

Detailed competency map

**QP pre-entry education
Competency requirements for sub-degree holders**

(Professional bridging examination)

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

Aim: This subject aims to assess students' understanding of the main principles and practices in financial reporting and examining their knowledge of the ethical issues and current developments in financial reporting.

Content

| Unit of competency | Activity required to demonstrate competence (Performance indicators) | Level of competence required |
|---|---|-------------------------------------|
| 1. Framework of financial accounting and reporting | | |
| Describe the regulatory framework in Hong Kong | <ul style="list-style-type: none">▪ Describe the structure of the regulatory system and its relationship to financial accounts and statements▪ Identify the nature and role of bodies which set the accounting standards and guidelines▪ Understand the due process of developing the Hong Kong Financial Reporting Standards (HKFRSs) and the Hong Kong Accounting Standards (HKASs) and their Interpretations | 2 |
| Identify and explain the accounting theories and principles | <ul style="list-style-type: none">▪ Identify and explain the nature, role and significance of accounting theories and principles, accounting conventions, accounting standards and guidelines, legislative and quasi-legislative requirements in preparing financial accounts and reports | 2 |
| Describe the framework for the presentation of the financial statements | <ul style="list-style-type: none">▪ Demonstrate awareness of the concepts that underlie the preparation and presentation of financial statements under the appropriate HKFRSs and HKASs▪ Understand the conceptual framework for financial reporting:<ul style="list-style-type: none">○ financial position○ financial performance○ changes in financial position▪ Understand the objectives of and scope of authority of HKFRSs and HKASs▪ Demonstrate awareness of the guidance given in the relevant accounting standards regarding the framework for financial statements preparation and presentation | 2 |
| Describe the financial reporting framework and standard for small and medium-sized entity | <ul style="list-style-type: none">▪ Understand the background for the development of the Hong Kong Small and Medium-Sized Entity Financial Reporting Framework and Standard (HK SME-FRF and HK SME-FRS)▪ Describe the qualifying entities to adopt the HK SME-FRF and HK SME-FRS | 2 |

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|--|---|------------------------------|
| | <ul style="list-style-type: none"> ▪ Describe the major differences between the HK SME-FRS and the corresponding HKFRS accounting and disclosure requirements | |
| 2. Accounting for business transactions | | |
| Account for transactions in accordance with Hong Kong Financial Reporting Standards: <i>(i) Accounting policies, changes in accounting estimates and errors</i> | <ul style="list-style-type: none"> ▪ Define and distinguish between accounting policies, accounting estimates and correction of prior period errors ▪ Apply general accounting treatment for a change in accounting policy, accounting estimate and correction of prior period error | 3 |
| <i>(ii) Revenue</i> | <ul style="list-style-type: none"> ▪ Explain the core principle of revenue recognition ▪ Describe the five steps to recognise revenue in accordance with HKFRS 15 ▪ Explain and apply how separate performance obligations in a contract can be identified with reference to the distinctiveness of the good(s) or service(s) ▪ Discuss the factors affecting the determination of transaction price ▪ Explain and apply how transaction price is to be allocated to each performance obligation in a contract ▪ Explain and apply when revenue can be recognised and discuss whether performance obligations are satisfied over time or at a point of time ▪ Understand the recognition criteria for contract costs ▪ Describe key disclosure requirements | 3 |
| <i>(iii) Government grants and assistance</i> | <ul style="list-style-type: none"> ▪ Define government grants ▪ Explain the recognition criteria for government grants ▪ Understand and describe the different presentation methods available for government grants related to assets ▪ Understand and describe the different presentation methods available for government grants related to income ▪ Describe key disclosure requirements | 2 |

