

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	<ul style="list-style-type: none"> ▪ Describe the structure of the regulatory system and its relationship to financial accounts and statements 	2
	<ul style="list-style-type: none"> ▪ Identify the nature and role of bodies which set the accounting standards and guidelines 	2
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Demonstrate awareness of the concepts that underlie the preparation and presentation of financial statements under the appropriate HKFRSs and HKASs 	2
	<ul style="list-style-type: none"> ▪ Understand the conceptual framework for financial reporting: <ul style="list-style-type: none"> ○ financial position ○ financial performance ○ changes in financial position 	2
	<ul style="list-style-type: none"> ▪ Understand the objectives of and scope of authority of HKFRSs and HKASs 	2
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Understand the classification and disclosures required of a set of financial statements: <ul style="list-style-type: none"> ○ a balance sheet ○ an income statement ○ a statement of changes in equity ○ a cash flow statement ○ notes comprising significant accounting policies and other explanatory notes 	2
	<ul style="list-style-type: none"> ▪ Define the elements of the financial statements 	2
	<ul style="list-style-type: none"> ▪ Specify the underlying accounting principles and rules for offsetting assets and liabilities 	2
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Explain the purpose of preparing a cash flow statement 	2
	<ul style="list-style-type: none"> ▪ Define cash, cash equivalents and cash flows 	2
	<ul style="list-style-type: none"> ▪ Evaluate the usefulness of a cash flow statement 	1
Understanding of the requirements of the interim financial reporting	<ul style="list-style-type: none"> ▪ Understand the requirements of relevant accounting standards in relation to the minimum content and layout for financial statements and disclosures required 	1
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Understand the principles of the measurement of non-current assets held for sale 	2
	<ul style="list-style-type: none"> ▪ Define and identify a discontinued operation 	2
	<ul style="list-style-type: none"> ▪ Describe the requirements of presentation and disclosures of a discontinued operation 	2
Understanding of the principles for the impairments of assets	<ul style="list-style-type: none"> ▪ Explain the reasons for impairments of assets 	2
	<ul style="list-style-type: none"> ▪ Identify the assets that may be impaired 	2
	<ul style="list-style-type: none"> ▪ Understand the measurement principles of the recoverable amount 	3
	<ul style="list-style-type: none"> ▪ Understand the recognition and measurement of impairment losses 	3
Understanding of the principles for the determination and presentation of earnings per share	<ul style="list-style-type: none"> ▪ Explain the need to disclose earnings per share 	1
	<ul style="list-style-type: none"> ▪ Compute the basic and diluted earnings per share 	3
	<ul style="list-style-type: none"> ▪ Describe the requirements of presentation and disclosure of basic and diluted earnings per share 	2

Understanding of the disclosure requirements for related party relationships and transactions	▪ Explain the significance of sufficient disclosure of related party transactions	2
	▪ Define a related party and identify the key elements in determining related party relationships and transactions	2
	▪ Describe situations where two parties are possibly related	2
	▪ Describe the disclosure requirements in respect of the related party relationships and transactions	1
3. Applications of accounting conventions and accounting practice as specified in the Companies Ordinance and accounting standards		
Understanding of the accounting treatment for intangible assets including those internally generated and those by acquisition	▪ Define intangible assets	2
	▪ Outline on the problems relating to accounting for intangible assets	2
	▪ Discuss the controversy surrounding the treatment of intangible assets	2
	▪ Describe the recognition and measurement of intangible assets that are acquired by: <ul style="list-style-type: none"> ○ a separate acquisition ○ an acquisition as part of a business combination ○ a government grant 	3
	▪ Understand the initial recognition and measurement of intangibles	3
	▪ Understand the subsequent measurement of intangibles, including: <ul style="list-style-type: none"> ○ cost model and revaluation model ○ amortization ○ impairments 	3
	▪ Describe the necessary disclosures for intangible assets	1
	▪ Define research and development	2
	▪ Understand the criteria of recognizing the research and development expenditure as expenses and capitalized them	2
	▪ Understand the recognition and measurement of deferred development expenditure	2
	▪ Describe the necessary disclosures for research and development expenditure	1
	▪ Distinguish between internally generated goodwill and goodwill or negative goodwill arising on business combination	2
	▪ Explain the requirements of relevant accounting standard in respect of accounting for internally generated goodwill and goodwill or negative goodwill arising on acquisition	2
4. Preparing financial statements for limited company and group companies		
Understanding of the regulatory framework of consolidated financial statements	▪ Explain the requirements of the Hong Kong Companies Ordinance in relation to the preparation and disclosures of consolidated financial statements	1
	▪ Discuss the legal and accounting standard requirements for exclusion of a subsidiary from consolidated financial statements and the necessary disclosure	1
	▪ Describe the exemptions of preparing consolidated financial statements in accordance with the legal requirements and accounting standards	1

