taught at the undergraduate level. Moving the Paper to Level II means it will no longer be on the standard schedule of exemptions and will have to be taken by all CPA students, except for holders of professional accountancy qualifications who have covered it before enrolling for CPA.



### ► **Economics & Entrepreneurship (Paper 2)**

Economic Environment, previously Paper 3 is now Economics & Entrepreneurship (Paper 2). The content of entrepreneurship which was initially scattered in various Papers and across the levels have now been merged and combined with Economics, to form Economics & Entrepreneurship. The 2 subjects, Economics and Entrepreneurship are connected, and therefore can easily be examined together.

### **Business & Company Law (Paper 5 Previously Business Law Paper 4)**

The name has changed from Business Law to Business & Company Law. This is to emphasize the significance of the component of company law in the syllabus.

### **Public Financial Management (Paper 13 Previously Public Sector Accounting and Reporting Paper 14)**

The name has changed from Public Sector Accounting & Reporting (Paper 14) to reflect more accurately the syllabus coverage of the Paper. The new name also corresponds with the emphasis on the government budgeting cycle which has taken more prominence in the new syllabus.

Additionally, the Paper has been made simpler by removing some content which was not very relevant for Public Financial Management (PFM) in Uganda especially some International Public Sector Accounting Standards (IPSAS), for example, whereas there were 19 IPSAS in the current syllabus (Paper 14), in the new syllabus only 9 have remained.

### **Strategy, Governance & Leadership (Paper 14 Previously Business Policy and Strategy Paper 15)**

Like Public Sector, the name of the Paper has been modified to give it a more accurate description of the learning outcomes.

### **Auditing, Ethics & Assurance (Paper 9 Previously Auditing and Professional Ethics and Values Paper 12)**

There have also been some changes in this Paper. For instance, whereas Auditing and Professional Ethics have remained, Assurance has now been brought on board to emphasise that in addition to the old content, assurance will now also be examined. In addition, the entrepreneurship bit in the current syllabus has been moved to Paper 2 as already explained.

### **Audit Practice and Assurance (Paper 16 Previously Auditing and Other Assurance Services Paper 17)**

This has also been renamed and the learning outcomes refined. The Paper will still be examined at the same level of assessment as in the current syllabus.



## How about for ATD?

The number of Papers has been reduced from 13 to 12.

Like for CPA, Entrepreneurship (Paper 12) has been combined with Economics (Paper 5) to form Economics & Entrepreneurship (Paper 6).

A new Paper, Principles of Finance (Paper 11) has been introduced at Level III. The aim is to equip learners with skills to apply relevant financial management concepts in business decision-making.

Principles of Law (Paper 4) has been combined with Law of Business Associations (Paper 7), to form Principles of Business and Company Law (Paper 3).

The rest of the changes are to do with Paper naming and numbering, for example:

- Business Accounting (Paper 1) has changed to Principles of Accounting (Paper 1).
- Introduction to Management Accounting (Paper 6) is now Principles of Cost & Management Accounting (Paper 5).
- Information Systems (Paper 8) is now Information & Communications Technology (Paper 7).

### For how long will the new syllabuses remain effective?

The new syllabuses will run for five years, until 2027.

### How do the changes affect exemptions?

Conversion exemptions will be allowed to students who had already been granted exemptions.

Additionally, those who have passed Papers for which exemptions are no longer granted will not have to re-attempt those Papers. For example, if one has passed Taxation (Paper 6) they will not be required to sit Taxation Paper 11 in the new syllabus. Instead they will get a Conversion Pass in that syllabus.

### What effect does moving a paper to another level have?

When a Paper moves to another level, it means that it is going to be examined at the level of the other subjects at the new level. For example, the Level CPA III is a professional skills level while Level II is a technical skills level so the learning outcomes at Levels II and III are different.

This means that the structure of the questions (and/or learning outcomes) change at each level. For example, while in a Level I examination, you might have Multiple Choice Questions (MCQs), at Levels II and III, there are no MCQs, because we are testing higher level learning outcomes that cannot be examined by MCQs.

