Detailed competency map

Additional competency requirements for entry to the Hong Kong Institute of CPAs' qualification programme

(Professional bridging examination)

Fields of competency

The items listed 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' 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

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
1. The framework of financial accounting and reporting		
Knowledge of the regulatory framework	▪ Describe the structure of the regulatory system and its relationship to financial accounts and statements	2
	▪ Identify the nature and role of bodies which set the accounting standards and guidelines	2
	▪ Understand the due process of developing the Hong Kong Financial Reporting Standards (HKFRSs) and the Hong Kong Accounting Standards (HKASs) and their Interpretations	2
Knowledge of accounting theories and principles	▪ Identify 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
Understanding of the framework for the presentation of the financial statements	▪ Demonstrate awareness of the concepts that underlie the preparation and presentation of financial statements under the appropriate HKFRSs and HKASs	2
	▪ Understand the conceptual framework for financial reporting: o financial position o financial performance o changes in financial position	2
	▪ Understand the objectives of and scope of authority of HKFRSs and HKASs	2
	▪ Demonstrate awareness of the guidance given in the relevant accounting standards regarding the framework for financial statements preparation and presentation	2

2. The presentation of financial statements in relation to the requirements of the accounting standards and frameworks		
Understanding of the basis for preparation and presentation of financial statements	▪ Understand the classification and disclosures required of a set of financial statements: o a balance sheet o an income statement o a statement of changes in equity o a cash flow statement o notes comprising significant accounting policies and other explanatory notes	2
	▪ Define the elements of the financial statements	2
	▪ Specify the underlying accounting principles and rules for offsetting assets and liabilities	2
	▪ Understand the requirements of relevant accounting standard in relation to the minimum content and layout for financial statements and disclosures required	1
Understanding of the basis of presentation of cash flow statements	▪ Explain the purpose of preparing a cash flow statement	2
	▪ Define cash, cash equivalents and cash flows	2
	▪ Evaluate the usefulness of a cash flow statement	1
Understanding of the requirements of the interim financial reporting	▪ Understand the requirements of relevant accounting standards in relation to the minimum content and layout for financial statements and disclosures required	1
	▪ Understand the principles of the recognition and measurement of items on the financial reports, including the restatements of items of the previous periods	1
Understanding of the classification of non-current assets held for sales and presentation of discontinued operations	▪ Understand the principles of the measurement of non-current assets held for sale	2
	▪ Define and identify a discontinued operation	2
	▪ Describe the requirements of presentation and disclosures of a discontinued operation	2
Understanding of the principles for the impairments of assets	▪ Explain the reasons for impairments of assets	2
	▪ Identify the assets that may be impaired	2
	▪ Understand the measurement principles of the recoverable amount	3
	▪ Understand the recognition and measurement of impairment losses	3
Understanding of the principles for the determination and presentation of earnings per share	▪ Explain the need to disclose earnings per share	1
	▪ Compute the basic and diluted earnings per share	3
	▪ Describe the requirements of presentation and disclosure of basic and diluted earnings per share	2