	<ul style="list-style-type: none"> ▪ Explain the reasons for different forms of business combinations 	1
Understanding of the accounting treatment required for subsidiaries	<ul style="list-style-type: none"> ▪ Define a parent, a subsidiary, a group, minority interests and consolidated financial statements 	2
	<ul style="list-style-type: none"> ▪ Define and compute goodwill, negative goodwill and minority interests 	2
	<ul style="list-style-type: none"> ▪ Understand the consolidation procedures and the purchase method of accounting 	2
	<ul style="list-style-type: none"> ▪ Prepare consolidated financial statements for a parent with subsidiaries 	3
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Define an associate 	2
	<ul style="list-style-type: none"> ▪ Explain the meaning of significant influence 	2
	<ul style="list-style-type: none"> ▪ Understand the equity method of accounting for investments in associates in the consolidated financial statements 	2
	<ul style="list-style-type: none"> ▪ Prepare consolidated financial statements with investment in associate using equity method 	3
	<ul style="list-style-type: none"> ▪ Describe the disclosure requirements of the investment in associates and significant influence 	1
Understanding of the accounting treatment required for interests in joint ventures	<ul style="list-style-type: none"> ▪ Define joint venture and differentiate between investments in a joint venture and other types of investments 	2
	<ul style="list-style-type: none"> ▪ Identify the major types of joint venture: <ul style="list-style-type: none"> ○ jointly controlled operations ○ jointly controlled assets ○ jointly controlled entities 	2
	<ul style="list-style-type: none"> ▪ Understand the accounting treatments of interest in joint ventures, and the transactions between a venturer and a joint venture 	2
	<ul style="list-style-type: none"> ▪ Prepare the financial statements of a venturer using proportional consolidation and equity method 	3
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Explain the classification of financial instruments as: <ul style="list-style-type: none"> ○ financial assets ○ financial liabilities ○ equity instruments 	1
	<ul style="list-style-type: none"> ▪ Explain the classification of financial assets as: <ul style="list-style-type: none"> ○ financial assets at fair value through profit or loss ○ held-to-maturity investments ○ loans and receivables ○ available-for-sale financial assets 	1
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for financial assets and financial liabilities on their initial recognition and subsequent measurement 	2
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for the de-recognition of financial assets and financial liabilities 	1
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for the impairment of financial assets 	1
	<ul style="list-style-type: none"> ▪ Explain the re-classification between categories of financial assets 	2
	<ul style="list-style-type: none"> ▪ Explain the offsetting of financial assets and financial liabilities 	2
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for current tax liabilities and current tax assets 	2
	<ul style="list-style-type: none"> ▪ Explain the need to account for deferred tax using the balance sheet approach 	1
	<ul style="list-style-type: none"> ▪ Determine the tax base of assets and liabilities 	2
	<ul style="list-style-type: none"> ▪ Identify taxable temporary differences and deductible temporary differences 	2
	<ul style="list-style-type: none"> ▪ Apply the rules for the recognition of deferred tax liability and deferred tax assets 	2
	<ul style="list-style-type: none"> ▪ Apply the special recognition rules regarding unused tax losses and unused tax credits 	2
	<ul style="list-style-type: none"> ▪ Explain the offsetting of deferred tax assets and liabilities 	2
	<ul style="list-style-type: none"> ▪ Prepare appropriate disclosures on taxation 	1
Understanding of the accounting treatment and disclosure requirements of employee benefits	<ul style="list-style-type: none"> ▪ Distinguish between short-term employee benefits, long-term employee benefits and terminal benefits 	1
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for short-term employee benefits 	2
	<ul style="list-style-type: none"> ▪ Distinguish between defined contribution plans and defined benefit plans 	1
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for defined contribution plans 	2
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for defined benefit plans and the related actuarial gains and losses 	2
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for long-term employee benefits other than post-employment benefits 	2