### How about the Changes in Paper numbers? What is the Significance?

Changes in Paper numbering do not have a significant impact. The changes in the Levels are the ones that students should focus on.

### How about the Progression Rules? Are there any changes?

Not really. As in the current syllabus, no one will be allowed to attempt a lower Paper which forms the foundation of a higher Paper, or attempt the 2 Papers at the same sitting. Therefore, the progression rules are as follows:

- a. A candidate may sit for a minimum of one and a maximum of all the subjects at any Level at any one sitting.
- b. A candidate must complete a lower level of the syllabus before proceeding to the next level.

An exception to the rule above is where a candidate has two subjects at either Level I or Level II. In such a case, the candidate may sit for those subjects with some other subjects at the next level.

- c. For CPA, the following Papers cannot be combined/ or taken at the same time:
  - Financial Accounting (Paper 1), Financial Reporting (Paper 7), and Advanced Financial Reporting (Paper 12).
  - Taxation (Paper 11) and Advanced Taxation (Paper 17).
  - Quantitative Techniques (Paper 3) and Management Decision & Control (Paper 10)
  - Cost & Management Accounting (Paper 6) and Management Decision & Control (Paper 10).

- Financial Management (Paper 8) and Advanced Financial Management (Paper 15).
- Auditing, Ethics & Assurance (Paper 9) and Audit Practice & Assurance (Paper 16).

For ATD, the following Papers cannot be combined

Principles of Accounting (Paper 1), Principles of Cost & Management Accounting (Paper 5) and Financial Accounting (Paper 9).

### How do the Syllabus Changes Affect Holders of Foreign Accountancy Qualifications (FAQs)?

FAQ holders will not be exempted the following subjects in the approved 2023 – 2027 syllabus unless they have covered the same (or equivalent) at their prior professional accountancy qualification education:

- (a) Business & Company Law – Paper 5
- (b) Management Decision and Control – Paper 11
- (c) Public Financial Management – Paper 13
- (d) Advanced Financial Management – Paper 15
- (e) Audit Practice & Assurance – Paper 16
- (f) Advanced Taxation – Paper 17

### How is the Institute preparing students for the new syllabuses?

The detailed syllabuses have been sent to tuition providers and all students. Electronic copies have also been uploaded on our portal.

We have held sensitisation sessions with tuition providers and students to highlight the changes and communicate the requirements from both the students and the trainers.

We have prepared conversion status for each student which can be accessed through one's web accounts and it is automated.

The Institute is in the process of producing updated study materials to capture the changes in the syllabus.

Furthermore, the Institute is in the process of producing model examination Papers which will be out early next year. Students can access the model examination Papers via their web accounts.

### How can students prepare for the changes?

For starters, students should be open-minded to the changes, because the changes are meant to improve their professional skills and increase their value as professional accountants.

Another point to note is that the ATD syllabus has been enriched to match the learning outcomes and content of equivalent Papers in the CPA syllabus so that for those who cross to CPA after completing ATD, they can be exempted those subjects.

Students should study the detailed syllabus material in order to acquaint themselves with the new learning outcomes, level of assessment, and examination structure for each Paper.

They should be committed to their mode of study, that is, if it is full-time study at a training institute, they should endeavor to attend all classes and cover all syllabus areas/topics.

They should keep up to date with communication from the Institute via email and other communications platforms.

Students are also welcome to contact the Institute for guidance and support regarding any challenges that they might face along the course. Inquiries should be forwarded to [students@icpau.co.ug](mailto:students@icpau.co.ug) or via the Institute's social media platforms.

