

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 III: PBE Auditing and information systems

Aim: 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.

Content (Auditing)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
1. Nature and purpose of auditing		
Discuss the roles and responsibilities of auditors	<ul style="list-style-type: none"> ▪ Describe the role and responsibility of auditors ▪ Discuss the rights of auditors upon removal and resignation 	3
Illustrate the statutory requirements for audits	<ul style="list-style-type: none"> ▪ Illustrate the meaning of statutory audits and the statutory requirements for audits 	3
Distinguish between business failure, audit failure, and audit risk	<ul style="list-style-type: none"> ▪ Identify the differences between business failure, audit failure and audit risk 	2
Describe the Code of Ethics	<ul style="list-style-type: none"> ▪ Describe the ethical issues faced by external auditors 	2
Explain the consideration for acceptance of a new client or continuance of an existing client	<ul style="list-style-type: none"> ▪ Explain the audit acceptance/continuance issues and considerations 	2
Explain the consideration of negligence and fraud faced by auditors	<ul style="list-style-type: none"> ▪ Describe the auditor's responsibilities to consider fraud in an audit of financial statements 	2
Describe auditors' liability to clients and third parties	<ul style="list-style-type: none"> ▪ Describe the scope of 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	<ul style="list-style-type: none"> ▪ Explain the auditor's responsibility to consider and address corporate governance requirements. 	2

2. Audit approach		
<p>Demonstrate an understanding in the design of an audit approach</p>	<ul style="list-style-type: none"> ▪ Specify the objective of conducting an audit of financial statements ▪ Describe the financial-statement-cycles approach to segmenting the audit ▪ Describe why the auditor obtains assurance by auditing classes of transactions and ending balances in accounts ▪ Identify the following categories of management assertions about financial information: <ul style="list-style-type: none"> ○ existence ○ rights and obligations ○ occurrence ○ completeness ○ valuation ○ measurement ○ presentation and disclosure ▪ Identify the general transaction-related audit objectives: <ul style="list-style-type: none"> ○ existence ○ completeness ○ accuracy ○ classification ○ timing ○ posting and summarization ○ Explain their purpose, and relate them to management assertions ▪ Identify the general balance-related audit objectives: <ul style="list-style-type: none"> ○ existence ○ completeness ○ accuracy ○ classification ○ cut-off ○ detail tie-in ○ realisable value ○ rights and obligations ○ presentation and disclosure ○ Explain their purpose, and relate them to management assertions ▪ Outline the phases of an audit ▪ Integrate the three phases of the audit process: <ul style="list-style-type: none"> ○ Planning, including risk assessment and design audit response ○ Risk Response, including obtain audit evidence through performing testing of controls and transactions, analytical procedures and testing of balances ○ Completion of the audit and preparation of the audit report 	<p>2</p>

<p>Demonstrate an understanding of the importance of understanding clients' business</p>	<ul style="list-style-type: none"> ▪ Relate the understanding of the entity operation and environment to auditing 	<p>2</p>
<p>Demonstrate an understanding of the relationship between risks assessment, inherent risk and control risk, and audit approach</p>	<ul style="list-style-type: none"> ▪ Explain the impact of risks on the financial statement and determine the auditing approach by: <ul style="list-style-type: none"> ○ identify inherent risks base on the understanding of the entity operation and environment ○ evaluate the control system of the entity 	<p>2</p>
<p>Demonstrate an understanding of the importance of sufficient and appropriate audit evidence</p>	<ul style="list-style-type: none"> ▪ Explain the nature of audit evidence ▪ Describe the four audit evidence decisions that the auditor must make to prepare an audit programme: <ul style="list-style-type: none"> ○ audit procedures ○ sample size ○ items to select ○ timing ▪ Determine the factors affecting the persuasiveness of audit evidence: <ul style="list-style-type: none"> ○ relevance ○ competence ○ reliability ○ sufficiency ○ timeliness ▪ Explain the following procedures for obtaining audit evidence: <ul style="list-style-type: none"> ○ inspection ○ observation ○ enquiry and confirmation ○ computation ○ analytical procedures ▪ Explain the purposes of analytical procedures ▪ Select and apply simple analytical procedures on financial data, such as ratio analysis ▪ Recognize the major considerations in using the work of an expert 	<p>2</p>
<p>Formulate the overall audit plan and audit programme</p>	<ul style="list-style-type: none"> ▪ Define the following types of audit tests: <ul style="list-style-type: none"> ○ procedures to obtain an understanding of internal control ○ evaluates and validates controls ○ substantive tests of transactions: analytical procedures and tests of details of balances ▪ Discuss the relationships between “types of tests” and “types of evidence”, and the relationships between each type of tests ▪ Recognize the meaning of evidence mix and how it should be varied in different circumstances ▪ Describe the design of an audit programme ▪ Describe the relationship of transaction-related audit objectives to balance-related audit objectives 	<p>3</p>

