

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 II: PBE Management accounting and finance

Aim: 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.

Content

| Unit of competency | Activity required to demonstrate competence (Performance indicators) | Level of competence required |
|--|---|------------------------------|
| 1. Strategic management accounting framework | | |
| Explain the strategic management process | <ul style="list-style-type: none"> ▪ Understand the basic concepts of strategic management and corporate governance ▪ Identify and explain the processes in strategic management, including environmental scanning and SWOT analyses, value chain analysis, strategy formulation, strategy implementation, and evaluation and control | 1 2 |
| Illustrate the role of strategic management accounting | <ul style="list-style-type: none"> ▪ Understand the objectives and roles (traditional and contemporary) of management accounting ▪ Understand the nature and effectiveness of management and internal control systems ▪ 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 ▪ Explain organizational changes methodologies and processes and variations in business models | 1 1 3 2 |
| 2. Managerial decision making | | |
| Apply relevant cost concept in decision making | <ul style="list-style-type: none"> ▪ Define and illustrate relevant costs, opportunity costs, sunk costs and out-of-pocket costs in the context of decision making ▪ Prepare incremental analysis based on the relevant cost concept for the following common business decisions: <ul style="list-style-type: none"> ○ acceptance of a special order ○ optimal production mix with constrained resource ○ add or drop a product line or a segment ○ make or buy a component or part ○ sell, scrap or rebuild defective products ○ further process joint products after being split-off | 3 3 |
| Apply the pricing policies and decisions | <ul style="list-style-type: none"> ▪ Apply different approaches of pricing products and services based on external market factors and internal cost structure | 3 |

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|---|---|---|
| Prepare the profitability analysis | <ul style="list-style-type: none"> Apply product, customer and supplier profitability analysis based on pre-determined cost behaviour (fixed, variable, activity-based) | 3 |
| Apply the transfer pricing methods | <ul style="list-style-type: none"> Apply different transfer pricing methods, including cost-based, market-based and negotiated transfer prices | 3 |
| 3. Information for performance measurement | | |
| Illustrate the organizational structure affecting performance measurement | <ul style="list-style-type: none"> Discuss the advantages and disadvantages of decentralization in a sizable organization | 3 |
| | <ul style="list-style-type: none"> Identify different types of responsibility centres, including cost centres, revenues centres, profit centres and investment centres, and recommend how to evaluate the performance of these centres | 3 |
| Prepare the segment performance and profitability reports | <ul style="list-style-type: none"> Prepare segment reports showing performance or profitability of different segments | 3 |
| Evaluate the limitations of financial measures | <ul style="list-style-type: none"> Evaluate the limitations of financial measures such as return on investments (ROI), residual income (RI), economic value added (EVA) | 3 |
| | <ul style="list-style-type: none"> Explain and illustrate non-financial measures and its relationship with financial measures | 3 |
| | <ul style="list-style-type: none"> Outline the leading models of performance measurement system including triple bottom line management and balanced scorecard | 1 |
| 4. Financial management framework | | |
| Describe the nature of financial management | <ul style="list-style-type: none"> Describe the objectives and scope of financial management and its relationship with financial accounting and management accounting | 2 |
| | <ul style="list-style-type: none"> Describe how the different objectives of multiple stakeholders create the agency problem in financial management and the ways to solve these problems | 2 |
| | <ul style="list-style-type: none"> Describe the financial and non-financial objectives of both for-profit and not-for-profit organizations | 2 |
| Illustrate the financial management environment | <ul style="list-style-type: none"> Describe the characteristics of financial and capital markets in Hong Kong and overseas | 2 |
| | <ul style="list-style-type: none"> Illustrate the efficient market hypothesis and its implications for financial management | 3 |
| Describe the treasury management function | <ul style="list-style-type: none"> Describe the role of treasury management and its responsibilities and activities | 2 |

