

New qualification framework for the Hong Kong Accredited Accounting Technicians



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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Executive summary

This paper sets out a finalized plan of the new qualification framework for Hong Kong Accredited Accounting Technicians after a consultation conducted during the second quarter of 2007. The new qualification framework, to be introduced in June 2009, includes new requirements for membership admission to the Hong Kong Institute of Accredited Accounting Technicians Limited (HKIAAT), the wholly-owned subsidiary of the Hong Kong Institute of CPAs.

The new qualification framework has been developed with a focus of establishing HKIAAT membership as a valid and valued attainment in its own right - rather than being seen solely as a stepping stone or route to the Institute's qualification programme (QP). It is intended that those who hold the HKIAAT membership will meet the broadening role required to support our finance and accounting professionals in the dynamic world in which businesses in Hong Kong operate.

The new qualification framework comprises three key requirements for admission to HKIAAT membership as follows:

- Knowledge requirements
- Values requirements
- Practical experience requirements

An overview of the new framework is set out in section 2 of this paper.

Knowledge requirements: the accredited accounting technician (AAT) examination or recognized equivalent (Paras. 3.1 - 3.17).

Values requirements: a professional programme (professional assessment) offered by the HKIAAT that develops and assesses candidates' knowledge of the accounting profession and the values underpinning HKIAAT membership (Paras. 3.18 - 3.26).

Practical experience requirements: development of business skills while synthesizing knowledge and values acquired (Paras. 3.27 - 3.28).

A pathway via the professional bridging examination (PBE) is provided for students who have successfully completed the AAT examination and have the desire and ability to proceed to become a professional accountant (Section 4).

A full set of pilot papers and study texts for the new qualification framework will be made available in mid 2008 for the benefit of students, lecturers and revision course providers to prepare for the new examination.

A comprehensive set of transitional arrangements has been designed to ensure a smooth transition from the existing HKIAAT membership requirements to the proposed new requirements (Section 5).

A robust process will be adopted for accredited education providers to have their programmes re-accredited for exemptions under the new AAT examination syllabus (Section 6).

Section 1. Introduction

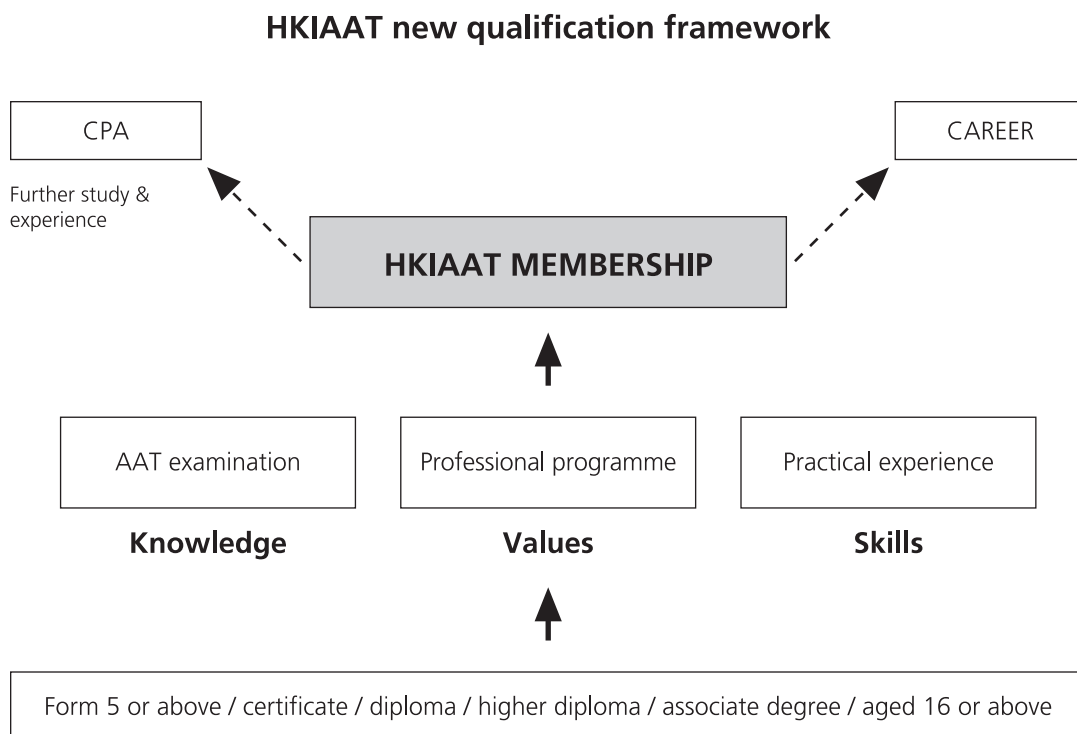
- 1.1** HKIAAT is the wholly-owned subsidiary of the Hong Kong Institute of CPAs, the only licensing body of accountants in Hong Kong responsible for the regulation of the accountancy profession.
- 1.2** HKIAAT is the only local organization that offers both a qualification and a designation for those seeking a career in accounting commencing at a level lower than CPA. This allows individuals with differing backgrounds and levels of educational achievement to follow a career in accountancy and financial management at their own pace. Such careers may range from accounting clerks to accounting supervisors and then on to professional accountants should an aspiring AAT decide to pursue further study and advanced qualification.
- 1.3** The Hong Kong Institute of CPAs, with its statutory role of regulating the accounting profession in Hong Kong, sees as its responsibility to periodically review the competency requirements of accounting technicians under the HKIAAT accreditation to ensure these are in step with business needs and the professional market of Hong Kong, and international best practices.
- 1.4** A consultation paper on the proposed new qualification framework for the Hong Kong Accredited Accounting Technicians was released in March 2007. The consultation paper had set out the result of preliminary consultations with various major education providers, educationists, employers and practitioners, in addition to a review by independent consultants from Advanced Business Education Limited, a subsidiary of the New Zealand Institute of Chartered Accountants. Reference had also been made to the HKSAR Government's new "3+3+4" academic structure.
- 1.5** Three briefing sessions for members and students, course providers, employers and the general public were held in April 2007 to explain the proposed framework to various stakeholders. A mini-survey was also conducted during briefing sessions to collect the views of the stakeholders on the new qualification framework. 13 written commentaries and many feedbacks were received, which in general, supported the proposal and provided valuable input (see responses to the consultation paper in Appendix II).
- 1.6** Following the consultation, the Hong Kong Institute of CPAs council and HKIAAT board carefully considered the different views received and have strived to accommodate the needs of various stakeholders.
- 1.7** This paper represents the position of the Hong Kong Institute of CPAs council and HKIAAT board as regards policies relating to the membership requirements of the HKIAAT to be introduced in June 2009. Proposals contained in the consultation paper together with comments received, form the basis of this paper.
- 1.8** The Hong Kong Institute of CPAs council and HKIAAT board would like to thank members serving on the Task Force on Examination Structure (see composition listed in Appendix I) for their contribution and input. Gratitudes are also due to the major education providers, educationalists, government departments, professional bodies, employers and practitioners as well as members and students who had provided invaluable insights and feedback on the proposals during the drafting stages.

Section 2. Overview of the HKIAAT new qualification framework

2.1 The new qualification framework consists of:

- Knowledge requirements - the AAT examination or recognized equivalent;
- Values requirements - a professional programme (professional assessment) offered by the HKIAAT that develops and assesses candidates' knowledge of the accounting profession and the values underpinning HKIAAT membership; and
- Practical experience requirements - development of business skills while synthesizing knowledge and values acquired.

2.2 The below illustration outlines the new framework for HKIAAT membership. It illustrates the pathway from a potential candidate, through to membership of HKIAAT, and shows the opportunity for the candidate to develop a career founded on the AAT designation.



2.3 An important aspect of the framework is the recognition that:

- Obtaining the knowledge requirements i.e. the AAT examination or recognized equivalent, provides a candidate with a qualification.
- Completing the values and skills requirements i.e. passing the professional assessment with one year relevant accounting practical experience, provides a candidate with a designation i.e. membership of HKIAAT and the entitlement to use the designatory letters (AAT).
- Attaining five years Associate membership provides a candidate with a Fellow membership (Fellow AAT).

Section 3. Important elements of the framework

Knowledge requirements

- 3.1** The knowledge requirements concentrate on building a broad awareness of, rather than developing a deep understanding of, the more advanced aspects of accounting, auditing, taxation and business law.
- 3.2** The new AAT examination is a single unitary set of subjects, the completion of which will entitle a candidate to move onwards to become a member of the HKIAAT. An overview of the new AAT examination and the key changes to the existing syllabus are summarized in the following table:

SUBJECT	CHANGES FROM EXISTING SYLLABUS
Fundamentals of accounting	A combination of the existing book-keeping and accounts, and financial accounting papers
Computerized accounts	No substantive changes to the current computerized accounts paper
Business economics	An addition to reflect the need for candidates to understand basic economic principles and how they apply in local and global markets
Financial mathematics	An addition to reflect the need for candidates to understand basic mathematics principles commonly used for making decisions and inferences in the business world
Business communication	No substantive changes
Organization and management	An addition to reflect the need for candidates to understand basic principles of management, develop an understanding of business structures and the operation of various common functional units within organizations
Fundamentals of business law	A revised version of the current Hong Kong business law paper, to reflect the need for candidates to understand the basic principles of the legal environment relating to business activities in Hong Kong
Principles of taxation	A reduced version of the existing Hong Kong taxation paper to reflect the need for candidates at this level to understand the principles (rather than a high level of detail) relating to the taxation regime applicable in Hong Kong
Principles of auditing	A reduced version of the existing auditing paper to reflect the need for candidates at this level to understand only the principles of auditing (rather than a high level of knowledge about audit process and judgement)
Management information systems	An addition to reflect the need for candidates to have an understanding of information as a key resource to organizations and how management information systems can create value and improve the competitive advantage of an organization
Financial accounting	A reduced version of the existing advanced accounting paper to reflect the need for candidates to have an understanding of, and be able to apply, accounting methods and disclosures to various common types of entities and situations
Management accounting	A revised version of the existing cost accounting paper with the addition of elements of financial management, reflecting the need for candidates to have an understanding of, and be able to apply, costing and financial management methodologies

3.3 These subjects will be grouped to form a total of eight examination papers, offered by HKIAAT, under the following headings:

- Fundamentals of accounting and computerized accounts
- Business communication and organization and management
- Management accounting
- Business economics and financial mathematics
- Principles of taxation
- Fundamentals of business law
- Financial accounting
- Principles of auditing and management information systems

A table outlining the competency map of each subject is shown in Appendix III.

3.4 The new AAT examination is benchmarked to the Education Bureau's Qualifications Framework at Level 4.

3.5 It will be offered from the June 2009 session, i.e. the existing examination will continue to operate until December 2008.

3.6 The eight papers of the AAT examination together with the professional assessment must be completed within 10 years from the date of first registration as a student. Current students will have their time limit start afresh from the launch of the new qualification framework.

3.7 In addition, programmes of accredited education providers may be approved as forming the knowledge component of the HKIAAT programme through examination exemptions. These providers may choose to package the subjects differently to the AAT examination.

3.8 It will be noted that the AAT examination addresses only the knowledge requirements of admission to the HKIAAT - it does not address the requirements for a graduate of the AAT examination to meet the knowledge requirements of the Hong Kong Institute of CPAs.

