

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 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 and 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 (Advanced auditing)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
1. Auditors' responsibilities		
Understanding of the roles and responsibilities of auditors	<ul style="list-style-type: none"> ▪ Distinguish between: <ul style="list-style-type: none"> ○ business failure ○ audit failure, and ○ audit risk 	2
	<ul style="list-style-type: none"> ▪ Discuss negligence and fraud 	2
	<ul style="list-style-type: none"> ▪ Describe auditors' liability to clients and third parties 	2
	<ul style="list-style-type: none"> ▪ Statutory requirements for audits 	3
	<ul style="list-style-type: none"> ▪ Role and responsibility of auditors 	3
	<ul style="list-style-type: none"> ▪ Outline the rights of auditors upon removal and resignation 	2
2. Audit approach		
Understanding of the importance of audit approaches	<ul style="list-style-type: none"> ▪ Specify the objective of conducting an audit of financial statements 	2
	<ul style="list-style-type: none"> ▪ Describe the financial-statement-cycles approach to segmenting the audit 	1
	<ul style="list-style-type: none"> ▪ Describe why the auditor obtains assurance by auditing classes of transactions and ending balances in accounts 	2
	<ul style="list-style-type: none"> ▪ 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 	2

	<ul style="list-style-type: none"> ▪ Identify the general transaction-related audit objectives: <ul style="list-style-type: none"> ○ existence ○ completeness ○ accuracy ○ classification ○ timing ○ posting and summarization <p>Explain their purpose, and relate them to management assertions</p>	2
	<ul style="list-style-type: none"> ▪ Identify the general balance-related audit objectives: <ul style="list-style-type: none"> ○ existence ○ completeness ○ accuracy ○ classification ○ cut-off ○ detail tie-in ○ realizable value ○ rights and obligations ○ presentation and disclosure <p>Explain their purpose, and relate them to management assertions</p>	2
	<ul style="list-style-type: none"> ▪ Outline the phases of an audit 	2
	<ul style="list-style-type: none"> ▪ Integrate the four phases of the audit process: <ul style="list-style-type: none"> ○ planning ○ testing of controls and transactions ○ analytical procedures and testing of balances ○ completion of the audit and preparation of the audit report 	2
Understanding of the importance of sufficient and appropriate audit evidence	<ul style="list-style-type: none"> ▪ Explain the nature of audit evidence 	2
	<ul style="list-style-type: none"> ▪ 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 	1
	<ul style="list-style-type: none"> ▪ Determine the factors affecting the persuasiveness of audit evidence: <ul style="list-style-type: none"> ○ relevance ○ competence ○ reliability ○ sufficiency ○ timeliness 	2
	<ul style="list-style-type: none"> ▪ Explain the following procedures for obtaining audit evidence: <ul style="list-style-type: none"> ○ inspection ○ observation ○ enquiry and confirmation ○ computation ○ analytical procedures 	2
	<ul style="list-style-type: none"> ▪ Explain the purposes of analytical procedures 	2
	<ul style="list-style-type: none"> ▪ Select and apply simple analytical procedures on financial data, such as ratio analysis 	3

	<ul style="list-style-type: none"> ▪ Recognize the major considerations in using the work of an expert 	1
Understanding of overall audit plan and audit programme	<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 	2
	<ul style="list-style-type: none"> ▪ Discuss the relationships between “types of tests” and “types of evidence”, and the relationships between each type of tests 	2
	<ul style="list-style-type: none"> ▪ Recognize the meaning of evidence mix and how it should be varied in different circumstances 	2
	<ul style="list-style-type: none"> ▪ Understand the design of an audit programme 	2
	<ul style="list-style-type: none"> ▪ Understand the relationship of transaction-related audit objectives to balance-related audit objectives 	2
Understanding of audit sampling for tests of controls	<ul style="list-style-type: none"> ▪ Explain the concept of representative sampling 	2
	<ul style="list-style-type: none"> ▪ Distinguish between statistical and non-statistical sampling 	2
	<ul style="list-style-type: none"> ▪ Select representative samples 	2
	<ul style="list-style-type: none"> ▪ Define and describe audit sampling for exception rates 	2
	<ul style="list-style-type: none"> ▪ Use non-statistical sampling in tests of controls 	1
	<ul style="list-style-type: none"> ▪ Define and describe attributes sampling and a sampling distribution 	2
	<ul style="list-style-type: none"> ▪ Use attributes sampling in tests of controls 	2
	<ul style="list-style-type: none"> ▪ Apply sampling concepts and methodology to the audit plan 	2
	<ul style="list-style-type: none"> ▪ Distinguish between sampling risk and non-sampling risk 	2
Understanding 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 	2
	<ul style="list-style-type: none"> ▪ Distinguish between audit sampling for tests of details of balances and tests of controls and substantive tests of transactions 	2
	<ul style="list-style-type: none"> ▪ Define and describe variable sampling 	2
	<ul style="list-style-type: none"> ▪ Define and apply monetary unit sampling 	2
Understanding of the audit of computerized systems	<ul style="list-style-type: none"> ▪ Explain how the complexities of computerized systems affect business organizations 	1
	<ul style="list-style-type: none"> ▪ Describe automated-related internal controls in complex systems and their impact on evidence accumulation 	2
	<ul style="list-style-type: none"> ▪ Know the similarities and differences in obtaining an understanding of complex and non-complex computerized systems of internal control 	2
	<ul style="list-style-type: none"> ▪ Describe when it is appropriate to audit only the non-automated internal controls to assess control risk 	1