	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for termination benefits 	2
	<ul style="list-style-type: none"> ▪ Prepare appropriate disclosures on employee benefits 	1
Understanding of the accounting treatment and disclosure requirements for the effects of changes in foreign exchange rates	<ul style="list-style-type: none"> ▪ Determine the functional currency of an entity 	1
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for foreign currency transactions 	2
	<ul style="list-style-type: none"> ▪ Translating foreign currency monetary and non-monetary items at balance sheet date 	2
	<ul style="list-style-type: none"> ▪ Translate financial statements to the presentation currency 	2
	<ul style="list-style-type: none"> ▪ Prepare appropriate disclosures on foreign currency transactions and translations 	2
Understanding of the accounting treatment and disclosure requirements of share-based payments	<ul style="list-style-type: none"> ▪ Identify share-based payment transactions 	1
	<ul style="list-style-type: none"> ▪ Explain the accounting treatment for share-based payments in relation to their classification as: <ul style="list-style-type: none"> ○ equity-settled ○ cash-settled ○ equity settled with cash alternatives 	2
	<ul style="list-style-type: none"> ▪ Prepare appropriate disclosures on share-based payments 	1
Understanding of the accounting treatment and disclosure requirements of inventory	<ul style="list-style-type: none"> ▪ Measurement of inventories 	2
	<ul style="list-style-type: none"> ▪ Determination of net realizable value 	2
	<ul style="list-style-type: none"> ▪ Explain disclosure requirement 	2
Understanding of the accounting treatment and disclosure requirements of provisions	<ul style="list-style-type: none"> ▪ Understand measurement of provisions 	2
	<ul style="list-style-type: none"> ▪ Explain changes in provisions 	2
	<ul style="list-style-type: none"> ▪ Explain use of provisions 	2
Understanding of the accounting treatment and disclosure requirements of leases	<ul style="list-style-type: none"> ▪ Classify leases 	2
	<ul style="list-style-type: none"> ▪ Explain leases in financial statements of lessees 	2
	<ul style="list-style-type: none"> ▪ Explain leases in financial statements of lessors 	2
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Outline the importance of corporate governance disclosures 	1
	<ul style="list-style-type: none"> ▪ Identify the regulatory bodies on corporate governance disclosures 	1
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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
	<ul style="list-style-type: none"> ▪ Identify the qualifying entities to adopt the HK SME-FRF and HK SME-FRS 	2
	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Discuss current issues in financial reporting both in Hong Kong and internationally 	1
	<ul style="list-style-type: none"> ▪ Discuss current proposals to amend financial reporting standards 	1
7. Ethics in financial reporting		
Understanding of the misstatements arising from fraudulent financial reporting	<ul style="list-style-type: none"> ▪ Identify the reasons for committing fraud 	1
	<ul style="list-style-type: none"> ▪ Identify the characteristics and methods of committing fraud 	1
	<ul style="list-style-type: none"> ▪ Discuss real-life examples of fraudulent financial reporting 	2
Knowledge of the ethical responsibilities for preparers of financial reports, professional accountants in particular	<ul style="list-style-type: none"> ▪ Describe Kohlberg's theory of cognitive moral reasoning and development and identify its implications in accounting 	1
	<ul style="list-style-type: none"> ▪ Explain the establishment of the Professional Accountants Ordinance 	1
	<ul style="list-style-type: none"> ▪ 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): <ul style="list-style-type: none"> ○ integrity ○ objectivity ○ professional competence and due care ○ confidentiality ○ professional behaviour 	2
	<ul style="list-style-type: none"> ▪ Identify the potential threats for professional accountants in compliance with the COE fundamental principles and the safeguards that may eliminate or reduce such threats 	2
	<ul style="list-style-type: none"> ▪ Explain how the COE fundamental principles are to be applied by professional accountants: <ul style="list-style-type: none"> ○ in public practice ○ in business 	2
	<ul style="list-style-type: none"> ▪ Explain the additional ethical requirements on specific areas which is of relevance to financial reporting: <ul style="list-style-type: none"> ○ unlawful acts or defaults by clients of the Hong Kong Institute of CPAs' members ○ unlawful acts or defaults by or on behalf of the employer of a member of the Hong Kong Institute of CPAs ○ integrity objectivity in insolvency ○ financial and accounting responsibilities of directors 	2