3.9 The current single papers of the book-keeping and accounts examination (BAE) and computerized accounts examination (CAE) will not be offered after the launch of the new qualification framework as they are already incorporated in paper 1 (Fundamentals of accounting and computerized accounts). The last session for the BAE and CAE will be in December 2008 and January 2009 respectively.

3.10 Students passing paper 1 under the new AAT examination will be awarded the certified accounts clerk (CAC) qualification upon application. Graduates of the HKIAAT applied learning course "Practical accounting for SMEs" will also be awarded the CAC certificate and be exempted from paper 1 of the new AAT examination upon application. This certificate will be benchmarked to the Education Bureau's Qualifications Framework at Level 2.

Entry to accredited accounting technician (AAT) examination

3.11 Individuals who have reached the age of 16 or above are eligible to register as AAT examination students. Those who have completed relevant accounting studies at either secondary schools or other educational institutions may apply for exemptions from certain subjects of the AAT examination.

3.12 It is anticipated that secondary school leavers who have completed relevant studies could be eligible for exemptions, subject to meeting certain requirements, for a maximum of the following AAT examination subjects:

- Fundamentals of accounting and computerized accounts
- Business economics and financial mathematics

Examination Format

- 3.13** While not wishing to be bound to a particular format for the assessment of knowledge under the AAT examination syllabuses, the assessment for each subject will be by way of individual written examination.
- 3.14** The types of questions included in each paper will be:
- Computational and book-keeping exercises
 - Longer essay styled questions
 - Small case studies
 - Shorter specific questions
 - Multiple choice questions
- 3.15** An examination paper for any subject may comprise both compulsory questions and elective questions to provide a basis for fairly assessing candidates who may have prepared for the examination using different courses of study.
- 3.16** The computerized accounts subject will be assessed using both individual written examination and a computer-based project involving input of accounting data and generation of financial statements and other financial reports using chosen software.
- 3.17** All examinations are expected to be of three hours in duration.

Values requirements

- 3.18** The new qualification framework aims to reposition the HKIAAT from being primarily a qualification recognizing knowledge gained by examination to a membership designation requiring the ability to apply knowledge and to do so with an understanding of what it is to act in a professional manner.
- 3.19** Acting in a professional manner requires demonstrating professional values, ethics and attitudes. It is this adherence to values determined and held by a peer group that distinguishes a member of a professional body from others who may have achieved and demonstrated a similar knowledge set.
- 3.20** The values component will be addressed using a professional programme named as professional assessment, to be delivered by the HKIAAT. It will consist of three subjects:
- Ethics in business and the profession;
 - Authority and structure of the profession; and
 - Current non-technical issues facing the profession of accountancy.
- 3.21** A table outlining the competency map of the professional assessment is shown in Appendix IV.
- 3.22** The professional assessment will be in the form of a 25-hour self-study programme, followed by a 3-hour workshop covering the three subjects. It will be assessed by a multiple choice examination (75%) and general participation in the workshop (25%).
- 3.23** Study materials will be written in English and workshop will be conducted in English (with bilingual facilitators).
- 3.24** The professional assessment will be offered on a quarterly basis. It is intended that the first professional assessment will be held in the fourth quarter of 2009 (i.e. after the announcement of examination results in June 2009). Candidates after successful completion of the AAT examination are then eligible for enrolment in the professional assessment.
- 3.25** Passing the professional assessment is a requisite to become members of the HKIAAT.
- 3.26** No exemption will be granted for the professional assessment.

Practical experience requirements

3.27 To meet the needs for candidates to demonstrate the ability to apply the knowledge and values awareness they have gained through completion of the AAT examination, and the professional assessment, those seeking membership of HKIAAT will be required to complete practical experience as follows:

Associate member (AAT)	One year full-time relevant accounting practical experience (Note 1) (pre- and post-examination experience are both acceptable)
Fellow member (Fellow AAT)	Five years after attainment of Associate Membership (Note 2)

Note:

- 1. Practical experience will only be recognized to form part of the requisite period if it is continuously in any one company of not less than 4 months of duration and provided that it is full-time.*
- 2. The 5 years Associate Membership to become a Fellow Member must be continuous.*

3.28 The implementation of the new membership structure will tie in with the launch of the new qualification framework.

Section 4. Additional competency requirements for entry to the Hong Kong Institute of CPAs' qualification programme

- 4.1** The AAT examination addresses only the knowledge requirements for admission to HKIAAT. Those candidates wishing to undertake the Hong Kong Institute of CPAs qualification programme will need to demonstrate that they have the additional competency requirements for entry into the qualification programme. This body of knowledge will be tested in the form four examination papers - the professional bridging examination (PBE). The four papers are:

Paper I - PBE Financial accounting
Paper II - PBE Management accounting and finance
Paper III - PBE Auditing and information systems
Paper IV - PBE Business law and taxation

A table outlining the competency map of each subject is shown in Appendix V.

- 4.2** These additional competency requirements for entry to the qualification programme will comprise subject matter across almost the full range of accounting and accounting-related areas of the AAT examination syllabuses, bringing the competency levels of AAT examination graduates up to degree equivalent level, which is the basic requirement for anyone who wish to become a qualification programme candidate.
- 4.3** The PBE is benchmarked at the Education Bureau's Qualifications Framework at Level 5. It will be offered from the June 2009 session, i.e. the existing examination will continue to operate until December 2008.
- 4.4** The PBE will be offered and administered by the Hong Kong Institute of CPAs. The syllabuses have been enhanced as part of the major review on the qualification programme conducted by the Institute's Examinations Board.
- 4.5** To be eligible to take the PBE, one must either be a graduate, an Associate Member or a Fellow Member of the HKIAAT. Graduates refer to those students who have completed the eight papers of the AAT examination but who have not gained the one-year work experience required of members. Graduates will not be required to attempt the professional assessment before taking the PBE.
- 4.6** PBE graduates need to be HKIAAT's associate or fellow members (with at least one year of work experience) before admission to the qualification programme.
- 4.7** The HKIAAT Board is working on the possibility of collaborating with universities in offering a top-up degree programme with the PBE elements embedded in the programme.

Section 5. Transitional arrangements

- 5.1** In designing the new qualification framework, the Hong Kong Institute of CPAs council and HKIAAT board are conscious of the need to allow reasonable time for those candidates who have started the education programme to finish under the existing structure. Transitional arrangements will allow candidates partway through their studies to complete the programme with the least amount of disruption possible.

ATE registered students

- 5.2** Students who register for the accounting technician examination (ATE) on or before 15 July 2008 and students whose accredited programmes commence on or before 31 December 2009 will be awarded cross-credits to the new AAT examination. There is no time limit for students to apply for the cross-credit exemptions. A table outlining the cross-credit exemptions is shown in Appendix VI.
- 5.3** Those students who are able to complete all AAT examinations by June 2011 and apply for membership by 31 December 2011, they will be exempted from the professional assessment. In addition, for such students, they can continue to use two years of full-time study or two years of a mixture of work experience and study in lieu of the one-year work experience for membership admission.
- 5.4** Completion of all AAT examinations can be a combination of the current and new papers but the total number of papers must be eight.
- 5.5** Those students who are not studying for accredited programmes and who register on or after 16 July 2008 will need to follow all the requirements under the new qualification framework.
- 5.6** A table presenting the transitional arrangements for ATE registered students is set out in Appendix VI.
- 5.7** A series of frequently asked questions and answers will be posted on the HKIAAT website for reference. Existing students who have queries on the transitional arrangements may call the HKIAAT secretariat at 2823 0600.

PBE registered students

- 5.8** Students who register for the professional bridging examination (PBE) on or before 15 September 2008 will be awarded cross-credits to the new PBE. There is no time limit for students to apply for the cross-credit exemptions and there is no need to register as a qualification programme student to claim the exemptions. A table outlining the cross-credit exemptions is shown in Appendix VI.

Past registered students

- 5.9** Past registered students who are no longer on the students' register and have yet to complete the ATE or PBE qualification will be entitled to the same cross-credits and/or exemptions as existing students, as outlined above, provided that they reinstate their studentship or membership.
- 5.10** Past registered students can join the students' register again during the period from the announcement of the new qualification framework to 15 November 2010 (deadline for registration to sit the June 2011 examination).
- 5.11** A table presenting the transitional arrangements for past registered students is set out in Appendix VI.

Section 6. Examination exemptions for accredited programmes

- 6.1** Programmes currently accredited by HKIAAT will continue to receive the same exemption status until 31 December 2009. Therefore, candidates who are in the process of completing their studies under the existing arrangements will continue to enjoy the benefit of the exemption policy as appended below (Paras 6.2 to 6.3)

For those students who are eligible for claiming partial exemption from the existing accounting technician examination

- 6.2** Provided that they are able to complete the accredited programme plus the outstanding AAT examinations (can be a combination of the current and new papers) by June 2011 and apply for membership by 31 December 2011, they will be exempted from the professional assessment. In addition, for such students, they can continue to use two years of full-time study or two years of a mixture of work experience and study in lieu of the one-year work experience for membership admission.

For those students who are eligible for claiming full exemption from the existing accounting technician examination

- 6.3** Provided that they are able to complete the accredited programme and apply for membership on or before 31 December 2011, they will be exempted from the professional assessment. In addition, for such students, they can continue to use two years of full-time study or two years of a mixture of work experience and study in lieu of the one-year work experience for membership admission.

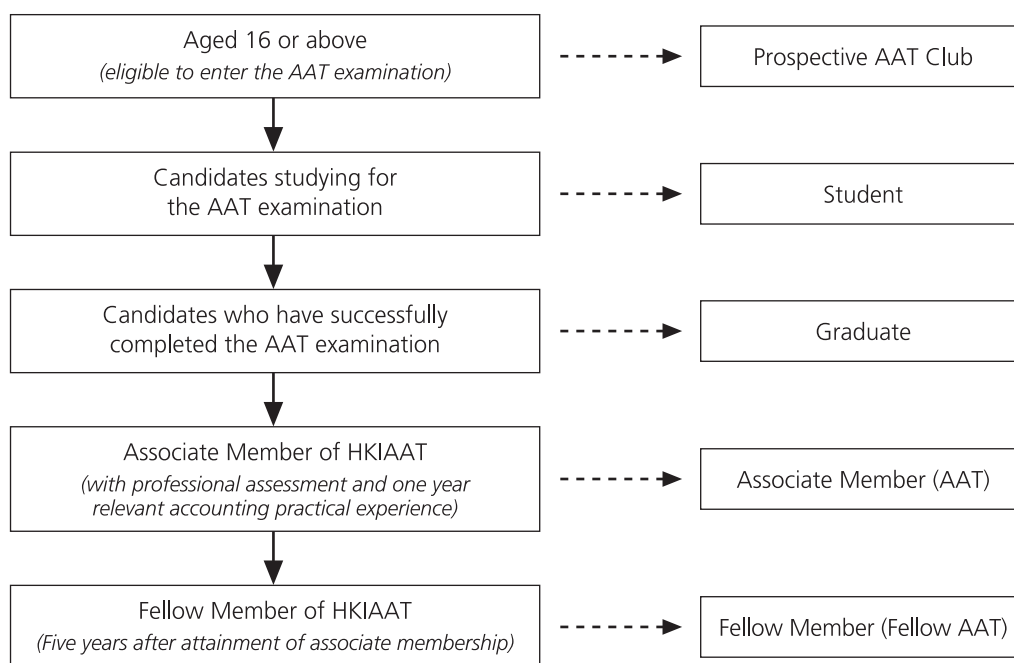
Accreditation of programmes

- 6.4** HKIAAT will work with existing education providers to review their existing programmes in the light of the new AAT examination syllabuses. Course providers of existing accredited programmes will be asked to submit a set of documentation including competency requirements questionnaire. A desk review will then be conducted. Focus will mainly be on those papers with substantial changes. It is envisaged that the review will take about two years to complete.
- 6.5** Education providers will be able to seek accreditation for the new AAT examination subjects for their new programmes, which will be reviewed against the following key criteria:
- External recognition
 - Student profile
 - Teaching staff
 - Curriculum content
 - Resources available
- 6.6** HKIAAT will retain full responsibility for the development and delivery of the professional assessment, and no exemptions will be awarded from this component of the qualification framework.
- 6.7** A table presenting the transitional arrangements for students of accredited programmes is set out in Appendix VI.