| 5. Risk analysis and management | | |
|--|---|---|
| Illustrate the nature and types of risk | <ul style="list-style-type: none"> ▪ Illustrate business (operating) risk and financial risk and apply their respective measurements | 3 |
| | <ul style="list-style-type: none"> ▪ Evaluate the risk and return relationship for individual securities and a portfolio of securities, and the capital asset pricing model (CAPM) | 3 |
| | <ul style="list-style-type: none"> ▪ Compute the cost of equity, cost of debt and the weighted average cost of capital (WACC) | 3 |
| 6. Capital investment appraisal | | |
| Apply the basic techniques of capital investment appraisal | <ul style="list-style-type: none"> ▪ Apply different appraisal technique to evaluate capital investment projects. | 3 |
| | <ul style="list-style-type: none"> ▪ Discuss 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, asset replacement decisions, and in evaluating project feasibility | <ul style="list-style-type: none"> ▪ Analyze and calculate the NPV of the cash flows in making lease or buy decisions and in evaluating project feasibility | 3 |
| | <ul style="list-style-type: none"> ▪ Compute the equivalent annual cost for assets with different useful lives in making asset replacement decisions | 3 |
| 7. Sources of finance and capital structure | | |
| Illustrate the different sources of finance | <ul style="list-style-type: none"> ▪ Explain the differences between long-term and short-term finance and their sources | 2 |
| | <ul style="list-style-type: none"> ▪ Discuss the advantages and disadvantages of both equity and debt financing | 3 |
| | <ul style="list-style-type: none"> ▪ Illustrate the use of dividend growth model, the financial implications of dividend policy and explain the arguments for and against the relevancy of dividend policy | 3 |
| Illustrate the financial implications of capital structure | <ul style="list-style-type: none"> ▪ Explain and illustrate the impact of financial gearing on the returns to shareholders | 3 |
| | <ul style="list-style-type: none"> ▪ Illustrate the theories of capital structure: Modigliani and Miller propositions and pecking order theory | 3 |
| Understand the different use of financial products | <ul style="list-style-type: none"> ▪ Understand the use of financial products, including derivatives, in relation to corporate financing and risk management | 1 |
| | <ul style="list-style-type: none"> ▪ Use of external expert for advisory on transaction services for fund raising | 1 |

| 8. Working capital management | | |
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| Illustrate the nature and importance of working capital management | <ul style="list-style-type: none"> ▪ Describe the nature and scope of working capital management and its relationship with business insolvency | 2 |
| | <ul style="list-style-type: none"> ▪ Compute the funding requirements for working capital of different types of organizations | 3 |
| | <ul style="list-style-type: none"> ▪ Compute and evaluation the measures of effective working capital management, including liquidity ratios and the length of operating cycle | 3 |
| Apply the techniques of managing working capital | <ul style="list-style-type: none"> ▪ Illustrate the techniques of inventory management by applying the economic order quantity (EOQ) model and just-in-time (JIT) systems | 3 |
| | <ul style="list-style-type: none"> ▪ Apply the techniques of debtor management which include credit evaluation and control, credit terms, early settlement discounts, factoring and invoice discounting | 3 |
| | <ul style="list-style-type: none"> ▪ Analyze the costs and benefits of taking up early payment discounts offered by creditors | 3 |
| | <ul style="list-style-type: none"> ▪ Apply the techniques of cash management by using cash budgeting with the Miller-Orr model | 3 |
| 9. Financial analysis | | |
| Apply the techniques of financial analysis | <ul style="list-style-type: none"> ▪ Identify and compare main Stock Exchange indicators | 1 |
| | <ul style="list-style-type: none"> ▪ Compute and interpret main ratios used in internal financial management | 3 |
| 10. Financial forecasting and planning | | |
| Apply the techniques of financial forecasting and planning | <ul style="list-style-type: none"> ▪ Prepare business plans for an organisation | 2 |
| | <ul style="list-style-type: none"> ▪ Prepare cash flow and profit projections for a business | 3 |