8. Information Systems

Understanding of the features of external reporting information systems	<ul style="list-style-type: none">▪ Explain the features of information systems (computerized and manual) which meet an organization's external reporting requirements	3
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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. These include the preparation of management information at strategic level and the evaluation of financial implications of strategic decisions in a changing business environment

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
1. Strategic management accounting framework		
Understanding of the strategic management process	<ul style="list-style-type: none"> ▪ Understand the basic concepts of strategic management and corporate governance 	1
	<ul style="list-style-type: none"> ▪ Appreciate how the external business environment and the internal organizational environment affect the competitiveness of contemporary organizations 	1
	<ul style="list-style-type: none"> ▪ Understand the processes in strategic management, including environmental scanning and SWOT analyses, strategy formulation, strategy implementation, and evaluation and control 	2
	<ul style="list-style-type: none"> ▪ Identify and explain different types of strategies: corporate, business and functional strategies 	2
Understanding of the role of strategic management accounting	<ul style="list-style-type: none"> ▪ Understand the objectives and roles (traditional and contemporary) of management accounting 	1
	<ul style="list-style-type: none"> ▪ Appreciate how management accounting activities add value to the strategic management process 	1
	<ul style="list-style-type: none"> ▪ Understand the nature and effectiveness of management and internal control systems 	1
	<ul style="list-style-type: none"> ▪ Understand the nature of value chain and activity analysis, competitor analysis and benchmarking process 	2
	<ul style="list-style-type: none"> ▪ Explain activity-based management (ABM) and its relationship with activity-based costing (ABC) 	3
	<ul style="list-style-type: none"> ▪ Appreciate the strategic cost management techniques, including just-in-time (JIT) and total quality management (TQM) concepts, product life cycle costing, target costing, quality costing, theory of constraints and throughput analysis 	3

2. Information for managerial decision making		
Understanding of the relevant cost concept in decision making	<ul style="list-style-type: none"> ▪ Define and explain relevant costs, opportunity costs, sunk costs and out-of-pocket costs in the context of decision making 	2
	<ul style="list-style-type: none"> ▪ 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
Knowledge of the pricing policies and decisions	<ul style="list-style-type: none"> ▪ Understand the factors affecting pricing policies and decisions 	1
	<ul style="list-style-type: none"> ▪ Appreciate the different approaches of pricing products and services based on external market factors and internal cost structure 	2
Skills in preparing profitability analysis	<ul style="list-style-type: none"> ▪ Appreciate the importance of profitability analysis to management in making business decisions 	2
	<ul style="list-style-type: none"> ▪ Prepare product, customer and supplier profitability analysis based on pre-determined cost behaviour (fixed, variable, activity-based) 	3
Understanding of the transfer pricing methods	<ul style="list-style-type: none"> ▪ Understand how transfer pricing methods affect the performance of independent units in the same country or units across different countries 	1
	<ul style="list-style-type: none"> ▪ Explain and illustrate the different transfer pricing methods, including cost-based, market-based and negotiated transfer prices 	3
	<ul style="list-style-type: none"> ▪ Determine the optimal transfer price between the selling division and the buying division 	3
3. Information for performance measurement		
Understanding of the organizational structure affecting performance measurement	<ul style="list-style-type: none"> ▪ Appreciate 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 explain how to evaluate the performance of these centres 	3
Skills in preparing segment performance and profitability reports	<ul style="list-style-type: none"> ▪ Prepare segment reports showing performance or profitability of different segments with the identification of traceable fixed costs, segment margin and common fixed costs 	3
	<ul style="list-style-type: none"> ▪ Appreciate how the allocation of common fixed costs affects the performance of different segments 	3