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| (iv) <i>Employee benefits</i> | <ul style="list-style-type: none"> ▪ Understand the differences between short-term employee benefits, long-term employee benefits and terminal benefits ▪ Outline the accounting treatment for short-term employee benefits ▪ Understand the differences between defined contribution plans and defined benefit plans | 1 |
| (v) <i>Share-based payment</i> | <ul style="list-style-type: none"> ▪ Identify share-based payment transactions ▪ Define and distinguish between equity-settled, cash-settled and equity-settled with cash alternative share based payments ▪ Define and distinguish between vesting and non-vesting conditions ▪ Define and distinguish between service condition and performance condition ▪ Define and distinguish between market and non-market performance condition ▪ Understand the accounting treatment for share-based payments in relation to their classification as: <ul style="list-style-type: none"> ○ equity-settled ○ cash-settled ▪ Describe key disclosure requirements | 2 |
| (vi) <i>Inventories</i> | <ul style="list-style-type: none"> ▪ Apply the measurement of inventories ▪ Determine net realisable value ▪ Describe key disclosure requirements | 3 |
| (vii) <i>Property, plant and equipment</i> | <ul style="list-style-type: none"> ▪ Identify items classified as non-current assets ▪ Apply the recognition rules in respect of property, plant and equipment ▪ Account for property, plant and equipment under the cost model and revaluation model ▪ Prepare key disclosure requirements for property, plant and equipment | 3 |
| (viii) <i>Intangible assets</i> | <ul style="list-style-type: none"> ▪ Define intangible assets ▪ Apply the recognition criteria for intangible assets ▪ Apply the subsequent measurement of intangibles, including: <ul style="list-style-type: none"> ○ cost model and revaluation model ○ amortization ○ impairments ▪ Explain the accounting treatment for internally generated intangible assets ▪ Define and distinguish between research and development ▪ Explain the accounting treatment for research | 3 |

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|---|---|------------------------------|
| | <p>costs</p> <ul style="list-style-type: none"> ▪ Explain the capitalisation criteria for development costs ▪ Understand the accounting treatment for purchased intangible assets, including intangible assets acquired in a business combination ▪ Distinguish between internally generated goodwill and goodwill arising on business combination ▪ Describe key disclosure requirements | |
| (ix) <i>Investment Property</i> | <ul style="list-style-type: none"> ▪ Define investment property and determine when a property should be classified as investment property and owner-occupied property. ▪ Account for investment property under the cost model and fair value model ▪ Account for a change in use in investment property: <ul style="list-style-type: none"> - Transfer from investment property to owner-occupied - Transfer from owner-occupied to investment property ▪ Describe key disclosure requirements | 3 |
| (x) <i>Financial assets, financial liabilities and equity instruments</i> | <ul style="list-style-type: none"> ▪ Define <ul style="list-style-type: none"> ○ financial assets ○ financial liabilities ○ equity instruments ▪ Understand the classification of financial assets and financial liabilities ▪ Explain the accounting treatment for financial assets and financial liabilities on their initial recognition and subsequent measurement ▪ Explain the accounting treatment for the de-recognition of financial assets and financial liabilities ▪ Explain the accounting treatment for the impairment of financial assets | 2 |
| (xi) <i>Borrowing costs</i> | <ul style="list-style-type: none"> ▪ Explain the criteria for capitalization of borrowing costs ▪ Describe how the amount of borrowing costs to be capitalised from specific borrowings and general borrowings should be calculated | 2 |
| (xii) <i>Impairments of assets</i> | <ul style="list-style-type: none"> ▪ Determine when an impairment test should be performed for various types of non-current assets | 3 |

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| | <ul style="list-style-type: none"> ▪ Give examples of indicators of impairment ▪ Describe how impairment tests should be performed for single assets and for cash generating units ▪ Describe how goodwill impairment should be performed ▪ Describe the recognition and measurement of impairment losses for various types of non-current assets ▪ Determine when an impairment loss can be reversed ▪ Describe the accounting treatment for reversal of impairment losses and calculate the amount of reversal allowed ▪ Describe key disclosure requirements | |
| <i>(xiii) Leases</i> | <ul style="list-style-type: none"> ▪ Define and classify leases into finance and operating leases ▪ Define and calculate minimum lease payments ▪ Define interest rate implicit in the lease ▪ Define and distinguish between guaranteed and unguaranteed residual value ▪ Account for finance lease and operating lease in the books of the lessee and lessor ▪ Describe key disclosure requirements for finance and operating leases in the books of the lessee and lessor | 2 |
| <i>(xiv) Events after the reporting period</i> | <ul style="list-style-type: none"> ▪ Explain the period defined as Events after the reporting period ▪ Define and distinguish between adjusting and non-adjusting events ▪ Apply the accounting treatment for adjusting and non-adjusting events ▪ Describe key disclosure requirements | 3 |
| <i>(xv) Provision, contingent liabilities and contingent assets</i> | <ul style="list-style-type: none"> ▪ Define and distinguish between provisions and other liabilities such as trade payables ▪ Define and distinguish between provisions, contingent liabilities and contingent assets ▪ Apply the recognition criteria and accounting treatment for provisions ▪ Describe the accounting treatment for contingent liabilities and contingent assets | 3 |
| <i>(xvi) Income taxes</i> | <ul style="list-style-type: none"> ▪ Define and distinguish between current tax and deferred tax ▪ Explain the accounting treatment for current tax liabilities and current tax assets | 2 |