Section 7. Membership of HKIAAT

- 7.1** As indicated through this paper, there is a distinction between passing the AAT examination as an achievement and subsequently, upon completion of professional assessment requirements and submitted satisfactory referees reports to being admitted as an associate member or a fellow member of HKIAAT and entitled to use the designation AAT or Fellow AAT.
- 7.2** This distinction between being examination-qualified and a membership designation is critical as it reflects the fundamental increase in value of becoming a member of a recognized accounting body.
- 7.3** HKIAAT will have a range of affiliation and membership categories to reflect the various stages in the process toward full HKIAAT membership. These categories are shown in the following diagram and described in more detail below.

Routes for admission to HKIAAT membership



(i) Pre-membership affiliations

- Prospective AAT Club - for secondary school students who are thinking of pursuing a career in accounting.
- Student - for those who have enrolled for AAT examination subjects but who have not completed the AAT examination.
- Graduate - for those who have successfully completed the AAT examination. Graduates who aspire to become professional accountants may further take the professional bridging examination.

(ii) Membership

- Associate member - for those who have successfully completed the AAT examination and the professional assessment and have gained one year relevant accounting practical experience. Associate membership entitles members to use the designation "AAT".
- Fellow member - for those who have attained five years associate membership. Fellow membership entitles members to use the designation "Fellow AAT".

Section 8. The way forward

- 8.1** The Hong Kong Institute of CPAs and HKIAAT appointed an expert consultant to develop the competency requirements of the new qualification framework for Hong Kong Accredited Accounting Technicians. It is envisaged that this new qualification framework, together with the top quality of its course materials and delivery and the high standards of the examinations, will ensure that accounting technicians will be able to acquire the required competencies to meet future challenges. In addition, the new qualification framework will ensure its HKIAAT's educational and membership requirements reflect the best internationally accepted standards, thus ensuring that the HKIAAT qualification is one of international standing.
- 8.2** The Hong Kong Institute of CPAs council and HKIAAT board are grateful to the education providers, educationalists, government departments, professional bodies, employers and practitioners as well as members and students who have contributed to the development of this new qualification framework.
- 8.3** With the wide support shown, the Hong Kong Institute of CPAs and HKIAAT are confident that the new qualification framework will be established as an important benchmark for Hong Kong accredited accounting technicians in the next decade.

Appendices

Appendix I

Compositions of the HKIAAT board,
its task force on examination structure
and executive support

Compositions of the HKIAAT board, its task force on examination structure and executive support

HKIAAT Board

<p>2007</p> <ol style="list-style-type: none"> 1. Doug Oxley (President) 2. Cho Lung Pui Lan, Stella (Vice-President) 3. Wilson Fung (Vice-President) 4. Chan Cheuk Hay 5. Johnson Kong 6. Andy Li 7. Lindy Yau 	<p>2005</p> <ol style="list-style-type: none"> 1. Dennis Chung (President) 2. Kennedy Tat-yin Liu (Vice-President) 3. Doug Oxley (Vice-President) 4. Chan Cheuk Hay 5. Ivan Chan 6. Chew Fook Aun 7. Cho Lung Pui Lan, Stella 8. Wilson Fung 9. George Ho * 10. James Kong 11. Bosco Law * 12. Andy Li 13. Wan Shiu Kee 14. Joseph S W Yau 15. Joseph Y K Yau * 16. Yeung Che Keung *
<p>2006</p> <ol style="list-style-type: none"> 1. Doug Oxley (President) 2. James Kong * (Vice-President) 3. Kennedy Tat-yin Liu * (Vice-President) 4. Chan Cheuk Hay 5. Ivan Chan * 6. Chew Fook Aun * 7. Cho Lung Pui Lan, Stella 8. Dennis Chung * 9. Wilson Fung 10. Johnson Kong 11. Peter Lee * 12. Andy Li 13. Dennis Mak * 14. Wan Shiu Kee * 15. Joseph S W Yau * 16. Lindy Yau 	<p>2004</p> <ol style="list-style-type: none"> 1. Dennis Chung (President) 2. Kennedy Tat-yin Liu (Vice-President) 3. Doug Oxley (Vice-President) 4. William Chan * 5. Cho Lung Pui Lan, Stella 6. Wilson Fung 7. Daniel J Hackston * 8. George Ho 9. James Kong 10. Andrew Ma * 11. Jack Ng * 12. Kenneth Pang * 13. Wan Shiu Kee 14. Joseph S W Yau 15. Joseph Y K Yau 16. Yeung Che Keung

Notes:

Messrs William Chan, Daniel J Hackston, Andrew Ma, Jack Ng and Kenneth Pang retired as a member of the Board since December 2004.

Messrs George Ho, Bosco Law, Joseph Y K Yau and Yeung Che Keung retired as a member of the Board since December 2005.

Dr Joseph S W Yau retired as a member of the Board since May 2006.

Messrs Ivan Chan, Chew Fook Aun, Dennis Chung, James Kong, Peter Lee, Kennedy Tat-yin Liu, Dennis Mak and Wan Shiu Kee retired as a member of the Board since February 2007.

Task force on examination structure

2006	
1. Andy Li	(Chairman)
2. Winnie Kwok	
3. Bosco Law	
4. Kennedy Tat-yin Liu	
2005	
1. Joseph S W Yau *	(Chairman)
2. Winnie Kwok	
3. Bosco Law	
4. Andy Li	
5. Matthew Ng *	
6. Yeung Che Keung *	
2004	
1. Daniel J Hackston *	(Chairman)
2. William Chan *	
3. Bosco Law	
4. Kennedy Tat-yin Liu	
5. Doug Oxley *	
6. Joseph Y K Yau	
7. Yeung Che Keung	

Notes:

Messrs Daniel J Hackston, William Chan, Doug Oxley and Joseph Y K Yau retired as a member of the Task Force since July 2005.

Mr Yeung Che Keung retired as a member of the Task Force since December 2005.

Mr Matthew Ng retired as a member of the Task Force since April 2006.

Dr Joseph S W Yau retired as a member of the Task Force since May 2006.

Executive support

1. Winnie Cheung, Chief Executive & Registrar of the Hong Kong Institute of CPAs and Institute Secretary of HKIAAT
2. Georgina Chan, Executive Director of the Hong Kong Institute of CPAs and HKIAAT
3. Jonathan Ng, Director of Student Education and Training of the Hong Kong Institute of CPAs and Director of HKIAAT
4. Grace Leung, Secretary General of HKIAAT
5. Bo Bo Man, Assistant Director of HKIAAT
6. Kitty Siu, Assistant Manager of HKIAAT

Note:

Mr Grace Leung resigned as the Secretary General of HKIAAT on 4 June 2007.

Appendix II

Responses to the consultation paper

Introduction

The consultation paper on the proposed new qualification framework for the Hong Kong Accredited Accounting Technicians was released in March 2007. The purpose of the consultation was to introduce the proposed HKIAAT new qualification framework to stakeholders and to solicit feedback and comments from them.

Three briefing sessions were held in April 2007 to provide an opportunity for various stakeholders to understand the proposed framework and to exchange their views on the spot. There were over 300 enrolments for the three sessions with an average attendance rate of 79%. During the briefing sessions, a mini-survey on the general view of the new qualification framework was conducted and the results are presented below.

Results of the mini-survey conducted during the briefing sessions on 23, 24 and 28 April 2007

1. Overall, do you think the new qualification framework will enhance the status of the AAT qualification in Hong Kong?

113 participants representing 87.5% of the respondents were of the view that the new qualification framework would enhance the status of the AAT qualification in Hong Kong.

2. Do you think the new AAT qualification will help members/students in their career development?

113 participants representing 87.5% of the respondents agreed that the new AAT qualification would help members/students in their career development.

3. Would you consider the professional assessment module useful?

115 participants representing more than 89% of the respondents considered the professional assessment module useful.

4. Do you think the transitional arrangements are adequate?

114 participants representing 88% of the respondents were satisfied with the proposed transitional arrangements.

Responses to the consultation paper

All stakeholders including members and students, course providers, government departments, employers, professional bodies, secondary schools and interested parties were invited to send in their written comments during the consultation period spanning from mid March to the end of May 2007. At the conclusion of the consultation period, the Hong Kong Institute of CPAs received a total of 13 written responses. The distribution of respondents is as follows:

Professional bodies:	1
Course providers:	2
CPA firms:	1
Government departments:	2
HKIAAT members:	3
HKIAAT graduates and students:	2
Others:	2
	<hr/>
	13

The response in general shows strong support for the new qualification framework as set out in the consultation paper, and its substance is summarized as follows:

1. Recognition of the new qualification framework

It was considered by most of the respondents that the new qualification framework would enhance the status of the AAT qualification in Hong Kong and would also assist members/students in their career development.

Some students, however, expressed their concerns that as some of the syllabuses of the new AAT examination are reduced, this may affect the recognition of the new qualification framework and articulation to further studies.

Comments

The current syllabuses of the accounting technician examination are actually pitched at a level too high for accounting technicians. Although the syllabuses of some new papers will be reduced, the new subjects included will increase the breadth of the syllabuses, and better reflect the work of accredited accounting technicians. The HKIAAT will start a dialogue with relevant educational institutes to seek recognition of the new qualification framework. Moreover, concerted marketing and promotional efforts will be made to increase public awareness and recognition of the AAT qualification, with a view to bridge the expectation gap.

2. Coverage of the new examination syllabuses

The coverage of the new examination syllabuses was generally accepted and respondents concurred that it would meet the broadening role required for accounting professionals in the dynamic business world.

Some potential employers suggested that the new examination syllabuses should be more geared towards raising the application skills rather than simply drilling theoretical knowledge.

Comments

In this era of broad-based knowledge requirement at work, accounting technicians can no longer be complacent with merely technical knowledge gained through constant drilling, as in the past. The curriculum of the new qualification framework is so designed to cultivate students' positive values and attitudes to achieve the educational aims of promoting whole-person development and life-long learning. Such well-rounded education will enable graduates to handle the ever more complex assignments and to pursue a wide variety of career paths as they mature, thus enhancing their value to their current and/or prospective employers as well as themselves.

3. Professional assessment

Respondents welcomed the introduction of the professional assessment and shared the view that acting in a professional manner required the demonstration of values, ethics and attitudes.