Understanding of the limitations of financial measures	<ul style="list-style-type: none"> Evaluate the financial performance of organizations or segments: 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"> Understand the balanced scorecard approach of performance measurement by linking strategy, strategic objectives and performance measures in a coherent manner organized into four perspectives: financial, customer, internal business process and learning and growth 	2
4. Financial management framework		
Understanding of the nature of financial management	<ul style="list-style-type: none"> Appreciate the objectives and scope of financial management and its relationship with financial accounting and management accounting 	2
	<ul style="list-style-type: none"> Understand 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"> Identify the financial and non-financial objectives of both for-profit and not-for-profit organizations 	2
Understanding of the financial management environment	<ul style="list-style-type: none"> Understand the characteristics of financial and capital markets in Hong Kong and overseas 	2
	<ul style="list-style-type: none"> Explain the factors affecting the patterns of interest rates and the yield curve 	3
	<ul style="list-style-type: none"> Valuation of stock and bond using the dividend valuation model and yield-to-maturity approach 	3
	<ul style="list-style-type: none"> Explain the efficient market hypothesis and its implications for financial management 	3
Understanding of treasury management function	<ul style="list-style-type: none"> Understand the role of treasury management and describe its responsibilities and activities 	2
	<ul style="list-style-type: none"> Appreciate the advantages and disadvantages of a centralized and decentralized treasury function 	2
5. Risk analysis and management		
Understanding of the nature and types of risk	<ul style="list-style-type: none"> Explain business (operating) risk and financial risk and understand their respective measurements 	3
	<ul style="list-style-type: none"> Understand 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"> Calculate the cost of equity, cost of debt and the weighted average cost of capital (WACC) 	3
6. Capital investment appraisal		
Understanding of the basic techniques of capital investment appraisal	<ul style="list-style-type: none"> Appreciate the differences between discounted and non-discounted cash flow analysis 	2
	<ul style="list-style-type: none"> Understand the concept of time value of money, including simple and compound interest, nominal and real interest, future and present values, annuities and perpetuities 	3

	<ul style="list-style-type: none"> Use different appraisal methods to evaluate capital investments, including payback period, accounting rate of return (ARR), net present value (NPV) and internal rate of return (IRR) 	3
	<ul style="list-style-type: none"> Appreciate the effects of and the approaches to deal with taxation, inflation, risk and uncertainty in capital investment appraisal 	3
Applications of the discounted cash flow analysis	<ul style="list-style-type: none"> Analyze and calculate the NPV of the cash flows in making lease or buy decisions 	3
	<ul style="list-style-type: none"> Calculate the equivalent annual cost for assets with different useful lives in making asset replacement decisions 	3
7. Sources of finance and capital structure		
Understanding of 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"> Appreciate the advantages and disadvantages of both equity and debt financing 	3
	<ul style="list-style-type: none"> Explain different types of share capital, new and right issues of shares, issues of convertibles and warrants in raising equity finance 	3
	<ul style="list-style-type: none"> Calculate different types of ratios: gearing, profitability, and those related to the stock market 	3
	<ul style="list-style-type: none"> Understand the financial implications of dividend policy and explain the arguments for and against the relevancy of dividend policy 	3
Understanding of 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"> Understanding theories of capital structure: Modigliani and Miller propositions and pecking order theory 	3
8. Working capital management		
Understanding of the nature and importance of working capital management	<ul style="list-style-type: none"> Appreciate the nature and scope of working capital management and its relationship with business insolvency 	2
	<ul style="list-style-type: none"> Calculate the funding requirements for working capital of different types of organizations 	3
	<ul style="list-style-type: none"> Understand the measures of effective working capital management, including liquidity ratios and the length of operating cycle 	3

