



Hong Kong Institute of  
**Accredited Accounting Technicians**  
香港財務會計協會

# **Professional Bridging Examination**

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**Syllabuses effective from the  
June 2011 Session onwards**

**QP pre-entry education  
competency requirements for sub-degree holders  
(professional bridging examination)**

## **OVERVIEW**

This competency set consists of two parts: generic competencies and technical competencies. It defines the knowledge, skills and ability that candidates should possess at the point of entering the Hong Kong Institute of Certified Public Accountants (HKICPA) Qualification Programme (QP). This set is applicable to entrants through Professional Bridging Examination.

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### **Generic competencies**

The generic competency requirements are set in the following areas:

- Intellectual Qualities
- Commercial Qualities
- Intrapersonal Qualities
- Interpersonal Qualities

### **Technical competencies**

The technical competency requirements are set in the following areas:

- Paper I: PBE Financial Accounting
- Paper II: PBE Management Accounting and Finance
- Paper III: PBE Auditing and Information Systems
- Paper IV: PBE Business Law and Taxation

## GENERIC COMPETENCIES

### INTELLECTUAL QUALITIES

#### Information technology proficiency

- Is familiar with various common computer software (e.g., word processing, spreadsheets, presentation software, internet, email).

#### Language proficiency

- Use English in both written and spoken context (e.g., presentation, discussion, report writing).
- Use Chinese in written form and Putonghua to a level required by the China business environment.

#### Analytical thinking and problem solving

- Research, access and integrate relevant information for analysis.
- Evaluate different information and apply analysis according to different contexts.
- Identify the overall purpose of work tasks and establish links between pieces of work.
- Identify problem and recognize its potential impact.
- Apply critical analysis and logical reasoning to issues and problems.
- Identify, conceptualize and structure key issues and problems.
- Use decision sciences and quantitative models and techniques (e.g., statistics, SWOT, PESTE) to solve problems and to accomplish tasks.
- Understand and consider constraints in problem solving.
- Show independence of mind and an inquisitive orientation.
- Analyze the situation and solve the problem independently as appropriate.
- Judge when to inquire further information or to seek others' input to solve a problem.
- Judge when to report or escalate the problem to senior level for their attention and action.

### COMMERCIAL QUALITIES

#### Commercial acumen and China focus

- Is aware of the legal and regulatory environment of business and other organizations, including the law relating to business transactions, business entities and taxation.
- Is aware of the economic environment of business, including the concepts and tools of macro and micro economics.
- Show basic understanding to other business functions (e.g. marketing, market research and strategies, operations management, services) and how they relate to the accounting function.
- See the relevance of and apply academic skills (e.g. analysis techniques, usage of figures and data) to the business context.

- Understand the social, economic, regulatory and political environment relating to business organizations in China.
- Understand the regulatory environment of accounting in China.

### **Creativity and change orientation**

- Understand the need for change and is comfortable with changes.
- Demonstrate creative thinking in approaching tasks to do things better.
- Introduce new method to improve work process.
- Embrace lifelong learning.
- Adapt to unstructured and unfamiliar problems and situations readily.
- Describe the process of change to help others adapting to changes.

## **INTRAPERSONAL QUALITIES**

### **Integrity and professionalism**

- Demonstrate personal integrity and adhere to ethical conduct in practice.
- Adhere to principles and values in practice.
- Adopt a professional approach to fulfill personal and social responsibilities.

### **Drive and resilience**

- Demonstrate self-initiative and motivation to get things done.
- Is committed to life-long learning and continuous improvement.
- Is proactive in highlighting potential problems to senior level as appropriate.
- Show adaptability in approaching different people and situation.
- Handle stressful work demand effectively.
- Remain composed to deal with challenges.

### **Execution and result orientation**

- Apply time management and prioritize work tasks to get things done.
- Set goals, objectives and implement actions to complete task on time and meeting expectation.
- Is reliable and consistent in delivering commitments.
- Monitor work progress and stay on track.

## **INTERPERSONAL QUALITIES**

### **Leadership and teamwork**

- Lead others to accomplish the common goal in teamwork.
- Provide direction and guidance to others to complete tasks.
- Understand organizational behavior and human resources management.
- Provide support to team members to finish tasks.

