

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

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 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