<table>
<tr><td rowspan="4">Understanding of the disclosure requirements for related party relationships and transactions</td><td>▪ Explain the significance of sufficient disclosure of related party transactions</td><td>2</td></tr>
<tr><td>▪ Define a related party and identify the key elements in determining related party relationships and transactions</td><td>2</td></tr>
<tr><td>▪ Describe situations where two parties are possibly related</td><td>2</td></tr>
<tr><td>▪ Describe the disclosure requirements in respect of the related party relationships and transactions</td><td>1</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td colspan="3">3. Applications of accounting conventions and accounting practice as specified in the Companies Ordinance and accounting standards</td></tr>
<tr><td rowspan="13">Understanding of the accounting treatment for intangible assets including those internally generated and those by acquisition</td><td>▪ Define intangible assets</td><td>2</td></tr>
<tr><td>▪ Outline on the problems relating to accounting for intangible assets</td><td>2</td></tr>
<tr><td>▪ Discuss the controversy surrounding the treatment of intangible assets</td><td>2</td></tr>
<tr><td>▪ Describe the recognition and measurement of intangible assets that are acquired by:
o a separate acquisition
o an acquisition as part of a business combination
o a government grant</td><td>3</td></tr>
<tr><td>▪ Understand the initial recognition and measurement of intangibles</td><td>3</td></tr>
<tr><td>▪ Understand the subsequent measurement of intangibles, including:
o cost model and revaluation model
o amortization
o impairments</td><td>3</td></tr>
<tr><td>▪ Describe the necessary disclosures for intangible assets</td><td>1</td></tr>
<tr><td>▪ Define research and development</td><td>2</td></tr>
<tr><td>▪ Understand the criteria of recognizing the research and development expenditure as expenses and capitalized them</td><td>2</td></tr>
<tr><td>▪ Understand the recognition and measurement of deferred development expenditure</td><td>2</td></tr>
<tr><td>▪ Describe the necessary disclosures for research and development expenditure</td><td>1</td></tr>
<tr><td>▪ Distinguish between internally generated goodwill and goodwill or negative goodwill arising on business combination</td><td>2</td></tr>
<tr><td>▪ Explain the requirements of relevant accounting standard in respect of accounting for internally generated goodwill and goodwill or negative goodwill arising on acquisition</td><td>2</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td colspan="3">4. Preparing financial statements for limited company and group companies</td></tr>
<tr><td rowspan="3">Understanding of the regulatory framework of consolidated financial statements</td><td>▪ Explain the requirements of the Hong Kong Companies Ordinance in relation to the preparation and disclosures of consolidated financial statements</td><td>1</td></tr>
<tr><td>▪ Discuss the legal and accounting standard requirements for exclusion of a subsidiary from consolidated financial statements and the necessary disclosure</td><td>1</td></tr>
<tr><td>▪ Describe the exemptions of preparing consolidated financial statements in accordance with the legal requirements and accounting standards</td><td>1</td></tr>
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	▪ Explain the reasons for different forms of business combinations	1
Understanding of the accounting treatment required for subsidiaries	▪ Define a parent, a subsidiary, a group, minority interests and consolidated financial statements	2
	▪ Define and compute goodwill, negative goodwill and minority interests	2
	▪ Understand the consolidation procedures and the purchase method of accounting	2
	▪ Prepare consolidated financial statements for a parent with subsidiaries	3
	▪ Describe the presentation and disclosure requirements of consolidated financial statements under the Companies Ordinance and relevant accounting standard	1
Understanding of the accounting treatment required for investments in associates	▪ Define an associate	2
	▪ Explain the meaning of significant influence	2
	▪ Understand the equity method of accounting for investments in associates in the consolidated financial statements	2
	▪ Prepare consolidated financial statements with investment in associate using equity method	3
	▪ Describe the disclosure requirements of the investment in associates and significant influence	1
Understanding of the accounting treatment required for interests in joint ventures	▪ Define joint venture and differentiate between investments in a joint venture and other types of investments	2
	▪ Identify the major types of joint venture: o jointly controlled operations o jointly controlled assets o jointly controlled entities	2
	▪ Understand the accounting treatments of interest in joint ventures, and the transactions between a venturer and a joint venture	2
	▪ Prepare the financial statements of a venturer using proportional consolidation and equity method	3
	▪ Describe the disclosure requirements for interests in a joint venture	1

5.	**Applications of accounting conventions and accounting practices as specified in certain more complicated accounting standards**	
Understanding of the accounting treatment and disclosure requirements of financial instruments	▪ Explain the classification of financial instruments as: o financial assets o financial liabilities o equity instruments	1
	▪ Explain the classification of financial assets as: o financial assets at fair value through profit or loss o held-to-maturity investments o loans and receivables o available-for-sale financial assets	1
	▪ Explain the accounting treatment for financial assets and financial liabilities on their initial recognition and subsequent measurement	2
	▪ Explain the accounting treatment for the de-recognition of financial assets and financial liabilities	1
	▪ Explain the accounting treatment for the impairment of financial assets	1
	▪ Explain the re-classification between categories of financial assets	2
	▪ Explain the offsetting of financial assets and financial liabilities	2
	▪ Prepare appropriate disclosures on financial assets, liabilities and equity instruments	1
Understanding of the accounting treatment and disclosure requirements of current and deferred incomes taxes	▪ Explain the accounting treatment for current tax liabilities and current tax assets	2
	▪ Explain the need to account for deferred tax using the balance sheet approach	1
	▪ Determine the tax base of assets and liabilities	2
	▪ Identify taxable temporary differences and deductible temporary differences	2
	▪ Apply the rules for the recognition of deferred tax liability and deferred tax assets	2
	▪ Apply the special recognition rules regarding unused tax losses and unused tax credits	2
	▪ Explain the offsetting of deferred tax assets and liabilities	2
	▪ Prepare appropriate disclosures on taxation	1
Understanding of the accounting treatment and disclosure requirements of employee benefits	▪ Distinguish between short-term employee benefits, long-term employee benefits and terminal benefits	1
	▪ Explain the accounting treatment for short-term employee benefits	2
	▪ Distinguish between defined contribution plans and defined benefit plans	1
	▪ Explain the accounting treatment for defined contribution plans	2
	▪ Explain the accounting treatment for defined benefit plans and the related actuarial gains and losses	2
	▪ Explain the accounting treatment for long-term employee benefits other than post-employment benefits	2