## Communication and relationship building

- Present arguments and thoughts in a structured, logical and systematic way, to justify the outcome or solution proposed.
- Use layman terms to explain technical accounting terms and concepts.
- Understand negotiation processes and influence tactics.
- Establish productive working relationships with peers, supervisors and clients.
- Show active listening in interacting with peers, supervisors and clients.
- Interact with culturally and intellectually diverse people or groups in a global environment.

## TECHNICAL COMPETENCIES

### Fields of competency

The items listed in this section are shown with an indicator of the minimum acceptable level of competency, based on a three-point scale as follows:

#### 1. Awareness

To have a general academic awareness of the field with a basic understanding of relevant knowledge and related concepts.

#### 2. Knowledge

The ability to use knowledge to perform tasks competently without assistance in straightforward business situations or applications.

#### 3. Application

The ability to apply comprehensive knowledge and a broad range of skills in a business setting to solve most problems generally encountered.

## PAPER I: PBE FINANCIAL ACCOUNTING

This subject aims to assess students' detailed and in-depth understanding of the principles and practices in certain more advanced areas in financial reporting and examining their knowledge of the ethical issues and current developments in financial reporting.

### Framework of financial accounting and reporting

- Describe the regulatory framework in Hong Kong. 2
- Identify and explain the accounting theories and principles. 2
- Describe the framework for the presentation of the financial statements. 2
- Describe the financial reporting framework and standard for small and medium-sized entity 2

## **Accounting for business transactions**

Account for transactions in accordance with Hong Kong Financial Reporting Standards:

- Changes in accounting estimates and errors 3
- Revenue 3
- Government grants and assistance 2
- Employee benefits 2
- Share-based payments 2
- Inventories 2
- Property, plant and equipment 3
- Intangible assets 3
- Investment property 3
- Financial assets, financial liabilities and equity instruments 2
- Borrowing costs 3
- Impairments of assets 3
- Leases 2
- Events after the reporting period 3
- Provisions, contingent liabilities and contingent assets 2
- Incomes taxes 2
- The effects of changes in foreign exchange rates 2
- Related party disclosures 2
- Non-current assets held for sales and discontinued operations 2
- Earnings per share 3
- Interim financial reporting 1

## **Preparation and presentation of financial statements**

- Describe the basis of preparation and presentation of financial statements. 2
- Understand the regulatory framework of consolidated financial statements. 1
- Prepare financial statements in accordance with Hong Kong Financial Reporting Standards for:
  - subsidiaries; 3
  - investments in associates; and 3
  - interests in joint ventures. 3
- Explain the features of information systems (computerized and manual) which meet an organization's external reporting requirements. 3

## **Ethics in financial reporting**

- Explain the ethical responsibilities for professional accountants in preparing financial reports. 2
- Understand forensic accounting and various misstatements arising from fraudulent financial reporting. 1

## **Current issues and developments in financial reporting**

- Explain the corporate governance debate and the impact this has on financial reporting disclosures. 2

- Discuss the disclosure requirements on directors' remunerations, board composition, audit committee and their importance to corporate governance. 2
- Understand the growing emphasis and the developing needs of corporate social responsibilities. 1
- Understand the current issues in financial reporting both in Hong Kong and internationally. 1

## **PAPER II: PBE MANAGEMENT ACCOUNTING AND FINANCE**

This subject aims to test students' ability to apply relevant management accounting and financial management principles and techniques in analyzing and providing business information to management for the purposes of planning, control, performance evaluation and decision-making.

### **Strategic management accounting framework**

- Understand the basic concepts of strategic management and corporate governance. 1
- Identify and explain the processes in strategic management, including environmental scanning and SWOT analyzes, value chain analysis, strategy formulation, strategy implementation, and evaluation and control. 2
- Understand the objectives and roles (traditional and contemporary) of management accounting. 1
- Understand the nature and effectiveness of management and internal control systems. 1
- Apply the strategic cost management techniques, including just-in-time (JIT) and total quality management (TQM) concepts, activity-based costing (ABC), product life cycle costing, target costing, quality costing, theory of constraints and throughput analysis. 3
- Explain organizational changes methodologies and processes and variations in business models. 2

### **Managerial decision making**

- Apply relevant cost concept in decision making. 3
- Apply different approaches of pricing products and services based on external market factors and internal cost structure. 3
- Apply product, customer and supplier profitability analysis based on pre-determined cost behaviour (fixed, variable, activity-based). 3
- Apply different transfer pricing methods, including cost-based, market-based and negotiated transfer prices. 3