Describe the use of audit sampling for tests of controls	<ul style="list-style-type: none"> ▪ Explain the concept of representative sampling ▪ Distinguish between statistical and non-statistical sampling ▪ Select representative samples ▪ Define and describe audit sampling for exception rates ▪ Use non-statistical sampling in tests of controls ▪ Define and describe attributes sampling and a sampling distribution ▪ Use attributes sampling in tests of controls ▪ Apply sampling concepts and methodology to the audit plan ▪ Distinguish between sampling risk and non-sampling risk 	2
Describe the use of audit sampling for tests of details of balances	<ul style="list-style-type: none"> ▪ Describe the methodology for designing tests of details of balances using the audit risk model ▪ Distinguish between audit sampling for tests of details of balances and tests of controls and substantive tests of transactions ▪ Define and describe variable sampling ▪ Define and apply monetary unit sampling 	2
Demonstrate an understanding of the audit of computerized systems	<ul style="list-style-type: none"> ▪ Explain how the complexities of computerized systems affect business organizations ▪ Describe automated-related internal controls in complex systems and their impact on evidence accumulation ▪ Know the similarities and differences in obtaining an understanding of complex and non-complex computerized systems of internal control ▪ Describe when it is appropriate to audit only the non-automated internal controls to assess control risk ▪ Outline examples of computer auditing techniques such as the test data approach and parallel simulation ▪ Describe the nature, purpose and function of generalized audit software as a computer audit tool ▪ Discuss how auditors can make use of personal computers (PC) in auditing ▪ Discuss the special concerns of the auditor when the client's information is processed by an outside computer company (service bureau) 	2

3. Audit procedures		
Describe audit planning process and its documentation	<ul style="list-style-type: none"> ▪ Explain the importance of adequate audit planning ▪ Explain the purpose of obtaining an engagement letter and discuss the contents of an engagement letter ▪ Know the appropriate information an auditor needs to obtain about their client's legal obligations ▪ Discuss the nature and purposes of preliminary analytical procedures ▪ Assess the internal audit function of the client in planning the audit and developing an effective audit approach ▪ Explain the purposes of audit working papers ▪ Discuss and apply the concepts behind the preparation and organization of audit working papers 	2
Illustrate the relationship between materiality and risk	<ul style="list-style-type: none"> ▪ Apply the concept of materiality to the audit ▪ Make a preliminary judgement about what amounts should be considered material ▪ Allocate preliminary materiality to segments of the audit during planning ▪ Use materiality to evaluate audit findings ▪ Define risk in auditing ▪ Assessing the risk of material misstatement due to fraud ▪ Describe the audit risk model and its components ▪ Consider the impact of business risk on acceptable audit risk ▪ Consider the impact of several factors on the assessment of inherent risk ▪ Discuss the relationships among the components of risk ▪ Discuss risk for segments and measurement difficulties ▪ Discuss how materiality and risk are related and integrated into the audit process 	3

<p>Describe the tests of controls and substantive tests of transactions applicable to the audit of:</p> <p>(i) <i>Sales and collection, including service income and unearned revenue</i></p>	<ul style="list-style-type: none"> ▪ Identify the classes of transactions and accounts in the sales and collection cycle ▪ Describe the business functions and the related documents and records in the sales and collection cycle ▪ Determine the client's internal controls over sales transactions, design and perform tests of the controls and substantive tests of transactions, and assess related control risk ▪ Demonstrate the methodology for controls over sales transactions to controls over delivery and billing ▪ Determine the client's internal controls over cash receipts transactions, design and perform tests of controls and substantive tests of transactions, and assess related control risk ▪ Develop an integrated audit plan for the sales and collection cycle ▪ Design and perform tests of controls and substantive tests of transactions for service income and prepayments made by customers 	2
<p>(ii) <i>Purchase and payment</i></p>	<ul style="list-style-type: none"> ▪ Describe the purchase and payment cycle and its pertinent documents and records, functions, and internal controls ▪ Design and perform tests of controls and substantive tests of transactions for the purchase and payment cycle and assess related control risk ▪ Describe the nature of creditors and the related controls over them 	2
<p>(iii) <i>Payroll and personnel</i></p>	<ul style="list-style-type: none"> ▪ Describe the payroll and personnel cycle and its pertinent documents and records, functions, and internal controls ▪ Design and perform tests of controls and substantive tests of transactions for the payroll and personnel cycle ▪ Design and perform analytical procedures for the payroll and personnel cycle ▪ Design and perform tests of details of balances for accounts in the payroll and personnel cycle 	2
<p>(iv) <i>Debtors and prepayments</i></p>	<ul style="list-style-type: none"> ▪ Know the debtors' balance-related audit objectives ▪ Design and perform analytical procedures for accounts in the sales and collection cycle ▪ Design and perform tests of details of balances for debtors for each balance-related audit objective ▪ Obtain and evaluate debtors' confirmations ▪ Design audit procedures for the audit of debtors taking into account the degree of strength of the evidence obtained ▪ Design and perform audit tests of prepaid expenses 	2