Some respondents were of the view that ethics was a matter of practice and hence teaching ethics as a separate module was unnecessary.

Comments

HKIAAT, as the only local organisation that offers both a qualification and a designation for those starting a career in accounting, has to be mindful of establishing a membership status as a valid and valued attainment in its own right. The proposed qualification framework is to uphold the standards required for granting of the AAT status. The professional assessment is put in place to raise AAT examination graduates' awareness of professional ethics and other issues relevant to the accountancy profession. Such values have to be set out in a framework and that needs to be learnt.

4. Re-accreditation of relevant programmes

Course providers were supportive of the new qualification framework in general but they had expressed concerns about the re-accreditation of existing programmes and the short timeframe provided for the whole process.

Comments

As part of phasing in the new framework, programmes currently accredited by the HKIAAT will continue to receive the same exemption status until 31 December 2009. Course providers will be invited to submit their syllabuses in early 2008. A desk review will then be conducted which will focus mainly on those papers with substantial changes. This will be done systematically with the HKIAAT maintaining a close dialogue with relevant course providers. Adequate time is provided to conduct the whole process. It is envisaged that the re-accreditation of all programmes will take two years to complete.

5. Other considerations

5.1 Language proficiency requirement

Some respondents suggested that language proficiency requirement (both written and spoken) for English, Chinese, as well as Putonghua, should be included as part of the new qualification framework.

Comments

Paper 2 "Business communication and organization and management" of the new AAT examination requires specific competency in English business writing. Both the Hong Kong Institute of CPAs and HKIAAT recognize the importance of language proficiency to be successful in business. Language proficiency should be developed from an early age and the HKICPA, as part of its Fifth Long Range Plan, will be liaising with the Education Bureau to reflect the business need for much stronger language skills among students. In addition, both institutes are also actively organizing language courses to supplement the training of members and students who need extra help.

5.2 Transitional arrangements

Respondents in general considered the transitional arrangements adequate but had made some suggestions regarding the cross-credit exemptions. Many of them (students and course providers) had also requested to postpone the launch of the new qualification framework in order to provide sufficient time for them to prepare for the new examinations. They had also raised their concerns about the short time gap to proceed to the professional bridging examination (PBE) after completion of the new AAT examination, as membership with HKIAAT was a pre-requisite for taking the PBE.

Comments

The Hong Kong Institute of CPAs and HKIAAT are mindful about this concern. Positive measures will be taken to ensure that registered students are not disadvantaged as a result of the proposed changes. Policy has also been refined with regard to the entry requirements for the PBE. In response to comments received from HKIAAT students and course providers, the launch of the new qualification framework will be postponed by one cohort, i.e. from December 2008 to June 2009.

Conclusion

There is general good support for the proposals set out in the consultation paper. The proposed changes are considered necessary and will help accounting technicians to meet the broadening role required to support the accountancy profession and businesses in Hong Kong.

Appendix III

Detailed competency map: knowledge requirements (AAT 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

The candidate demonstrates familiarity with the concept in question; can define it in overview terms and can relate the importance or relevance of the concept to the activities of an accounting technician.

2. Knowledge

This builds upon awareness. The candidate is able to explain the concept; describe and discriminate between its component parts and describe their inter-relationships; recognize instances of the concept; and describe processes, theories and judgement issues; without necessarily being able to perform in those areas with professional skill.

3. Application

This builds upon knowledge. The candidate is able to execute or implement knowledge; apply the knowledge to real world situations. In so doing, the candidate displays to a satisfactory degree of the level of competence reasonably to be expected of an accounting technician at career entrance level.

Paper 1: Fundamentals of accounting and computerized accounts

Aim: This paper aims:

- (i) to develop and assess candidates' knowledge, comprehension and application of the basic accounting concepts and principles; including the ability to apply these to record business transactions; and to prepare and interpret basic financial reports; and
- (ii) to develop and assess candidates' ability to use available accounting software to record business transactions and to generate financial reports.

Content (Fundamentals of accounting)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the role of accounting within a business enterprise	• Define accounting	2
	• Describe the function of both financial and management accounting	2
	• Identify the users of accounting information and their respective information needs	2
	• Explain the qualitative characteristics of accounting information	2
Identifying and understanding of the types of financial statements and the purposes of each type	• Identify the types of financial statements produced by both financial and management accounting	1
	• Describe the purposes of each type of financial statements	2
Understanding of the relationship between business activities and business transactions	• Identify principal types of business activities	2
	• Explain how each type of business activity is recorded as a business transaction	2
Understanding of the double entry accounting system	• Describe and classify business transaction into: <ul style="list-style-type: none"> – assets – liabilities – equity – revenues – expenses 	3
	• Distinguish between capital and revenue expenditure	2
	• Explain the profit impact of incorrect classification between capital and revenue items	2
	• Apply the accounting equation ($A = E + L$)	3

<p>Understanding of the principles of accounting</p>	<ul style="list-style-type: none"> • Explain the following accounting concepts, principles and conventions: <ul style="list-style-type: none"> – going concern – accrual – consistency – materiality – prudence – business entity – accounting period – historic cost – measurement – realization – substance over form 	<p>2</p>
<p>Understanding of the accounting treatment of non-current assets</p>	<ul style="list-style-type: none"> • Define non-current assets • Explain depreciation and the reasons for providing for it • Calculate depreciation using various methods • Explain the factors to be considered in formulating depreciation policy • Demonstrate the accounting entries for providing depreciation and for disposing of non-current assets • Explain and record the revaluation of assets 	<p>2</p> <p>2</p> <p>3</p> <p>2</p> <p>3</p> <p>3</p>
<p>Understanding of the accounting treatment of current assets</p>	<ul style="list-style-type: none"> • Define current assets • Define inventories • Explain the difference between perpetual and periodic inventory systems • Explain and justify the valuation of inventories at the lower of cost and net realizable value using FIFO, LIFO, and average cost methodologies • Prepare the accounting entries for inventory transactions • Define receivables • Explain bad debts and the provision for doubtful debts • Prepare the accounting entries for receivables transactions 	<p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>3</p> <p>2</p> <p>2</p> <p>3</p>
<p>Understanding of the records of original entry</p>	<ul style="list-style-type: none"> • Describe the functions of the following records of original entry: <ul style="list-style-type: none"> – cash book – petty cash journal – sales and returns journal – purchase and returns journal – general journal 	<p>2</p>

Applying the accounting equation to business transactions and prepare a trial balance	<ul style="list-style-type: none"> • Prepare the following records of original entry from source records: <ul style="list-style-type: none"> – cash book – petty cash journal – sales and returns journal – purchase and returns journal – general journal 	3
	• Post journals to general and subsidiary ledgers	3
	• Describe the function of control accounts	2
	• Prepare control accounts for receivables and payables ledgers and control accounts	3
	• Reconcile control accounts and subsidiary ledgers	3
	• Explain the purpose of preparing a bank reconciliation statement	2
	• Prepare a bank reconciliation	3
	• Describe types of accounting errors	2
	• Describe the purpose of a suspense account	2
	• Prepare journal entries to correct errors	3
• Extract a trial balance from ledger accounts	3	
Applying period end adjustments	<ul style="list-style-type: none"> • Prepare the accounting entries for the following period end adjustments: <ul style="list-style-type: none"> – accrued expenses – prepaid expenses – inventory – depreciation – bad/doubtful debts – income in arrears/in advance 	3
Preparing financial statements from incomplete records	• Identify the incomplete information for preparation of financial statements	3
	• Using “substitution” technologies, prepare financial statements from available information	3
Understanding of accounting for, and presentation of financial statements for various common types of business entity	• Define a sole trader and prepare a trading and profit and loss account and a balance sheet from a trial balance for a sole trader	3
	• Explain the characteristics of clubs and societies and prepare a receipts and payments account, an income and expenditure account, and a balance sheet for a club or society	3

	<ul style="list-style-type: none"> • Explain the characteristics of a partnership and prepare an income statement, an appropriation account and a balance sheet for a partnership incorporating: interest on partners' capital; partners' salaries; interest on partners' drawings; sharing of profits and losses: <ul style="list-style-type: none"> – distinguish between and prepare partners capital and current accounts – record admission and retirement of partners and prepare the balance sheet for a new partnership – describe the nature of partnership goodwill and explain its accounting treatment 	3
	<ul style="list-style-type: none"> • Explain the characteristics of a limited liability company and: <ul style="list-style-type: none"> – explain the nature and purpose of share capital reserves and debentures – record the issue of shares and debentures – record interim and final dividends – prepare an income statement, appropriation account and balance sheet 	3
	<ul style="list-style-type: none"> • Explain the characteristics of a manufacturing business and: <ul style="list-style-type: none"> – prepare a manufacturing account and an income statement showing prime cost; cost of goods produced; transfer price of finished goods – prepare a balance sheet – calculate the unrealized profit on finished goods – explain the use of transfer prices for goods transferred from a factory to a warehouse 	3
Analyzing and appraising financial statements	<ul style="list-style-type: none"> • Explain the use of ratio analysis 	2
	<ul style="list-style-type: none"> • Calculate the following ratios: <ul style="list-style-type: none"> – gross margin – net margin – return on owners equity – return on capital employed – current turnover – current – quick (acid test) – inventory turnover – debtors collection period – creditors repayment period – gearing – interest cover – dividend cover – dividend yield – earnings per share – price earnings 	3
	<ul style="list-style-type: none"> • Demonstrate the significance of, and reasons for, changes in ratios over time; and differences in ratios between entities; in respect of: <ul style="list-style-type: none"> – profitability – short term liquidity – long term solvency – investment ratio 	3

Content (Computerized accounts)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Establishing a simple accounting system using available accounting software	• Set up information relating to entity	3
	• Create master files	3
	• Create a chart of accounts	3
	• Create and input opening balances	3
	• Create the following files and accounts: <ul style="list-style-type: none"> – new general ledger accounts – new customer/supplier files – new inventory items – a non-current asset register 	3
Recording and processing data using available accounting software	<ul style="list-style-type: none"> • Record and process the following business transactions: <ul style="list-style-type: none"> – sales and returns – purchases and returns – receipts – payments – accounts receivable and accounts payable – inventory inwards and outwards – accruals, prepayments, depreciation, provision for doubtful clients, taxation, error corrections – detailed non-current asset information – purchase and disposal of non-current assets 	3
Producing relevant accounting reports and financial statements using available accounting software	<ul style="list-style-type: none"> • Produce the following accounting reports and financial statements: <ul style="list-style-type: none"> – chart of account – sales analysis, sales journal – purchases analysis, purchases journal – receipts and payments analysis – general journal – bank reconciliation – general ledger – trial balance – inventory analysis – receivables ageing – debtors statements – history and balance of account – customer/supplier transaction details – transactions of a particular type for a given period – fixed assets register (including details of additions and disposals) – profit and loss account, balance sheet, cash flow statement 	3
Understanding of risks inherent in using available accounting software for producing accounting reports and financial statements	• Identify potential risks	2
	• Describe actions to mitigate risks identified	2

Paper 2: Business communication and organization and management

Aim: This paper aims:

- (i) to develop and assess a broad range of skills used to communicate effectively in business situations; and
- (ii) to introduce candidates to the basic principles of management, develop a basic understanding of business structures, and the operation of the various functional units within organizations.