Knowledge and techniques of managing working capital	<ul style="list-style-type: none"> ▪ Understand the techniques of stock management by applying the economic order quantity (EOQ) model and just-in-time (JIT) systems 	3
	<ul style="list-style-type: none"> ▪ Understand 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"> ▪ Understand the techniques of cash management by using cash budgeting with the Miller-Orr model 	3
9. Financial analysis		
Knowledge and techniques of financial analysis	<ul style="list-style-type: none"> ▪ Identify and calculate main Stock Exchange indicators 	3
	<ul style="list-style-type: none"> ▪ Calculate and explain main ratios used in internal financial management 	3
10. Financial forecasting and planning		
Knowledge and 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 projections for a business 	3
	<ul style="list-style-type: none"> ▪ Prepare profit projections for a business 	3

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

Paper IV: PBE Business law and taxation

Aim: This subject aims to provide students with:

- an awareness of the overall legal framework in which businesses in Hong Kong operate so as to enable them to apply the relevant laws and practices to business problems and practical situations; and
- an awareness of the taxation system in Hong Kong and taxation computation and basic tax planning.

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
1. Hong Kong legal system		
Understanding of the principal features of the legal environment, in particular: <ul style="list-style-type: none">▪ The historical and formal sources of Hong Kong law▪ The system of courts and administration of justice▪ The doctrine of precedent▪ Legislation and statutory interpretation	▪ Describe the need for law	3
	▪ Outline the constitutional framework applying in Hong Kong society	3
	▪ Explain the differences between legislation and case law	2
2. General principles of contract law		
Understanding of the essential elements of a contract and the consequences of breaching a contract, in particular: <ul style="list-style-type: none">▪ The essentials for the formation of a contract▪ Formality and terms of contract▪ Vitiating factors affecting the validity of a contract▪ The discharge of contracts▪ Remedies for breach of contract	▪ Describe the effects of different means of communications of acceptance	3
	▪ Explain the meaning of intention to enter into legal relations	3
	▪ Describe the effect of illegality	3
	▪ Explain the circumstances in which specific performance and injunctions may be suitable remedies	2
3. Law of Tort		
A general understanding of the law of tort in particular as it relates to	▪ Describe the importance of the duty of care	2
	▪ Explain the concepts of damages and defences as they relate to negligence	2

negligence and business liability	<ul style="list-style-type: none"> ▪ Describe particular forms of business liability 	2
4. Employment laws		
A general understanding of:	<ul style="list-style-type: none"> ▪ Explain the scope of the Employment Ordinance 	2
<ul style="list-style-type: none"> ▪ The provisions of the Employment Ordinance 	<ul style="list-style-type: none"> ▪ Identify who is classified as an employee 	2
<ul style="list-style-type: none"> ▪ The jurisdiction and procedure of the employment tribunal 	<ul style="list-style-type: none"> ▪ Explain the key provisions of the ordinance 	2
<ul style="list-style-type: none"> ▪ The provisions of Sex Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance in the context of employment 	<ul style="list-style-type: none"> ▪ Describe the process of a hearing in the employment tribunal 	2
	<ul style="list-style-type: none"> ▪ Explain the key provisions of Sex Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance 	2
5. Bribery and corruption laws		
A general understanding of:	<ul style="list-style-type: none"> ▪ Explain the scope of the Prevention of Bribery Ordinance 	2
<ul style="list-style-type: none"> ▪ The provisions of the Prevention of Bribery Ordinance 	<ul style="list-style-type: none"> ▪ Explain the key provisions of the ordinance 	2
<ul style="list-style-type: none"> ▪ The powers of investigation of the ICAC 	<ul style="list-style-type: none"> ▪ Describe the role of the Independent Commission Against Corruption (ICAC) 	2
<ul style="list-style-type: none"> ▪ Money laundering reporting obligations under Organized and Serious Crimes Ordinance 	<ul style="list-style-type: none"> ▪ Explain the obligations under the money laundering legislation 	2
6. The principal forms of ownership of business		
Comparison of ownership and governance structures of:	<ul style="list-style-type: none"> ▪ Explain the liability attaching to partners 	3
<ul style="list-style-type: none"> ▪ sole traders 	<ul style="list-style-type: none"> ▪ Identify the key provisions to be included in joint venture agreements 	3
<ul style="list-style-type: none"> ▪ partnerships 	<ul style="list-style-type: none"> ▪ Explain the concept of limited liability 	3
<ul style="list-style-type: none"> ▪ companies 		
<ul style="list-style-type: none"> ▪ joint ventures 		
Explain the registration requirements under the Business Registration Ordinance	<ul style="list-style-type: none"> ▪ Explain the registration obligations under the Business Registration Ordinance 	3
Understanding of the overseas company provisions under Companies Ordinance	<ul style="list-style-type: none"> ▪ Explain overseas company provisions under Companies Ordinance 	3