### **Information for performance measurement**

- Explain the advantages and disadvantages of decentralization in a sizable organization. 3
- Identify different types of responsibility centres, including cost centres, revenues centres, profit centres and investment centres, and explain how to evaluate the performance of these centres. 3



- Prepare segment reports showing performance and profitability of different segments. 3
- Evaluate the limitations of financial measures such as return on investments (ROI), residual income (RI), economic value added (EVA). 3
- Explain and illustrate non-financial measures and its relationship with financial measures. 3
- Describe the leading models of performance measurement system including triple bottom line management and balanced scorecard. 1

### **Financial management framework**

- Describe the objectives and scope of financial management and its relationship with financial accounting and management accounting. 2
- Describe how the different objectives of multiple stakeholders create the agency problem in financial management and the ways to solve these problems. 2
- Identify the financial and non-financial objectives of both for-profit and not-for-profit organizations. 2
- Describe the characteristics of financial and capital markets in Hong Kong and overseas. 2
- Explain the efficient market hypothesis and its implications for financial management. 3
- Describe the role of treasury management and its responsibilities and activities. 2

### **Risk analysis and management**

- Explain business (operating) risk and financial risk and understand their respective measurements. 3
- Evaluate the risk and return relationship for individual securities and a portfolio of securities, and the capital asset pricing model (CAPM). 3
- Calculate the cost of equity, cost of debt and the weighted average cost of capital (WACC). 3

### **Capital investment appraisal**

- Apply different appraisal techniques to evaluate capital investment projects. 3
- Explain the effects of and the approaches to deal with taxation, inflation, risk and uncertainty in capital investment appraisal. 3
- Apply the discounted cash flow analysis in making lease or buy decisions and asset replacement decisions. 3

### **Sources of finance and capital structure**

- Explain the different sources of finance. 2
- Explain the advantages and disadvantages of both equity and debt financing. 3
- Illustrate the financial implications of dividend policy and explain the arguments for and against the relevancy of dividend policy. 3
- Explain and illustrate the impact of financial gearing on the returns to shareholders. 3
- Explain the theories of capital structure: Modigliani and Miller propositions and pecking order theory. 3

- Understand the use of financial products, including derivatives, in relation to corporate financing and risk management. 1
- Use of external expert for advisory on transaction services for fund raising. 1

### **Working capital management**

- Describe the nature and scope of working capital management and its relationship with business insolvency. 2
- Calculate the funding requirements for working capital of different types of organizations. 3
- Calculate and explain the measures of effective working capital management, including liquidity ratios and the length of operating cycle. 3
- Describe the techniques of managing working capital. 3

### **Financial analysis**

- Identify and calculate main stock exchange indicators. 2
- Calculate and explain main ratios used in internal financial management. 3

### **Financial forecasting and planning**

- Prepare business plans for an organization. 2
- Prepare cash flow and profit projections for a business. 3

## **PAPER III: PBE AUDITING AND INFORMATION SYSTEMS**

This subject aims to provide students with a general knowledge of the regulatory, legal and reporting framework of auditing in Hong Kong and an understanding of the basic principles of auditing. It also aims to test students' ability to understand information as a key resource and asset of all kinds of organizations and to appreciate how management information systems with the appropriate technologies can create value and improve the competitive advantage of organizations.

### **AUDITING**

#### **Nature and purpose of auditing**

- Describe the roles and responsibilities of auditors. 3
- Explain the statutory requirements for audits. 3
- Distinguish between business failure, audit failure, and audit risk. 2
- Discuss consideration of negligence and fraud faced by auditors. 2
- Describe auditors' liability to clients and third parties. 2
- Describe approaches to applying a corporate governance framework and the impact on auditing and the auditing profession. 2

## **Audit approach**

- Demonstrate an understanding in the design of an audit approach. 2
- Demonstrate an understanding of the importance of sufficient and appropriate audit evidence. 2
- Formulate the overall audit plan and audit programme. 2
- Describe the use of audit sampling for tests of controls. 2
- Describe the use of audit sampling for tests of details of balances. 2
- Demonstrate an understanding of the audit of computerized systems. 2