Content (Business communication)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the basic concepts of communication	<ul style="list-style-type: none"> • Define communication 	1
	<ul style="list-style-type: none"> • Identify the elements in the communication process: <ul style="list-style-type: none"> – sender – message – encoding – channel – receiver – decoding – feedback 	1
	<ul style="list-style-type: none"> • Recognize the importance of the you-attitude: <ul style="list-style-type: none"> – differentiate between the you-attitude and the I-attitude – describe how to develop the you-attitude 	2
Understanding of the different means of communication	<ul style="list-style-type: none"> • Distinguish between the different means of communication: <ul style="list-style-type: none"> – reading – written – speaking – listening 	2
	<ul style="list-style-type: none"> • Compare the advantages and effectiveness of the four types of communication 	2
Understanding of effective communication techniques	<ul style="list-style-type: none"> • Identify the common barriers that impede communication: <ul style="list-style-type: none"> – barriers in the world around us – barriers between people – barriers made by words – barriers caused by cultural differences 	1
	<ul style="list-style-type: none"> • Explain how effective communication can be achieved: <ul style="list-style-type: none"> – create a favourable environment – observe the dress code – use a proper channel – understand the audience's background – organize thoughts/ideas logically – focus on specific topics – encourage feedback from the audience 	2
	<ul style="list-style-type: none"> • Discuss Maslow's Hierarchy of Needs 	1

Recognizing of the source of written materials	<ul style="list-style-type: none"> • Identify the various sources of written materials • Develop the ability to extract relevant information from a wide range of documents and resources 	1 3
Understanding of the forms of communication within an organization	<ul style="list-style-type: none"> • Explain the different forms of communication: <ul style="list-style-type: none"> – internal and external – verbal and written – upward and downward – vertical and lateral 	3
Understanding the writing process	<ul style="list-style-type: none"> • Explain and demonstrate the stages in the writing process: <ul style="list-style-type: none"> – brainstorming – defining goals and audience – conducting research – planning – drafting – revising – proof-reading • Identify and eliminate common problems in writing: <ul style="list-style-type: none"> – wordiness – the overuse of passive sentences – excessive use of “s” and commas – choppiness – subjectivity – negativity – clichés – lack of variety • Apply unity and clarity in writing effective sentences • Understanding the rules of paragraphing and use topic sentences in writing clear paragraphs 	3 3 3 3
Ability to compose clear, concise and professional business writing	<ul style="list-style-type: none"> • Demonstrate knowledge of business jargon and abbreviations • Discuss the advantages and disadvantages of presenting information from diagrams, charts, tables and graphs in writing • Use an appropriate tone: <ul style="list-style-type: none"> – the four “P”s: personal/polite/positive/professional 	3 2 3
Ability to convey accurate and concrete information in written business communications	<ul style="list-style-type: none"> • Discuss and distinguish the differences between the following business communication: <ul style="list-style-type: none"> – business letter – memo – agenda/minutes – report – proposal – e-mail – fax message • Demonstrate clear understanding of the definition and application of the various jargon in the above business correspondence 	2 3

Writing different forms of external business communication effectively	<ul style="list-style-type: none"> • Understand the nature and features of business letters: <ul style="list-style-type: none"> – enquiry letter – letter of request – letter placing an order – collection letter – sales and promotion letter – complaint letter – letter of recommendation – letter of appreciation – letter of congratulations – letter of condolence 	3
	<ul style="list-style-type: none"> • Distinguish the tone and format of the above types of letters 	3
	<ul style="list-style-type: none"> • Compose effective and concise written documents and correspondence 	3
	<ul style="list-style-type: none"> • Prepare responses for the following business correspondence: <ul style="list-style-type: none"> – enquiry letter – letter of request – letter placing an order – complaint order 	3
Writing effective internal business communication	<ul style="list-style-type: none"> • Discuss the nature and needs for writing the various kinds of documents for internal communication: <ul style="list-style-type: none"> – memorandum – agenda and minutes – report – proposal – notice 	2
	<ul style="list-style-type: none"> • Discuss the degree of formality used in a memorandum 	2
	<ul style="list-style-type: none"> • Write clear and effective memorandums for routine enquiries, responses, policies, directives and indirect messages 	3
	<ul style="list-style-type: none"> • Describe facts and incidents concisely and clearly 	3
Producing short reports that are informative, accurate and timely	<ul style="list-style-type: none"> • Define the purpose of a report 	1
	<ul style="list-style-type: none"> • Distinguish between the various kinds of reports: <ul style="list-style-type: none"> – formal/informal report – long/short report – proposal – recommendation report – evaluation report 	1
	<ul style="list-style-type: none"> • Outline the report-writing process and explain the importance of objectivity in report writing 	2
	<ul style="list-style-type: none"> • Prepare a complete report: <ul style="list-style-type: none"> – identify the different styles of report and the features in a report – understand the pros and cons of including diagrams, pictures, data, tables in a report – discuss the importance of design and layout of a report – gather and select information and summarize relevant data from research material – evaluate the quality of the report 	3

Understanding of the nature and requirements for a business meeting	• Explain the functions of a meeting/conference	1
	• Describe the process for calling a productive and effective meeting	1
	• Identify the features of a meeting: <ul style="list-style-type: none"> – people – purpose – venue 	1
	• Prepare an agenda and minutes	3
	• Consolidate materials into effective, concise presentation materials for the meeting	3
	• Describe the problems of a meeting: <ul style="list-style-type: none"> – group-think – hidden agenda – interpersonal conflicts 	2
	• Evaluate the quality and effectiveness of a meeting	3

Content (Organization and management)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Knowledge of the importance of effective organizational management to achieve the aims of an organization	• Describe the various levels of management and the function and inter-relationship of each	2
	• Outline alternative approaches by management to problem solving and decision making	2
	• Describe and distinguish the various types and levels of planning undertaken by organizations	2
	• Describe the concepts of authority, accountability and responsibility	1
	• Describe the basic elements of organization design and the advantages/disadvantages of differing structures	1
	• Identify common quality management techniques	1
Knowledge of the characteristics of effective control systems in organizations	• Describe the need for control in organizations	1
	• Describe the characteristics of effective control systems in organizations	1
	• Explain financial and non-financial methods of control	1

Understanding of the basic concepts of marketing and marketing mix	• Define marketing	1
	• Define and understand the relationships between: <ul style="list-style-type: none"> – segmentation – targeting – positioning 	1
	• Understand the different marketing mix: <ul style="list-style-type: none"> – product – price – place – promotion 	1
Knowledge of market research tools	• Identify the different types of research data	1
	• Describe the steps in the market research process	1
	• Explain how businesses analyze and use marketing information	2
Understanding of the key elements of production and operations management in a manufacturing business	• Describe the key elements of products and operations management	2
	• Explain the role of strategic production analysis	2
	• Describe the concept of total quality management	2
Understanding of the key elements of management in a service organization	• Describe the distinctive features of a service organization	1
	• Explain the importance of strategic planning in service organizations	2
	• Describe the importance of service quality	2
Understanding of the role of financial management in organizations	• Explain the critical role of financial management in the overall management of an organization	2
	• Explain the key financial decisions an organization needs to make	2
	• Describe different forms of financial planning and sources of finance	1
	• Explain the role of the accounting function in relation to financial analysis, reporting and control	2
Understanding of the role of the human resource management function in an organization	• Explain the importance of human resource management	1
	• Describe: <ul style="list-style-type: none"> – staff planning – employee recruitment – selection – induction – training – development – appraisal 	1
Understanding of the unique characteristics of international business	• Describe the importance and relevance of conducting business across national borders	1
	• Explain the unique characteristics of international business: <ul style="list-style-type: none"> – regulatory requirements – terminology – cultural diversity 	2

Paper 3: Management accounting

Aim: This paper aims to develop and assess the understanding of both the principles of cost and management accounting and the application of these principles.

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Comparing cost, management and financial accounting	• Explain and differentiate the purposes of cost accounting, management accounting and financial accounting	2
	• Appreciate the role of cost accounting in a management information system	1
	• Appreciate the importance of financial and non-financial information for planning, control and decision-making purposes	1
Understanding of cost classification, cost concepts, and costing terminology	• Recognize the variety of cost units, cost centres and profit centres	1
	• Understand the nature and purpose of cost classification	1
	• Appreciate the importance of cost accumulation	1
	• Differentiate between direct and indirect costs; fixed and variable costs; period and product costs; controllable and uncontrollable costs; avoidable and unavoidable costs; etc	2
	• Identify cost classification for decision-making and planning	2
	• Appreciate cost behaviour patterns including linear, curvi-linear and step functions	1
	• Appreciate the importance of unit costs for both financial and management decision making	1
Understanding of materials cost as an element of finished goods	• Describe the methods and procedure of store-keeping, stocktaking and inventory control	2
	• Explain and illustrate the perpetual inventory system and its procedures documentation	2
	• Explain and illustrate the methods available for pricing stores issues and for inventory valuation	2
Understanding of labour cost as an element of finished goods	• Appreciate the basic features and functions of direct and indirect labour costs	1
	• Explain the impact of different remuneration methods on the cost of finished goods	2
	• Appreciate the process of labour cost accounting	1

Understanding of overhead costs as an element of finished goods	• Appreciate the nature of overhead costs	1
	• Explain and illustrate the problems and procedures of identifying, analyzing, allocating and absorbing overhead costs	2
	• Explain the different bases for overhead absorption rates	2
	• Compute overhead absorption rate	3
	• Differentiate and calculate plant-wide overhead rates and departmental overhead rates	3
	• Explain and illustrate the principles and methods of treatment of under and over-absorption of overhead costs	3
Understanding of job costing	• Explain the flow and accumulation of costs when using job costing	2
	• Describe the purpose and content of a job cost sheet	2
	• Demonstrate the methods for accumulating costs for products and services	3
Understanding of contract costing	• Identify appropriate units for accumulation of control costs	1
	• Demonstrate the preparation of a control cost account	3
	• Explain the treatment of profit/loss on contracts including uncompleted contracts	2
	• Demonstrate the accounting entries used in accumulating costs under contracts	3
Understanding of process costing	• Demonstrate the application and identification of cost units	3
	• Demonstrate the accounting entries and special features of process cost accounts	3
	• Explain and determine the equivalent units and cost per equivalent unit	3
	• Demonstrate how costs are assigned to equivalent units using process costing	3
	• Demonstrate the cost accounting methods used in cost processes, process losses and work in progress	3
	• Explain the difference between joint product and by-product costing	2

Understanding of the principal features of activity based costing (ABC)	• Define activity cost pools and provide examples	1
	• Compare and illustrate ABC and traditional product costing systems	2
	• Demonstrate how activity bases are used to assign cost pools to units produced	3
	• Outline the benefits and limitations of ABC	2
	• Explain the differences between, and the effect of, using full absorption costing, marginal costing and activity based costing for the allocation of costs to products	3
Understanding of the need for, and benefits of, budgeting	• Explain the objectives of budgetary planning and control systems	2
	• Identify and apply techniques for forecasting revenue and expenditure	3
	• Prepare operational, cash and capital expenditure budgets	3
	• Explain the differences between fixed budgets, flexible budgets and reforecasts	2
	• Calculate variances and identify their cases	3
	• Explain and illustrate the concept of zero-based budgeting	3
Understanding of standard costing	• Explain the uses and limitations of standard costing	2
	• Identify and determine different standards; basic, ideal, attainable and current standards	3
	• Identify and calculate sales and cost variances	3
	• Prepare standard product cost and analyze different types of variances between standard and actual product costs	3
	• Identify the significance of, and inter-relationship between, variances	2
Analyzing cost-volume-profit (CVP) relationships	• Calculate and explain the usefulness of contribution margin and contribution margin ratio	3
	• Determine the sales volume required to earn a desired level of operating income	3
	• Identify the purposes of break-even analysis	2
	• Illustrate and determine the margin of safety	2
	• Use CVP relationships to evaluate a new marketing strategy	3
	• Identify assumptions underlying CVP analysis	2
	• Prepare a CVP graph	3

Paper 4: Business economics and financial mathematics

Aim: This paper aims

- (i) to develop and assess the understanding candidates have of the basic principles of economics in relation to the economic management of the Hong Kong Special Administrative Region (HKSAR) and other countries; and
- (ii) to introduce candidates to, and assess their understanding and application of, the basic principles and techniques of business mathematics used in making decisions and inferences in the business world.