## CPA(U) EXAMINATIONS SYLLABUS STRUCTURE

<b>LEVEL IV:</b> Test of Professional Expertise	Integration of Knowledge Paper 18					
<b>LEVEL III:</b> Test of Professional Skills	Advanced Financial Reporting Paper 12	Public Financial Management Paper 13	Strategy, Governance & Leadership Paper 14	Advanced Financial Management Paper 15	Audit Practice & Assurance Paper 16	Advanced Taxation Paper 17
<b>LEVEL II:</b> Test of Technical Skills	Financial Reporting Paper 7	Financial Management Paper 8	Auditing, Ethics & Assurance Paper 9	Management Decision & Control Paper 10	Taxation Paper 11	
<b>LEVEL I:</b> Test of Competence	Financial Accounting Paper 1	Economics & Entrepreneurship Paper 2	Quantitative Techniques Paper 3	Management & Information Systems Paper 4	Business & Company Law Paper 5	Cost & Management Accounting Paper 6

### 2023 - 2027 CPA SYLLABUS CONVERSIONS

Approved 2023 – 2027 Syllabus	Current Syllabus Equivalent
Subject/ Paper	Subject/ Paper
<b>LEVEL I – Test of Competence (TC)</b>	
Financial Accounting – Paper 1	Financial Accounting – Paper 1
Economics & Entrepreneurship – Paper 2	Economic Environment – Paper 3
Quantitative Techniques – Paper 3	Quantitative Techniques – Paper 2
Management & Information Systems – Paper 4	Business Management & Information Systems – Paper 5
Business & Company Law – Paper 5	Business Law – Paper 4
Cost & Management Accounting – Paper 6	Cost & Management Accounting – Paper 7
<b>LEVEL II – Test of Technical Skills (TTS)</b>	
Financial Reporting – Paper 7	Financial Reporting – Paper 8
Financial Management – Paper 8	Financial Management – Paper 10
Auditing, Ethics & Assurance – Paper 9	Auditing and Professional Ethics and Values – Paper 12
A Management Decision & Control – Paper 10	Management Decision and Control – Paper 11
Taxation – Paper 11	Taxation – Paper 6 (Level I)

LEVEL III – Test of Professional Skills (TPS)	
Advanced Financial Reporting – Paper 12	Advanced Financial Reporting – Paper 13
Public Financial Management – Paper 13	Public Sector Accounting & Reporting – Paper 14
Strategy, Governance & Leadership – Paper 14	Business Policy & Strategy – Paper 15
Advanced Financial Management – Paper 15	Advanced Financial Management – Paper 16
Audit Practice & Assurance – Paper 16	Auditing and Other Assurance Services – Paper 17
Advanced Taxation – Paper 17	Advanced Taxation – Paper 9 (Level II)
LEVEL IV – Test of Professional Expertise (TPE)	
Integration of Knowledge – Paper 18	Integration of Knowledge – Paper 18

## ATD EXAMINATIONS SYLLABUS STRUCTURE

LEVEL III	Financial Accounting Paper 9	Principles of Taxation Paper 10	Principles of Finance Paper 11	Principles of Auditing  Paper 12
LEVEL II	Principles of Cost & Management Accounting Paper 5	Economics & Entrepreneurship Paper 6	Information & Communications Technology Paper 7	Business Management  Paper 8
LEVEL I	Principles of Accounting Paper 1	Business Communication Paper 2	Principles of Business & Company law Paper 3	Business Mathematics & Statistics Paper 4

## 2023 - 2027 ATD SYLLABUS CONVERSIONS

New Syllabus 2023		New Syllabus 2016 - 2022	
Paper	Subject	Subject	Paper
1	Principles of Accounting	Business Accounting	1
2	Business Communication	Business Communication	2
3	Principles of Business & Company Law	Principles of Law	4
		Law of Business Associations	7
4	Business Mathematics & Statistics	Business Mathematics & Statistics	3
5	Principles of Cost & Management Accounting	Introduction to Management Accounting	6
6	Economics and Entrepreneurship	Economics	5
		Entrepreneurship	12
7	Information & Communication Technology	Information Systems	8
8	Business Management	Business Management	9
9	Financial Accounting	Financial Accounting	10
10	Principles of Taxation	Principles of Taxation	11
11	Principles of Finance		
12	Principles of Auditing	Principles of Auditing	13