	<ul style="list-style-type: none"> ▪ Outline examples of computer auditing techniques such as the test data approach and parallel simulation 	1
	<ul style="list-style-type: none"> ▪ Describe the nature, purpose and function of generalized audit software as a computer audit tool 	1
	<ul style="list-style-type: none"> ▪ Discuss how auditors can make use of personal computers (PC) in auditing 	1
	<ul style="list-style-type: none"> ▪ 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		
Understanding of audit planning and documentation	<ul style="list-style-type: none"> ▪ Discuss the importance of adequate audit planning 	2
	<ul style="list-style-type: none"> ▪ Discuss the factors to be considered before the acceptance of a new client or in reviewing the continuance of a client relationship 	1
	<ul style="list-style-type: none"> ▪ Explain the purpose of obtaining an engagement letter and discuss the contents of an engagement letter 	2
	<ul style="list-style-type: none"> ▪ Know the appropriate information an auditor needs to obtain about their client's legal obligations 	1
	<ul style="list-style-type: none"> ▪ Discuss the nature and purposes of preliminary analytical procedures 	2
	<ul style="list-style-type: none"> ▪ Assess the internal audit function of the client in planning the audit and developing an effective audit approach 	2
	<ul style="list-style-type: none"> ▪ Explain the purposes of audit working papers 	2
	<ul style="list-style-type: none"> ▪ Discuss and apply the concepts behind the preparation and organization of audit working papers 	2
Understanding of materiality and risk	<ul style="list-style-type: none"> ▪ Apply the concept of materiality to the audit 	2
	<ul style="list-style-type: none"> ▪ Make a preliminary judgement about what amounts should be considered material 	2
	<ul style="list-style-type: none"> ▪ Allocate preliminary materiality to segments of the audit during planning 	1
	<ul style="list-style-type: none"> ▪ Use materiality to evaluate audit findings 	1
	<ul style="list-style-type: none"> ▪ Define risk in auditing 	2
	<ul style="list-style-type: none"> ▪ Assessing the risk of material misstatement due to fraud 	2
	<ul style="list-style-type: none"> ▪ Describe the audit risk model and its components 	2
	<ul style="list-style-type: none"> ▪ Consider the impact of business risk on acceptable audit risk 	2
	<ul style="list-style-type: none"> ▪ Consider the impact of several factors on the assessment of inherent risk 	2
	<ul style="list-style-type: none"> ▪ Discuss the relationships among the components of risk 	2
	<ul style="list-style-type: none"> ▪ Discuss risk for segments and measurement difficulties 	2
	<ul style="list-style-type: none"> ▪ Discuss how materiality and risk are related and integrated into the audit process 	2

Understanding of tests of controls and substantive tests of transactions applicable to the audit of sales and collection cycle	<ul style="list-style-type: none"> ▪ Identify the classes of transactions and accounts in the sales and collection cycle 	2
	<ul style="list-style-type: none"> ▪ Describe the business functions and the related documents and records in the sales and collection cycle 	2
	<ul style="list-style-type: none"> ▪ 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 	3
	<ul style="list-style-type: none"> ▪ Apply the methodology for controls over sales transactions to controls over delivery and billing 	2
	<ul style="list-style-type: none"> ▪ 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 	3
	<ul style="list-style-type: none"> ▪ Develop an integrated audit plan for the sales and collection cycle 	2
Understanding of tests of controls and substantive tests of transactions applicable to the purchase and payment cycle	<ul style="list-style-type: none"> ▪ Describe the purchase and payment cycle and its pertinent documents and records, functions, and internal controls 	2
	<ul style="list-style-type: none"> ▪ Design and perform tests of controls and substantive tests of transactions for the purchase and payment cycle and assess related control risk 	3
	<ul style="list-style-type: none"> ▪ Discuss the nature of creditors and describe the related controls over them 	2
Understanding of tests of controls and substantive tests of transactions applicable to the audit of the payroll and personnel cycle	<ul style="list-style-type: none"> ▪ Describe the payroll and personnel cycle and its pertinent documents and records, functions, and internal controls 	2
	<ul style="list-style-type: none"> ▪ Design and perform tests of controls and substantive tests of transactions for the payroll and personnel cycle 	3
	<ul style="list-style-type: none"> ▪ Design and perform analytical procedures for the payroll and personnel cycle 	3
	<ul style="list-style-type: none"> ▪ Design and perform tests of details of balances for accounts in the payroll and personnel cycle 	3
Understanding of the audit of debtors and prepayments	<ul style="list-style-type: none"> ▪ Know the debtors' balance-related audit objectives 	2
	<ul style="list-style-type: none"> ▪ Design and perform analytical procedures for accounts in the sales and collection cycle 	3
	<ul style="list-style-type: none"> ▪ Design and perform tests of details of balances for debtors for each balance-related audit objective 	3
	<ul style="list-style-type: none"> ▪ Obtain and evaluate debtors' confirmations 	2
	<ul style="list-style-type: none"> ▪ Design audit procedures for the audit of debtors taking into account the degree of strength of the evidence obtained 	3
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of prepaid expenses 	3