Content (Business economics)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the principal features of the economic environment in which business operates	<ul style="list-style-type: none"> • Describe the economic concepts of: <ul style="list-style-type: none"> – scarcity – choice – opportunity cost – allocation of resources 	1
Using economic theory to understand the working of HKSAR and other economies	<ul style="list-style-type: none"> • Describe and differentiate the concepts of market economy, planned economy and mixed economy 	2
	<ul style="list-style-type: none"> • Explain demand, supply, market equilibrium and price elasticity 	2
	<ul style="list-style-type: none"> • Identify instances in the HKSAR economy of demand, supply, market equilibrium and price elasticity in action 	2
	<ul style="list-style-type: none"> • Explain the theory of production and identify concepts of: <ul style="list-style-type: none"> – cost/revenue determination – diminishing returns – economies of scale – long and short run production – factor market and income distribution 	2
	<ul style="list-style-type: none"> • Describe and relate to HKSAR, the 4 types of market structure and the respective profit maximization strategies: <ul style="list-style-type: none"> – monopoly – oligopoly – perfect competition – monopolistic competition 	2
	<ul style="list-style-type: none"> • Describe and be able to identify with the HKSAR economy, the behaviour of consumer demand under the assumption of utility maximization 	2
	<ul style="list-style-type: none"> • Describe: <ul style="list-style-type: none"> – market and economic efficiency – market failure – public policies 	2

Understanding of macroeconomic theory and its impact on the economic policies of HKSAR	• Explain the circular flow of income	2
	• Describe measures of economic activity	2
	• Describe the concepts of investment, consumption, and savings	2
	• Describe how fiscal and monetary policies achieve macroeconomic goals	2
	• Describe the causes of unemployment, inflation, and economic growth	2
	• Describe the difference between free trade and protectionism	2
	• Describe both the processes for, and importance of, managing: <ul style="list-style-type: none"> – exchange rates – balance of payments – international trade 	2

Content (Financial mathematics)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the principal concepts used in financial mathematics	<ul style="list-style-type: none"> • Calculate and explain the use of: <ul style="list-style-type: none"> – simple interest – compound interest – net present value – internal rate of return – annuities 	3
Understanding of the principal concepts used in statistical analysis	<ul style="list-style-type: none"> • Describe the following statistical terms: <ul style="list-style-type: none"> – descriptive statistics – inferential statistics – samples – parameters – census 	2
	<ul style="list-style-type: none"> • Describe the process of statistical analysis 	2
	<ul style="list-style-type: none"> • Describe and use the following sampling techniques and identify the advantages, disadvantages and differences between each: <ul style="list-style-type: none"> – convenience sampling – judgement samples – quota sampling – simple random sampling – systematic random sampling – stratified random sampling – cluster random sampling 	3

Understanding of the collection and presentation of statistical data	<ul style="list-style-type: none"> • Identify sources of data and types of data 	1
	<ul style="list-style-type: none"> • Describe and be able to use various methods of collecting data: <ul style="list-style-type: none"> – direct observation – interviewing – postal questionnaire – abstraction from published statistics – internet 	3
	<ul style="list-style-type: none"> • Describe and use frequency distribution for grouping and tabulation of data 	3
	<ul style="list-style-type: none"> • Demonstrate the use of graphical representation: <ul style="list-style-type: none"> – bar charts – pie charts – histograms – frequency polygons – stem and leaf display 	3
Understanding of statistical analysis in business situations	<ul style="list-style-type: none"> • Calculate the following statistical measures: <ul style="list-style-type: none"> – mean – median – mode – range – quartile deviation – interquartile range – standard deviation – variance – co-efficient of variation 	3
	<ul style="list-style-type: none"> • Calculate and explain the concepts of sampling distribution of the mean: <ul style="list-style-type: none"> – standard error – confidence intervals for means and proportions – hypothesis testing for means and proportions 	3
	<ul style="list-style-type: none"> • Calculate the required sample sizes of achieving a desired level of accuracy 	3
	<ul style="list-style-type: none"> • Calculate and explain the characteristics of index numbers: <ul style="list-style-type: none"> – price indices – quantity indices – current index number 	3
	<ul style="list-style-type: none"> • Describe the four components of time series: <ul style="list-style-type: none"> – trend – cyclical variation – seasonal variation – irregular variation 	3

Paper 5: Principles of taxation

Aim: This paper aims to develop and assess both the understanding of the fundamental principles of Hong Kong taxation and the application of those principles.

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the operation of the Hong Kong taxation system and the chargeability to Hong Kong income tax	• Distinguish between different classifications of taxes	1
	• Describe the characteristics of the Hong Kong taxation system	1
	• Describe the sources of Hong Kong tax law and how the tax statutes are interpreted	1
	• Describe the functions of different units of the Inland Revenue Department	1
	• Describe the structure, powers and functions of the Board of Inland Revenue	1
	• Describe the structure, powers and functions of the Board of Review	1
	• Describe and distinguish the scope of charge of different sources of income tax: – property tax – salaries tax – profits tax	2
Understanding of the computation of property tax liabilities of owners of land/buildings situated in Hong Kong	• Identify the persons and properties subject to property tax	2
	• Compute the assessable value and net assessable value	3
	• Compute the amount of property tax and provisional property tax	3
	• Distinguish the circumstances where income from letting of property is subject to property tax or profits tax	2
	• Explain the statutory requirements of retention of rent records	2
Understanding of the computation of salaries tax liabilities of individuals	• Describe the factors to be considered in determining the locality of income of: – employment – office – pension	2
	• Distinguish between employment and profession	1
	• Explain the differences between the treatment of: – Hong Kong offices and non-Hong Kong offices – Hong Kong employment and non-Hong Kong employment	1

	<ul style="list-style-type: none"> • Identify the different types of income exempt from salaries tax 	1
	<ul style="list-style-type: none"> • Identify the basis period 	1
	<ul style="list-style-type: none"> • Explain the meaning of accrual of income and determine the date of accrual of different kinds of income 	2
	<ul style="list-style-type: none"> • Describe different kinds of income to be included as income from employment or office 	2
	<ul style="list-style-type: none"> • Describe and compute taxable benefits, including: <ul style="list-style-type: none"> – rent free or subsidized accommodation – holiday journey – share options – education expenses of a child of an employee – benefits-in-kind 	3
	<ul style="list-style-type: none"> • Compute assessable income, net assessable income and net chargeable income 	3
	<ul style="list-style-type: none"> • Compute provisional salaries tax payable 	2
	<ul style="list-style-type: none"> • Explain the procedures and treatment for relating back lump sum receipts 	2
	<ul style="list-style-type: none"> • Explain the conditions for any expenditure to be deducted from the assessable income 	2
	<ul style="list-style-type: none"> • Describe the conditions for the deduction of concessionary deductions 	2
	<ul style="list-style-type: none"> • Explain the conditions for the deduction of personal allowances 	2
Understanding of the computation of profits tax liabilities of businesses of an individual, partnership or corporation	<ul style="list-style-type: none"> • Define the meanings of persons, trade and profession business 	1
	<ul style="list-style-type: none"> • Describe the badges of trade 	2
	<ul style="list-style-type: none"> • Define the meaning of profits arising in or derived from Hong Kong and identify the factors to be considered in determining the source of profit 	2
	<ul style="list-style-type: none"> • Distinguish between capital and revenue receipts and capital and revenue expenditure 	2
	<ul style="list-style-type: none"> • Explain different kinds of deemed trading receipts chargeable to profits tax 	2
	<ul style="list-style-type: none"> • Identify different kinds of income to be excluded in calculating profits tax 	1
	<ul style="list-style-type: none"> • Explain the conditions for the deduction of various types of expenses under profits tax in general 	2

	<ul style="list-style-type: none"> • Identify the various types of non-deductible expenditure under profits tax • Identify different acceptable methods of the valuation of inventory • Explain the principal of <i>Sharkey v Wernher</i> • Compute the amount of profits tax and provisional profits tax • Explain the conditions for the deduction of specific expenses under profits tax, including: <ul style="list-style-type: none"> – special contributions to recognized occupational retirement schemes – expenditure on research and development – expenditure on refurbishment of building – expenditure on prescribed fixed assets – technical education payment – patent and know-how purchase costs • Determine when income from business should be assessed • Determine the basis period for different circumstances • Explain the requirements and conditions for hold over of payment of provisional profits tax • Explain the treatment of losses for different kinds of businesses • Compute the profit/loss shared by each partner • Explain the person who is liable to pay the tax under partnership • Explain the treatment of share of profit/loss where there is a change in a partnership • Explain the treatment of losses of a partnership 	<p>1</p> <p>1</p> <p>2</p> <p>3</p> <p>2</p> <p>1</p> <p>2</p> <p>2</p> <p>2</p> <p>3</p> <p>1</p> <p>3</p> <p>3</p>
Understanding of the computation of depreciation allowances	<ul style="list-style-type: none"> • Explain the meaning of plant and machinery and identify items which are plant and machine • Compute depreciation allowances under the pooling system and non-pooling system • Explain the meaning of an industrial building and identify a building/structure which is treated as an industrial building • Compute the industrial building allowance • Explain the meaning of commercial building and identify a building/structure which is treated as a commercial building • Compute the commercial building allowance 	<p>1</p> <p>3</p> <p>2</p> <p>3</p> <p>2</p> <p>3</p>

Understanding of the computation of tax payable under personal assessment	• Explain the persons who are eligible to elect for personal assessment	1
	• Explain the requirements and conditions for electing personal assessment	2
	• Compute the tax payable under personal assessment in respect of: <ul style="list-style-type: none"> – an individual – husband and wife 	3
Understanding of the administration of taxes under the Inland Revenue Ordinance	• Explain the powers of the following officers of the Inland Revenue Department: <ul style="list-style-type: none"> – assessor – inspector – assistant commissioner – commissioner 	1
	• Explain the obligations of a taxpayer and an employer	1
	• Explain the requirements and procedures for lodging a valid objection by a taxpayer	3
	• Explain the procedures at the Inland Revenue Department upon receipt of a valid objection	2
	• Explain the requirements of a valid appeal against the Commissioner of Inland Revenue's determination to the Board of Review	3
	• Explain how the Board of Review hears and disposes of an appeal	1
	• Explain the procedures required to lodge an appeal to the: <ul style="list-style-type: none"> – Court of First Instance – Court of Appeal – Court of Final Appeal 	1
	• Explain the right of a taxpayer to make an error or omission claim	3
	• Explain the powers of the Inland Revenue Department in respect of the demand of payment of tax under objection or appeal	2
	• Explain the powers of the Inland Revenue Department in the recovery of tax	2
	• Explain the procedures for claiming repayment of tax	1
	• Explain the penalties to be imposed by the Inland Revenue Department in respect of an offence committed by the taxpayer	2
	• Explain the procedures for raising an assessment to additional tax under section 82A	2
• Explain the requirements of a valid appeal against the assessment to additional tax under section 82A	2	

Paper 6: Fundamentals of business law

Aim: This paper aims to develop and assess the basic knowledge of business law applicable to HKSAR.