By CPA Sr. Resty Kaita ,  
Rubaga Girls SS



# ANTICIPATE FINANCIAL DISRUPTIONS FOR BETTER PLANNING

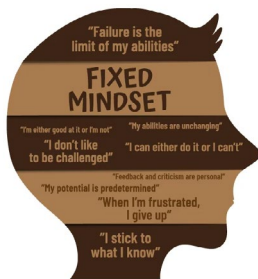


**T**hroughout the past two years (2020/2021), our hearts were inconsolable. They were filled with fearful fresh wounds beyond treatment. Our faces were covered with; marshes of tears, brokenness and financial distress caused by the Covid 19 pandemic effects.

The whole story started in Wuhan China at the close of the year 2019. It was a pensive moment that gradually became an international reality. The pandemic lockdown affected almost everyone; economically, socially, spiritually, emotionally besides financially; leaving behind enormous unanswered questions.

The eventual lesson was personal craving for a healthy financial discipline (call it behaviour and anticipatory financial management. One becomes an anticipatory financial manager by learning how to repeatedly save and invest in a business with meagre resources. One should only invest abundantly after understanding the business dynamics. Anticipatory financial behaviour requires one to adhere to a saving culture and diversify one's investments starting with those that are risk free.

John Mansion in his book, "The impossible is possible" stresses that everything great begins with something insignificant. What you do now is the only influence you



may have over the future, considering that greatness consists of being great in miniature things. Everyone is capable of saving and actually investing in something. Yes, even you can. Just say I can. One only accomplishes what they have dared to start. The reverse is also true.















Burrus, 2017 provides a simple formula for anticipatory sustainable financial management, 'One must first identify hard trends (conditions/ events that are unavoidable) then concentrate efforts on influencing soft trends as a means to benefit from hard trends.' Even though hard trends are unstoppable, we can always find opportunities in them.

As a 'hard trend' the COVID-19 pandemic has numerous lessons. These include but are not limited to; innovation, creativity, collaboration, problem solving, risk management and emotional intelligence. Besides, populations have learnt the importance of a saving culture and ought to rethink viable and risk-free investment diversification.

Further still, in a world defined by accelerating change and complexity, the ability to anticipate disruptions and changing opportunities will be the most important skill any business person can possess. With the challenges caused by the pandemic, it has become imperative to learn how to anticipate the possible business challenges and financial disruptions before they occur and identify the appropriate remedy.

The lockdown aftermath raised a need to develop an anticipatory mind set, a future view based on hard trends and the use of such insights to capitalise on opportunities therein. By optimising hard trends one maintains a tremendous behaviour and in effect becomes an eminent financial manager. ♦

# LIST OF ICPAU RECOGNISED TUITION PROVIDERS

No.	Institution	No.	Institution
1	MAT-ABACUS 	9	Destiny International Business Institute 
2	Multitech Business School 	10	Sammy Professional Trainers & Consultants
3	PACTAS (U) Ltd 	11	Uganda Management Institute 
4	Makerere University 	12	RMA Resource Center 
5	Harvest Traning & Consultancy (U) Ltd 	13	Capital College of Accountancy and Management 
6	Uganda Martyrs University Main Campus 	14	Glory Consultants and Professional Trainers Limited 
7	Uganda Christian University - Mbale 	15	Kabale University 
8	EPATAC Accountancy College Limited - Mbale	16	BEAMCO (U) Ltd 



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*A Certified Public Accountant (CPA) in Uganda is one who is a member of the Institute of Certified Public Accountants of Uganda (ICPAU), the national Professional Accountancy Organisation.*

**Note:**  
It is a requirement under the Accountants Act for all heads of accounts, finance and internal audit in public and private sector entities, with public interest, to be members of the Institute.

Visit **[www.icpau.co.ug](http://www.icpau.co.ug)** to enrol

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