Understanding of the audit of the inventory and production cycle	<ul style="list-style-type: none"> ▪ Describe the inventory and production cycle and its pertinent function, documents and records, and internal controls 	2
	<ul style="list-style-type: none"> ▪ Explain the significance of the inventory and production cycle because of its integration with the purchase cycle and sales cycle 	2
	<ul style="list-style-type: none"> ▪ Design and perform audit tests on cost accounting 	3
	<ul style="list-style-type: none"> ▪ Design and perform analytical tests on accounts in the inventory and production cycle 	3
	<ul style="list-style-type: none"> ▪ Design and perform physical observation audit tests for inventory 	3
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of pricing and compilation for inventory 	3
Understanding of the audit of creditors and accrued liabilities	<ul style="list-style-type: none"> ▪ Design and perform analytical procedures for creditors 	3
	<ul style="list-style-type: none"> ▪ Design and perform tests of details for creditors 	3
	<ul style="list-style-type: none"> ▪ Know the importance of out-of-period liability tests for creditors and common tests 	2
	<ul style="list-style-type: none"> ▪ Know the relative reliability of vendors' invoices, vendors' statements and confirmation of creditors 	2
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of accrued liabilities 	3
Understanding of the audit of fixed assets	<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 	2
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of fixed assets 	3
Understanding of the audit of cash and cash equivalent and loan balances	<ul style="list-style-type: none"> ▪ Describe the major types of cash and loan accounts maintained by business entities 	2
	<ul style="list-style-type: none"> ▪ Describe the relationship of cash in the bank to the various transaction cycles 	2
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of the general cash and loan account 	3
	<ul style="list-style-type: none"> ▪ Recognize when to extend audit tests of the general cash account to test further for material fraud 	2
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of petty cash 	3
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of securities 	3
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of loans 	3
Understanding of the audit of operations	<ul style="list-style-type: none"> ▪ Know the relationship between balance sheet items and profit and loss account items 	2
	<ul style="list-style-type: none"> ▪ Design and perform audit tests of income and expense accounts 	3
Understanding of completing the audit	<ul style="list-style-type: none"> ▪ Conduct a review for contingent liabilities and commitments 	2
	<ul style="list-style-type: none"> ▪ Obtain and evaluate letters from the client's lawyers 	2
	<ul style="list-style-type: none"> ▪ Conduct a post-balance-sheet review for subsequent events 	2
	<ul style="list-style-type: none"> ▪ Conduct final overall review of financial statements 	2
	<ul style="list-style-type: none"> ▪ Evaluate going concern assumption 	2
	<ul style="list-style-type: none"> ▪ Obtain client representation letter 	2

	<ul style="list-style-type: none"> ▪ Integrate the audit evidence gathered and evaluate the overall audit results 	2
	<ul style="list-style-type: none"> ▪ Communicate with those charged with governance, including audit committee and management 	2
	<ul style="list-style-type: none"> ▪ Identify the auditors' responsibilities when facts affecting the audit report are discovered after its issue 	2
4. Audit report		
Understanding of audit reports	<ul style="list-style-type: none"> ▪ Describe the nature of and need for the auditor's report on financial statements 	2
	<ul style="list-style-type: none"> ▪ Identify the conditions that justify issuing the standard unqualified audit report 	2
	<ul style="list-style-type: none"> ▪ Explain a standard unqualified audit report 	2
	<ul style="list-style-type: none"> ▪ Identify all categories of audit reports 	2
	<ul style="list-style-type: none"> ▪ Explain how materiality affects audit reporting decisions 	2
	<ul style="list-style-type: none"> ▪ Evaluate circumstances that require modification to a standard unqualified audit report 	2
	<ul style="list-style-type: none"> ▪ Evaluate circumstances that require the auditor to express qualified opinions 	2
	<ul style="list-style-type: none"> ▪ Explain the concept 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		
Knowledge of formulating information systems strategies	<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 	3
	<ul style="list-style-type: none"> ▪ Formulate appropriate information systems strategies to support implementation of business and functional strategies 	2
Understanding of the 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 	2
	<ul style="list-style-type: none"> ▪ Recognize and understand the roles of accountants in all the stages of the SDLC 	2
	<ul style="list-style-type: none"> ▪ Appreciate the behavioural issues of implementing information systems in organizations 	2
	<ul style="list-style-type: none"> ▪ Understand how change management can contribute to successful implementation of information systems 	2