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|--|--|------------------------------|
| | <ul style="list-style-type: none"> ▪ Explain why deferred tax adjustments are required ▪ Define and distinguish between the tax base and the carrying amount for assets and liabilities for a single entity ▪ Calculate the tax base for assets and liabilities for a single entity ▪ Define and distinguish between taxable and deductible temporary differences ▪ Calculate taxable and deductible temporary differences for assets and liabilities for a single entity ▪ Understand when deferred tax assets and liabilities should be recognised ▪ Describe key disclosure requirements | |
| <i>(xvii) The effects of changes in foreign exchange rates</i> | <ul style="list-style-type: none"> ▪ Define and distinguish between functional currency and presentation currency ▪ Explain the factors to be considered when determining the functional currency ▪ Explain the accounting treatment for foreign currency transactions ▪ Define and distinguish between monetary and non-monetary items ▪ Translate foreign currency monetary and non-monetary items at the reporting date ▪ Translate financial statements to the presentation currency to equity account for or consolidate foreign investments ▪ Describe key disclosure requirements | 2 |
| <i>(xviii) Related party disclosures</i> | <ul style="list-style-type: none"> ▪ Explain the significance of sufficient disclosure of related party transactions ▪ Define and identify related parties ▪ Describe key disclosure requirements in respect of the related party relationships and transactions | 2 |
| <i>(xix) Non-current assets held for sales and discontinued operations</i> | <ul style="list-style-type: none"> ▪ Describe the classification criteria for non-current assets (or disposal groups) held for sale ▪ Define disposal groups ▪ Understand the principles of the measurement of non-current assets (or disposal groups) held for sale ▪ Describe the key requirements of presentation and disclosures of a non-current asset (or disposal group) held for sale ▪ Define and identify a discontinued operation ▪ Describe the key requirements of | 2 |

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| | presentation and disclosures of a discontinued operation | |
| (xx) <i>Earnings per share</i> | <ul style="list-style-type: none"> ▪ Explain the need to disclose earnings per share ▪ Compute the basic earnings per share ▪ Compute adjusted earnings per share for bonus issue and rights issue of shares ▪ Describe key disclosure requirements and prepare disclosure of earnings per share | 3 |
| (xxi) <i>Interim financial reporting</i> | <ul style="list-style-type: none"> ▪ Outline the minimum content of interim financial report ▪ Outline the rules for recognition and measurement of items in interim financial reporting | 1 |
| (xxii) <i>Fair value measurement</i> | <ul style="list-style-type: none"> ▪ Define fair value ▪ Understand various valuation techniques, different inputs to valuation techniques and the fair value hierarchy in the measurement fair values ▪ Apply valuation approaches to measure the fair values of various assets, including property, plant and equipment, intangible assets and investment properties ▪ Describe key disclosure requirements | 2 |
| 3. Preparation and presentation of financial statements | | |
| Describe the basis of preparation and presentation of financial statements | <ul style="list-style-type: none"> ▪ Understand the classification, presentation and disclosures required of a set of financial statements: <ul style="list-style-type: none"> ○ a statement of financial position ○ a statement of profit or loss and other comprehensive income ○ a statement of changes in equity ○ a statement of cash flows ○ notes comprising significant accounting policies and other explanatory notes ▪ Define the elements of the financial statements ▪ Describe the underlying accounting principles and rules for offsetting assets and liabilities ▪ Understand the requirements of relevant accounting standard in relation to the minimum content and layout for financial statements and disclosures required ▪ Prepare a statement of cash flows for a single entity | 2 |