7. Company law: company formation		
Understanding of the process of forming an incorporated body, in particular: <ul style="list-style-type: none"> ▪ The formation of a company and its constitution ▪ The role of the Registrar of Companies ▪ Registers; content, rights of access and location of a company's register of members, directors and secretaries, debenture holders and charges ▪ Statutory books, records and return 	<ul style="list-style-type: none"> ▪ Describe the procedures in the formation of a registered company 	3
	<ul style="list-style-type: none"> ▪ Explain the relevance of the provisions contained in the company's memorandum 	3
	<ul style="list-style-type: none"> ▪ Explain the content of Table A/other chosen Articles of Association 	3
	<ul style="list-style-type: none"> ▪ State the requirements for record keeping 	3
8. Capital and financing of companies		
Understanding of the nature of share capital and loan capital and to appreciate its complex nature, in particular: <ul style="list-style-type: none"> ▪ Share capital, how it is raised, classes of shares, alteration of share capital ▪ Distributions to shareholders ▪ Loan capital, forms of borrowing and types of security ▪ Maintenance of capital 	<ul style="list-style-type: none"> ▪ Differentiate between different classes of share capital 	2
	<ul style="list-style-type: none"> ▪ Distinguish between fixed and floating charges 	2
	<ul style="list-style-type: none"> ▪ Explain how a company may alter its share capital 	2
	<ul style="list-style-type: none"> ▪ Explain the priority of different types of charges in the event of receivership and winding up 	2
	<ul style="list-style-type: none"> ▪ Explain the importance of maintenance of capital 	2
9. Administration of companies		
Understanding of how companies make decisions and manage their activities, in particular: <ul style="list-style-type: none"> ▪ The role and duties of company directors and company secretaries ▪ The role and duties of auditors ▪ The conduct of company meetings 	<ul style="list-style-type: none"> ▪ Describe how directors are appointed and removed 	3
	<ul style="list-style-type: none"> ▪ Explain the fiduciary duties of directors 	3
	<ul style="list-style-type: none"> ▪ Explain the duty of care and skill owed by a director to his company 	3
	<ul style="list-style-type: none"> ▪ Distinguish between the business of the company decided by directors and matters requiring the approval of the shareholders in general meeting 	2

10. Liquidation		
A general understanding of: <ul style="list-style-type: none"> ▪ Compulsory winding-up by the court ▪ Members' voluntary winding-up ▪ Creditors' voluntary winding-up ▪ Appointment, powers, duties, liabilities and resignation of liquidator ▪ Procedures for liquidation 	<ul style="list-style-type: none"> ▪ Describe the types of liquidation 	3
	<ul style="list-style-type: none"> ▪ Explain the roles of liquidators 	3
	<ul style="list-style-type: none"> ▪ Describe the procedures for liquidation 	3
11. Overview of taxation system		
Understanding of the key aspects of the Hong Kong taxation system	<ul style="list-style-type: none"> ▪ Describe the key aspects of the tax system in Hong Kong including tax administration 	2
	<ul style="list-style-type: none"> ▪ Identify the various types of taxation and tax bases applicable in Hong Kong 	2
	<ul style="list-style-type: none"> ▪ Criteria for ascertaining chargeability for all major taxes 	2
	<ul style="list-style-type: none"> ▪ Identify and explain basic tax planning issues 	2
12. Tax computation		
Understanding of the computation of tax liabilities arising from: <ul style="list-style-type: none"> ▪ Salaries tax ▪ Profits tax ▪ Stamp duty ▪ Property tax 	<ul style="list-style-type: none"> ▪ For straightforward transactions and situations, calculate and advise on tax liabilities for individuals, unincorporated businesses, partnerships and companies 	3