	▪ Explain the accounting treatment for termination benefits	2
	▪ Prepare appropriate disclosures on employee benefits	1
Understanding of the accounting treatment and disclosure requirements for the effects of changes in foreign exchange rates	▪ Determine the functional currency of an entity	1
	▪ Explain the accounting treatment for foreign currency transactions	2
	▪ Translating foreign currency monetary and non-monetary items at balance sheet date	2
	▪ Translate financial statements to the presentation currency	2
	▪ Prepare appropriate disclosures on foreign currency transactions and translations	2
Understanding of the accounting treatment and disclosure requirements of share-based payments	▪ Identify share-based payment transactions	1
	▪ Explain the accounting treatment for share-based payments in relation to their classification as: o equity-settled o cash-settled o equity settled with cash alternatives	2
	▪ Prepare appropriate disclosures on share-based payments	1
Understanding of the accounting treatment and disclosure requirements of inventory	▪ Measurement of inventories	2
	▪ Determination of net realizable value	2
	▪ Explain disclosure requirement	2
Understanding of the accounting treatment and disclosure requirements of provisions	▪ Understand measurement of provisions	2
	▪ Explain changes in provisions	2
	▪ Explain use of provisions	2
Understanding of the accounting treatment and disclosure requirements of leases	▪ Classify leases	2
	▪ Explain leases in financial statements of lessees	2
	▪ Explain leases in financial statements of lessors	2
	▪ Distinguish finance leases and operation leases	2
6. Current issues and developments in financial reporting		
Understanding of the corporate governance disclosure requirements in financial reporting	▪ Outline the importance of corporate governance disclosures	1
	▪ Identify the regulatory bodies on corporate governance disclosures	1
	▪ Explain the mandatory and recommended disclosures on corporate governance practices in the financial reports of listed companies in Hong Kong	2

Understanding of the financial reporting framework and standard for small and medium-sized entity	▪ 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)	1
	▪ Identify the qualifying entities to adopt the HK SME-FRF and HK SME-FRS	2
	▪ Outline the major differences between the HK SME-FRS and the corresponding HKFRS accounting and disclosure requirements	2
Understanding of current issues in financial reporting	▪ Discuss current issues in financial reporting both in Hong Kong and internationally	1
	▪ Discuss current proposals to amend financial reporting standards	1
7. Ethics in financial reporting		
Understanding of the misstatements arising from fraudulent financial reporting	▪ Identify the reasons for committing fraud	1
	▪ Identify the characteristics and methods of committing fraud	1
	▪ Discuss real-life examples of fraudulent financial reporting	2
Knowledge of the ethical responsibilities for preparers of financial reports, professional accountants in particular	▪ Describe Kohlberg's theory of cognitive moral reasoning and development and identify its implications in accounting	1
	▪ Explain the establishment of the Professional Accountants Ordinance	1
	▪ 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): o integrity o objectivity o professional competence and due care o confidentiality o professional behaviour	2
	▪ Identify the potential threats for professional accountants in compliance with the COE fundament principles and the safeguards that may eliminate or reduce such threats	2
	▪ Explain how the COE fundamental principles are to be applied by professional accountants: o in public practice o in business	2
	▪ Explain the additional ethical requirements on specific areas which is of relevance to financial reporting: o unlawful acts or defaults by clients of the Hong Kong Institute of CPAs' members o unlawful acts or defaults by or on behalf of the employer of a member of the Hong Kong Institute of CPAs o integrity objectivity in insolvency o financial and accounting responsibilities of directors	2

8. Information Systems		
Understanding of the features of external reporting information systems	▪ Explain the features of information systems (computerized and manual) which meet an organization’s external reporting requirements	3