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the principal features of the legal environment	• Describe the need for law	1
	• Describe the constitutional framework applying in Hong Kong society	2
	• Describe the formal sources of law in Hong Kong	1
	• Describe the system of courts and administration of justice in Hong Kong	1
	• Explain the concept of precedent	2
Understanding of the general principles of liability	<ul style="list-style-type: none"> • Describe the following concepts: <ul style="list-style-type: none"> – liability – negligence (including professional negligence) – defamation – the remedy of damages 	2
Understanding of the basic concepts of contract law	<ul style="list-style-type: none"> • Explain the following terms relating to the formation of a contract: <ul style="list-style-type: none"> – offer – acceptance – consideration – intention – legality – exemption clauses 	2
	• Describe the effects of different means of communication of acceptance of contracts	2
	• Explain the distinction between commercial and social contracts	2
	<ul style="list-style-type: none"> • Discuss the following concepts: <ul style="list-style-type: none"> – mistake – misrepresentation – agency 	2
	• Explain the range of remedies for breach of contract, including fundamental breaches of contracts	2
Understanding of the provisions of consumer laws in Hong Kong	• Explain the scope of the Sales of Goods Ordinance	2
	• Explain the key provisions of the Sales of Goods Ordinance	2
	• Describe the provisions of the Unconscionable Contracts Ordinance	2

<p>Understanding of the ownership and governance structures of different types of businesses</p>	<ul style="list-style-type: none"> • Compare the ownership and governance structure of: <ul style="list-style-type: none"> – sole traders – partnerships – companies – joint ventures • Explain the liability attaching to partners • Explain the concept of limited liability • Describe the process of registration for a company • Describe the accounting and audit requirements for companies • Describe the key provisions to be included in joint venture agreements 	<p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>1</p>
<p>Understanding of the nature, definition and purpose of a bill of exchange; the concept of negotiability of bills of exchange; and the duties and liabilities of the parties concerned</p>	<ul style="list-style-type: none"> • Define a bill of exchange and a negotiable instrument and demonstrate awareness of the purpose of a bill of exchange • Define a cheque and distinguish it from other bills of exchange • Identify the parties to a bill of exchange and a cheque • Explain the concept of negotiability and describe the process of negotiation • Outline the different types of indorsement • Describe how a bill of exchange and a cheque can be dishonoured • Explain the liabilities of parties to a dishonoured bill of exchange and a dishonoured cheque • Explain the effect of a forged or unauthorized signature of a bill of exchange • Explain the purpose and describe the different types of crossing in cheques • Outline the duties and liabilities of a bank with respect to cheques • List the statutory protection available to the paying bank and collecting bank with respect to cheques 	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>

Paper 7: Financial accounting

Aim: This paper aims to develop and assess the understanding and application of the principles and mechanics of financial accounting.

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the need for and function of financial reporting standards	• Describe the structure of the financial regulatory system and its relationship to financial statements	1
	• Identify the nature and role of organizations that set accounting standards and guidelines	1
	• Describe the Hong Kong Financial Reporting Standards and their application to external financial reports	1
	• Explain the need for generally accepted accounting principles (GAAP)	1
Understanding of the disclosure and presentation requirements of financial statements	• Explain the requirements of relevant accounting standards and legislation relating to the disclosures required in financial statements	2
	• Demonstrate the disclosures required in various financial statements: <ul style="list-style-type: none"> – income statement – statement of changes in equity – balance sheet – cash flow statement – statement of significant accounting policies – other notes to the financial statements 	3
Understanding of the treatment and disclosure of changes in accounting policies and accounting estimates and errors	• Define accounting policies, accounting estimates and prior period errors	2
	• Explain the principles of the selection and consistent application of an appropriate accounting policy	2
	• Explain the accounting treatments and disclosures of changes in accounting estimates	2
	• Explain the accounting treatments and disclosures of prior period errors	2
Understanding of the significance of events after the balance sheet date on an entity's profit and loss for a period and financial position at the year end	• Define events after the balance sheet date	2
	• Define and identify adjusting and non-adjusting events after the balance sheet date	2

Understanding of the nature of related parties	<ul style="list-style-type: none"> • Explain the significance of disclosing related party transactions 	2
	<ul style="list-style-type: none"> • Define a related party and identify the key elements in determining related party relationships and transactions 	2
Understanding of the accounting treatment for property, plant and equipment	<ul style="list-style-type: none"> • Define an item of property, plant and equipment 	2
	<ul style="list-style-type: none"> • Discuss the recognition and derecognition criteria for property, plant and equipment 	2
	<ul style="list-style-type: none"> • Describe the cost elements and the initial measurement of property, plant and equipment 	2
	<ul style="list-style-type: none"> • Describe the requirements of the subsequent measurement of property, plant and equipment: <ul style="list-style-type: none"> – the cost model and revaluation model of determining the carrying value – the depreciation charges; and – the impairment losses 	3
	<ul style="list-style-type: none"> • Describe the presentation and disclosure requirements of an item of property, plant and equipment 	2
Understanding of the accounting treatment for investment properties	<ul style="list-style-type: none"> • Define an investment property and its distinction with an item of property, plant and equipment 	2
	<ul style="list-style-type: none"> • Discuss the recognition and derecognition criteria for an investment property 	2
	<ul style="list-style-type: none"> • Describe the cost elements and the initial measurement of an investment property 	2
	<ul style="list-style-type: none"> • Describe the requirements of the subsequent measurement of an investment property, including the cost model and fair value model of determining the carrying value 	3
	<ul style="list-style-type: none"> • Describe the presentation and disclosure requirements of investment properties 	2
Understanding of the accounting treatment for leases	<ul style="list-style-type: none"> • Demonstrate awareness of the accounting issues concerned with finance lease and operating lease 	2
	<ul style="list-style-type: none"> • Explain the nature and classification of leases 	2
	<ul style="list-style-type: none"> • Apply the required accounting treatments to operating leases and finance leases in the financial statements of the lessee and lessor 	3
	<ul style="list-style-type: none"> • Describe the disclosure requirements for both lessees and lessors 	2

Understanding of the accounting treatment for intangible assets	• Describe intangible assets	2
	• Outline on the problems relating to accounting for intangible assets	2
	• Describe the necessary disclosures for intangible assets	2
	• Define research and development	2
	• Describe the necessary disclosures for research and development expenditure	2
Understanding of the accounting treatment of revenue and costs associated with construction contracts	• Define construction contracts and describe the criteria of combining and segmenting construction contracts	2
	• Discuss the appropriate accounting practice with respect to the recognition of measurement of revenue and costs of construction contracts	2
	• Explain how the profit or loss on a construction contract is recognized	2
	• Discuss the appropriate accounting practice of valuation of construction contracts and compute the value to be included in the periodic financial statements	2
	• Describe the requirements of the presentation and disclosure of information regarding construction contracts in financial statements	2
Understanding of the accounting treatments and disclosures of provisions, contingent assets and liabilities	• Define and identify provisions, contingent liabilities and contingent assets	2
	• Explain the recognition and measurement of a provision and changes in provisions	3
	• Describe the disclosure requirements of provisions, contingent assets and contingent liabilities	2
Understanding of income measurement and revenue recognition	• Demonstrate awareness of the issues in revenue recognition	2
	• Identify revenue transactions and determine the measurement of revenue	2
	• Discuss the revenue recognition and measurement criteria for: <ul style="list-style-type: none"> – sale of goods – rendering of services; and – interest, royalties and dividends 	2
	• Describe the disclosure requirements of revenue transactions	2
Understanding of the accounting treatment and disclosures for government grants	• Definition of government grant and government assistance	2
	• Understand the recognition, presentation and disclosures requirements of government grant	2

Understanding of the accounting treatment and disclosures for borrowing costs	<ul style="list-style-type: none"> Define borrowing costs and describe the criteria for capitalization of borrowing costs 	2
	<ul style="list-style-type: none"> Describe the disclosure requirements of borrowing costs 	2
Preparing financial statements for limited liability companies	<ul style="list-style-type: none"> Prepare financial statements in accordance with the requirements of the Hong Kong Companies Ordinance, accounting standards, and general accepted accounting principles incorporating the: <ul style="list-style-type: none"> income statement (profit and loss account) balance sheet statement of changes in equity cash flow statement; and notes to the financial statements 	3
	<ul style="list-style-type: none"> Prepare a cash flow statement for a single company using the direct and indirect methods with supporting notes in the format as specified in the accounting standard 	3
Understanding of the regulatory framework of consolidated financial statements	<ul style="list-style-type: none"> Describe the requirements of the Hong Kong Companies Ordinance and relevant Hong Kong Financial Reporting Standards in relation to the preparation and disclosures of consolidated financial statements 	1
	<ul style="list-style-type: none"> Define a parent, a subsidiary, a group, minority interests and consolidated financial statement 	1
Identifying the nature of an investment in an associate	<ul style="list-style-type: none"> Define an associate 	1
	<ul style="list-style-type: none"> Explain the meaning of significant influence 	1
Identifying the nature of an interest in a joint venture	<ul style="list-style-type: none"> Define joint venture and differentiate between investments in a joint venture and other types of investments 	1
	<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 	1
Analyzing and evaluating the cash flow of an entity	<ul style="list-style-type: none"> Evaluate the sources and application of the cash flows of an entity using cash flow statement 	3
	<ul style="list-style-type: none"> Evaluate the cash position of an entity using a cash flow statement 	3
Calculating and interpreting significant ratios for financial statement analysis	<ul style="list-style-type: none"> Explain the objectives of ratio analysis 	2
	<ul style="list-style-type: none"> Discuss the uses of financial ratios 	2
	<ul style="list-style-type: none"> Calculate and interpret the following categories of accounting ratios: <ul style="list-style-type: none"> liquidity ratios profitability ratios management efficiency ratios capital structure ratios investment ratios 	3
	<ul style="list-style-type: none"> Discuss the limitations of ratio analysis 	2
	<ul style="list-style-type: none"> Apply financial ratios to appraise and communicate the position and prospects of a business 	3
	<ul style="list-style-type: none"> Apply ratios in cross-sectional comparison and trend analysis 	3

Paper 8: Principles of auditing and management information systems

Aim: This paper aims:

- (i) to develop and assess the principles of auditing as required in the regulatory, legal and reporting framework in Hong Kong; and
- (ii) to develop and assess the understanding of information as a key resource to organization and the appreciation of how management information systems can create value and improve the competitive advantage of an organization.