## **Audit procedures**

- Describe audit planning process and its documentation. 2
- Explain the relationship between materiality and risk. 2
- Describe the tests of controls and substantive tests of transactions applicable to the audit of:
  - sales and collection; 2
  - purchase and payment; 2
  - payroll and personnel; 2
  - debtors and prepayments; 2
  - Inventory and production; 2
  - creditors and accrued liabilities; 2
  - fixed assets; and 2
  - cash and cash equivalent and loan balances. 2
- Demonstrate an understanding of the major actions involved during the completion of an audit. 2

## **Audit report**

- Describe the basis of audit reports. 2
- Evaluate circumstances that require modification to a standard unqualified audit report. 2
- Evaluate circumstances that require the auditor to express qualified opinions. 2
- Explain the concept of “true and fair”. 2

## **INFORMATION SYSTEMS**

### **Information systems development**

- Demonstrate an understanding of information systems strategies. 2
- Describe systems development process. 2
- Explain the increasing roles and responsibilities of accountants as user and owner of data and the corporate information system. 2
- Describe the opportunities and threats to corporate information system including capabilities in data treatment and analysis, data integrity, system security and issues in access restriction, and business contingency/continuity. 2

## PAPER IV: PBE BUSINESS LAW AND TAXATION

This subject aims to provide students with an awareness of the overall legal framework in which businesses in Hong Kong operate so as to enable them to apply the relevant laws and practices to business problems and practical situations. It also aims to test students' ability to understand the taxation system in Hong Kong and taxation computation and basic tax planning.

### Hong Kong legal system

- Describe the need for law. 3
- Describe the constitutional framework applying in Hong Kong society. 3
- Explain the differences between legislation and case law. 2

### General principles of contract law

- Describe the effects of different means of communications of acceptance. 3
- Explain the meaning of intention to enter into legal relations. 3
- Describe the effect of illegality. 3
- Explain the circumstances in which specific performance and injunctions may be suitable remedies. 2

### Law of Tort

- Describe the importance of the duty of care. 2
- Explain the concepts of damages and defences as they relate to negligence. 2
- Describe employers' liability, occupiers' liability and vicarious liability. 2

### Employment laws

- Explain the scope of the Employment Ordinance. 2
- Identify who is classified as an employee. 2
- Explain the key provisions of the Employment Ordinance. 2
- Describe the process of a hearing in the Labour Tribunal. 2
- Explain the key provisions of Sex Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance. 2

### Bribery and corruption laws

- Explain the scope of the Prevention of Bribery Ordinance. 2
- Explain the key provisions of the Prevention of Bribery Ordinance. 2
- Describe the role of the Independent Commission Against Corruption (ICAC). 2
- Explain the obligations under the money laundering legislation. 2

### The principal forms of ownership of business

- Explain the liability attaching to partners. 3
- Explain the key provisions to be included in joint venture agreements. 3
- Explain the concept of limited liability. 3
- Explain the registration obligations under the Business Registration Ordinance. 3
- Explain non-Hong Kong company provisions under Companies Ordinance. 3

## **Company law: company formation**

- Describe the procedures in the formation of a registered company. 3
- Explain the relevance of the provisions contained in the company's memorandum. 3
- Explain the content of Table A/other chosen Articles of Association. 3
- Describe the requirements for record keeping. 3

## **Capital and financing of companies**

- Differentiate between different classes of share capital. 2
- Distinguish between fixed and floating charges. 2
- Explain how a company may alter its share capital. 2
- Explain the priority of different types of charges in the event of receivership and winding up. 2
- Explain the importance of maintenance of capital. 2

## **Administration of companies**

- Describe how directors are appointed and removed. 3
- Explain the fiduciary duties of directors. 3
- Explain the duty of care and skill owed by a director to his company. 3
- Distinguish between the business of the company decided by directors and matters requiring the approval of the shareholders in general meeting. 2

## **Liquidation**

- Describe the types of liquidation. 3
- Explain the roles of liquidators. 3
- Describe the procedures for liquidation. 3

## **Overview of taxation system**

- Describe the key aspects of the tax system in Hong Kong including tax administration. 2
- Describe the various types of taxation and tax bases applicable in Hong Kong. 2
- Describe the criteria for ascertaining chargeability for all major taxes. 2
- Explain basic tax planning issues. 2

## **Tax computation**

- For straightforward transactions and situations, calculate and advise on tax liabilities for individuals, unincorporated businesses, partnerships and companies. 3