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|---|--|------------------------------|
| | <ul style="list-style-type: none"> ▪ Distinguish between operating, investing and financing activities ▪ Define cash and cash equivalents ▪ Explain the importance of a statement of cash flows | |
| Understand the regulatory framework of consolidated financial statements | <ul style="list-style-type: none"> ▪ State the requirements of the Hong Kong Companies Ordinance in relation to the preparation and disclosures of consolidated financial statements ▪ State the legal and accounting standard requirements for exclusion of a subsidiary from consolidated financial statements and the necessary disclosure ▪ Outline the exemptions for preparing consolidated financial statements in accordance with the legal requirements and accounting standards | 1 |
| Prepare financial statements in accordance with Hong Kong Financial Reporting Standards for: <i>(i) Subsidiaries</i> | <ul style="list-style-type: none"> ▪ Prepare financial statements for limited company ▪ Prepare consolidated statement of financial position and statement of profit or loss and other comprehensive income ▪ Define a parent, a subsidiary, a group, non-controlling interest and consolidated financial statements ▪ Define and compute goodwill, negative goodwill and non-controlling interest ▪ Apply the consolidation procedures and the acquisition method of accounting ▪ Prepare consolidation adjustments for fair value adjustments, intercompany balances, unrealised intragroup profits/losses and cash-in-transit ▪ Define and account for contingent consideration ▪ Define, give examples and account for acquisition-related costs ▪ Describe the presentation and disclosure requirements of consolidated financial statements under the Companies Ordinance and relevant accounting standards | 3 |
| <i>(ii) Investments in associates</i> | <ul style="list-style-type: none"> ▪ Define an associate ▪ Explain the meaning of significant influence ▪ Apply the equity method of accounting for investments in associates in the consolidated financial statements ▪ Describe key disclosure requirements | 3 |

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| <i>(iii) Interests in joint ventures</i> | <ul style="list-style-type: none"> ▪ Define joint control ▪ Define joint arrangements ▪ Define and distinguish between joint operations and joint ventures ▪ Account for interests in joint ventures ▪ Describe key disclosure requirements for interests in a joint venture | 3 |
| Explain the features of information systems (computerized and manual) which meet an organization's external reporting requirements | <ul style="list-style-type: none"> ▪ Suggest effective internal controls (manual and computerised) to reduce risks of fraud and error in financial reporting | 2 |
| 4. Ethics in financial reporting | | |
| Explain the ethical responsibilities for professional accountants in preparing financial reports | <ul style="list-style-type: none"> ▪ Explain the establishment of the Professional Accountants Ordinance ▪ Identify the fundamental principles of professional ethics for professional accountants as provided in the Hong Kong Institute of CPAs' Code of Ethics for Professional Accountants (COE): <ul style="list-style-type: none"> ○ integrity ○ objectivity ○ professional competence and due care ○ confidentiality ○ professional behaviour ▪ Identify the potential threats for professional accountants in compliance with the COE fundamental principles and the safeguards that may eliminate or reduce such threats ▪ Explain how the COE fundamental principles are to be applied by professional accountants: <ul style="list-style-type: none"> ○ in public practice ○ in business ▪ Explain the additional ethical requirements on specific areas which is of relevance to financial reporting: <ul style="list-style-type: none"> ○ unlawful acts or defaults by clients of the Hong Kong Institute of CPAs' members ○ unlawful acts or defaults by or on behalf of the employer of a member of the Hong Kong Institute of CPAs ○ integrity and objectivity in insolvency ○ financial and accounting responsibilities | 2 |

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|---|---|------------------------------|
| | of directors | |
| Understand risks of fraud and error in financial reporting | <ul style="list-style-type: none"> ▪ State the differences between fraud and error ▪ Identify key characteristics of fraud ▪ Outline and give examples of “window dressing” in the context of financial reporting | 1 |
| 5. Current issues and developments in financial reporting | | |
| Understand the corporate governance debate and the impact this has on financial reporting disclosures | <ul style="list-style-type: none"> ▪ Understand what is corporate governance ▪ Outline the importance of good corporate governance ▪ Outline the Agency Theory | 1 |
| Understand the disclosure requirements on directors' remunerations, board composition, audit committee and their importance to corporate governance | <ul style="list-style-type: none"> ▪ Identify the regulatory bodies on corporate governance disclosures ▪ Outline the key mandatory and recommended disclosures on corporate governance practices in the financial reports of listed companies in Hong Kong | 1 |
| Understand the growing emphasis and the developing needs of corporate social responsibilities (CSR) | <ul style="list-style-type: none"> ▪ Understand what is CSR ▪ State the arguments for and against CSR | 1 |

NOTE: According to the rule of determination of examinable contents, the HKFRS 9 (2014) *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, which will become effective on or before 1 January 2018, will be examinable in December 2016 session and onwards.