<p>(v) <i>Inventory and production cycle</i></p>	<ul style="list-style-type: none"> ▪ Describe the inventory and production cycle and its pertinent function, documents and records, and internal controls ▪ Explain the significance of the inventory and production cycle because of its integration with the purchase cycle and sales cycle ▪ Design and perform audit tests on cost accounting ▪ Design and perform analytical tests on accounts in the inventory and production cycle ▪ Design and perform physical observation audit tests for inventory ▪ Design and perform audit tests of pricing and compilation for inventory 	<p>2</p>
<p>(vi) <i>Creditors and accrued liabilities and provisions</i></p>	<ul style="list-style-type: none"> ▪ Design and perform analytical procedures for creditors ▪ Design and perform tests of details for creditors ▪ Know the importance of out-of-period liability tests for creditors and common tests ▪ Know the relative reliability of vendors' invoices, vendors' statements and confirmation of creditors ▪ Design and perform audit tests of accrued liabilities 	<p>2</p>
<p>(vii) <i>Fixed assets and leases</i></p>	<ul style="list-style-type: none"> ▪ Recognize that internal controls of the purchase and payment cycle also apply to the acquisition and disposal of fixed assets ▪ Design and perform audit tests of leases ▪ Design and perform audit tests of fixed assets 	<p>2</p>
<p>(viii) <i>Intangible assets</i></p>	<ul style="list-style-type: none"> ▪ Design and perform audit tests of intangible assets 	<p>2</p>
<p>(ix) <i>Cash and cash equivalent and loan balances</i></p>	<ul style="list-style-type: none"> ▪ Describe the major types of cash and loan accounts maintained by business entities ▪ Describe the relationship of cash in the bank to the various transaction cycles ▪ Design and perform audit tests of the general cash and loan account ▪ Recognize when to extend audit tests of the general cash account to test further for material fraud ▪ Design and perform audit tests of petty cash ▪ Design and perform audit tests of securities ▪ Design and perform audit tests of loans 	<p>2</p>

Demonstrate an understanding of the major actions involved during the completion of an audit	<ul style="list-style-type: none"> ▪ Conduct a review for contingent liabilities and commitments ▪ Obtain and evaluate letters from the client's lawyers ▪ Conduct a post-balance-sheet review for subsequent events ▪ Conduct final overall review of financial statements ▪ Evaluate going concern assumption ▪ Obtain client representation letter ▪ Integrate the audit evidence gathered and evaluate the overall audit results ▪ Communicate with those charged with governance, including audit committee and management ▪ Identify the auditors' responsibilities when facts affecting the audit report are discovered after its issue 	2
4. Audit report		
Describe the basis of audit reports	<ul style="list-style-type: none"> ▪ Describe the nature of and need for the auditor's report on financial statements ▪ Identify all categories of audit reports ▪ Explain how materiality affects audit reporting decisions 	2
Explain the circumstances that require modification to a standard unqualified audit report	<ul style="list-style-type: none"> ▪ Explain a standard unqualified audit report ▪ Identify the conditions that justify issuing the standard unqualified audit report 	2
Explain the circumstances that require the auditor to express qualified opinions	<ul style="list-style-type: none"> ▪ Describe when qualified opinion is expressed 	2
Explain the concept of "true and fair"	<ul style="list-style-type: none"> ▪ Explain the significance of true and fair 	2

Content (Information systems)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
5. Information systems development		
Demonstrate an understanding of information systems strategies	<ul style="list-style-type: none"> ▪ Explain the information needs of managers of different functional areas in an organization. ▪ Explain the concepts of value chain in analysing value-added activities ▪ Explain the concepts of Porter's five competitive forces in analysing value-added activities 	2
Describe systems development process	<ul style="list-style-type: none"> ▪ Understand the necessary activities involved in all the stages of the systems development life cycle (SDLC) as follows: <ul style="list-style-type: none"> ○ systems analysis ○ systems design ○ systems implementation ○ systems operation and maintenance ▪ Recognize and understand the roles of accountants in all the stages of the SDLC ▪ Appreciate the behavioural issues of implementing information systems in organizations ▪ Understand how change management can contribute to successful implementation of information systems 	2
Discuss the increasing roles and responsibilities of accountants as user and owner of data and the corporate information system	<ul style="list-style-type: none"> ▪ Discuss why accountants have increasing roles and responsibilities as user and owner of data and corporate information system 	3
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	<ul style="list-style-type: none"> ▪ Determine the specific information needs of managers in different functional areas of an organization, including production, operations, marketing and sales, accounting, human resources and information systems ▪ Formulate appropriate information systems strategies to support implementation of business and functional strategies 	2