Content (Auditing)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the nature of auditing	• Identify the objectives, nature and benefits of the audit process	1
	• Distinguish between auditing and accounting	2
	• Identify the types of audits	1
	• Distinguish between external auditors and internal auditors	1
	• Outline the responsibilities of auditors under the Hong Kong Companies Ordinance	1
	• Explain the concept of "true and fair"	2
	• Explain management's responsibilities in preparing financial statements	2
	• Describe auditors' responsibilities to verify financial statements and discover material errors, irregularities and illegal acts	1
	• Describe auditors' responsibilities to consider fraud in an audit of financial statement	1
	• Describe auditors' liability to clients and third parties	1
Understanding of audit evidence	• Explain the nature of audit evidence	2
	• 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"> • Define the following types of audit tests: <ul style="list-style-type: none"> – procedures to obtain an understanding of internal control – tests of controls – substantive tests of transactions – analytical procedures – tests of details of balances 	1
	<ul style="list-style-type: none"> • Explain the concept of representative sampling 	1
	<ul style="list-style-type: none"> • Distinguish between statistical and non-statistical sampling 	1
	<ul style="list-style-type: none"> • Select representative samples 	3
Awareness of issues relating to the audit of computer-based systems	<ul style="list-style-type: none"> • Explain how the use of computer-based systems affects the audit of business organizations 	2
	<ul style="list-style-type: none"> • Describe computer-based internal controls and their impact on evidence accumulation 	2
Understanding of audit planning and documentation	<ul style="list-style-type: none"> • Discuss the importance of adequate audit planning 	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"> • Explain the purposes of audit work papers 	2
Understanding of materiality and risk	<ul style="list-style-type: none"> • Understand the concept of materiality to the audit process 	2
	<ul style="list-style-type: none"> • Define risk in auditing 	1
Understanding of internal control	<ul style="list-style-type: none"> • Discuss the nature of internal control and its importance to both management and the auditor 	2
	<ul style="list-style-type: none"> • Describe the following with regard to internal control: <ul style="list-style-type: none"> – management's responsibility – reasonable assurance – inherent limitations 	2
	<ul style="list-style-type: none"> • Identify: <ul style="list-style-type: none"> – control environment – control procedures 	2

Understanding of the requirements for completing an audit from the perspective of a company	• Explain the purpose and content of a management representation letter	1
	• Explain the communication with the audit committee and/or management	1
	• Describe the requirement for, and meaning of, the auditor's report	2
	• Explain a standard unqualified audit report	2
	• Evaluate circumstances that require the auditor to express a qualified opinion	2

Content (Management information systems)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the nature and value of information systems	• Understand the value of information as a key resource and asset of an organization	2
	• Recognize the strategic significance of information systems as a tool in enhancing the competitive advantage of the organization	1
	• Explain and illustrate different types of information systems: transaction processing systems (TPS), management information systems (MIS), decision support systems (DSS), expert systems (ES), executive information systems (EIS) and enterprise resource planning systems (ERP)	2
	• Explain the different information needs and managerial decisions at different organizational levels: strategic, tactical and operational	2
	• Understand how information systems contribute to the success of strategy implementation and their relationships	1
Knowledge of the information technology applications	• Understand the nature and characteristics of e-commerce and e-business as a strategic business tool	1
	• Explain the different types of networks used in organizations: internet, intranet, and extranet	1
	• Understand the roles of knowledge management systems (KMS), business intelligence systems (BIS), data warehouse (DW), data mining (DM), online analytical processing (OLAP) and artificial intelligence (AI) in enhancing the value of information in contemporary organizations	2

Understanding of the role of electronic commerce	• Describe the role of e-commerce in the Hong Kong business environment	1
	• Describe the role of e-commerce in the global business environment	1
	• Identify key security and control issues relating to common e-commerce transactions	1
Knowledge of the issues and process involved in selecting a management information system	• Outline the methodology followed in selecting a management information system or computer package	1
	• Describe the method for evaluating different products	1
Understanding of risks to security of management information	• Describe key risks and threats to information systems	2
	• Describe general controls applied to information technology activities: <ul style="list-style-type: none"> – physical – organizational – procedural 	2

Appendix IV

Detailed competency map: values requirements (professional assessment)

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.

Subject: Professional assessment - Ethics in business and the profession

Aim: This subject aims to develop and assess an awareness of the ethical foundations of the profession of accountancy, and the ability of candidates to recognize and develop solutions to ethical dilemmas.

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the nature of, and importance of, ethics in business and the profession of accountancy	• Explain the fundamental principles of the HKIAAT Code of Ethics (note: this is not yet in existence)	2
	• Demonstrate the guidance on ethical issues provided by Professional Ethics Statements and Guidelines	3
	• Outline the requirements of the Professional Accountants Ordinance	1
	• Demonstrate an ability to recognize ethical dilemmas	3
	• Demonstrate the use of ethical decision making models as a framework for addressing ethical dilemmas	3
Understanding of the role of ethics and morality in society	• Explain ethics and the difference between ethics and morality	2
	• Explain how different ethical philosophies can apply in different cultures/societies	2

Subject: Professional assessment - Authority and structure of the profession

Aim: This subject aims to develop and assess an understanding of the roles and responsibilities of being a member of the HKIAAT, and a professional accounting body within the wider umbrella of the worldwide accountancy profession.

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the ownership structure and rules of HKIAAT	• Ability to access and interpret the rules of HKIAAT	2
	• Explain the ownership of HKIAAT and how that impacts the autonomy of HKIAAT	2
	• Explain the obligations/rights of HKIAAT membership that derive from the particular ownership structure	2
Understanding of the governance and management structure of HKIAAT	• Explain the governance of HKIAAT	1
	• Explain the management structure of HKIAAT	1
Understanding of the structure of, and authority of, the various international accounting bodies	• Explain the membership, role and authority of the International Federation of Accountants (IFAC)	1
	• Explain the membership, role and authority of regional accounting bodies	1
	• Explain the membership, role and authority of International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC)	1
	• Explain the relationship of local and international accounting bodies with financial reporting regulators in various jurisdictions	1
Understanding of the relationship between the Hong Kong Institute of CPAs / HKIAAT and the Hong Kong regulators on the accounting profession	• Identify and explain the various Hong Kong regulatory authorities that impact on the activities of the Hong Kong Institute of CPAs / HKIAAT	2

Subject: Professional assessment - Current non-technical issues facing the profession of accountancy

Aim: This subject aims to develop and assess awareness of selected (from time to time) current non-technical issues impacting the practice of accounting.

Content

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the impact and importance of selected non-technical issues on the practice of accounting	• Demonstrate an understanding of the impact of each selected issue on the practice of accounting	2
	• Explain the manner in which the profession is reacting to, and addressing each selected issue	1
	• Identify the critical aspects for the profession of accountancy arising from each selected current non-technical issue	1

Appendix V

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: <ul style="list-style-type: none"> – financial position – financial performance – 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	<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 	2
	<ul style="list-style-type: none"> Understand the recognition and measurement of impairment losses 	2
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; and – 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	<ul style="list-style-type: none"> • Explain the requirements of the Hong Kong Companies Ordinance in relation to the preparation and disclosures of consolidated financial statements 	1
	<ul style="list-style-type: none"> • Discuss the legal and accounting standard requirements for exclusion of a subsidiary from consolidated financial statements and the necessary disclosure 	1
	<ul style="list-style-type: none"> • 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	• 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
Understanding of the accounting treatment and disclosure requirements for the effects of changes in foreign exchange rates	• Prepare appropriate disclosures on employee benefits	1
	• 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
Understanding of the accounting treatment and disclosure requirements of share-based payments	• Prepare appropriate disclosures on foreign currency transactions and translations	2
	• Identify share-based payment transactions	1
	• 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
Understanding of the accounting treatment and disclosure requirements of inventory	• Prepare appropriate disclosures on share-based payments	1
	• Measurement of inventories	2
	• Determination of net realizable value	2
Understanding of the accounting treatment and disclosure requirements of provisions	• Explain disclosure requirement	2
	• 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):	2
	– integrity – objectivity – professional competence and due care – confidentiality – professional behaviour	

	<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

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	• Appreciate the differences between discounted and non-discounted cash flow analysis	2
	• 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
	• 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
	• 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	• Analyze and calculate the NPV of the cash flows in making lease or buy decisions	3
	• 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	• Explain the differences between long-term and short-term finance and their sources	2
	• Appreciate the advantages and disadvantages of both equity and debt financing	3
	• Explain different types of share capital, new and right issues of shares, issues of convertibles and warrants in raising equity finance	3
	• Calculate different types of ratios: gearing, profitability, and those related to the stock market	3
	• 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	• Explain and illustrate the impact of financial gearing on the returns to shareholders	3
	• 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	• Appreciate 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
	• 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	• Understand the techniques of stock management by applying the economic order quantity (EOQ) model and just-in-time (JIT) systems	3
	• Understand the techniques of debtor management which include credit evaluation and control, credit terms, early settlement discounts, factoring and invoice discounting	3
	• Analyze the costs and benefits of taking up early payment discounts offered by creditors	3
	• 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	• Identify and calculate main Stock Exchange indicators	3
	• Calculate and explain main ratios used in internal financial management	3
10. Financial forecasting and planning		
Knowledge and techniques of financial forecasting and planning	• Prepare business plans for an organization	2
	• Prepare cash flow projections for a business	3
	• 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	• Explain how the complexities of computerized systems affect business organizations	1
	• Describe automated-related internal controls in complex systems and their impact on evidence accumulation	2
	• Know the similarities and differences in obtaining an understanding of complex and non-complex computerized systems of internal control	2
	• Describe when it is appropriate to audit only the non-automated internal controls to assess control risk	1
	• Outline examples of computer auditing techniques such as the test data approach and parallel simulation	1
	• Describe the nature, purpose and function of generalized audit software as a computer audit tool	1
	• Discuss how auditors can make use of personal computers (PC) in auditing	1
	• 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	• Discuss the importance of adequate audit planning	2
	• Discuss the factors to be considered before the acceptance of a new client or in reviewing the continuance of a client relationship	1
	• Explain the purpose of obtaining an engagement letter and discuss the contents of an engagement letter	2
	• Know the appropriate information an auditor needs to obtain about their client's legal obligations	1
	• Discuss the nature and purposes of preliminary analytical procedures	2
	• Assess the internal audit function of the client in planning the audit and developing an effective audit approach	2
	• Explain the purposes of audit working papers	2
	• Discuss and apply the concepts behind the preparation and organization of audit working papers	2
Understanding of materiality and risk	• Apply the concept of materiality to the audit	2
	• 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 • Use materiality to evaluate audit findings • Define risk in auditing • Assessing the risk of material misstatement due to fraud • Describe the audit risk model and its components • Consider the impact of business risk on acceptable audit risk • Consider the impact of several factors on the assessment of inherent risk • Discuss the relationships among the components of risk • Discuss risk for segments and measurement difficulties • Discuss how materiality and risk are related and integrated into the audit process 	<p>1</p> <p>1</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p>
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 • Describe the business functions and the related documents and records in the sales and collection cycle • Determine the client's internal controls over sales transactions, design and perform tests of the controls and substantive tests of transactions, and assess related control risk • Apply the methodology for controls over sales transactions to controls over delivery and billing • Determine the client's internal controls over cash receipts transactions, design and perform tests of controls and substantive tests of transactions, and assess related control risk • Develop an integrated audit plan for the sales and collection cycle 	<p>2</p> <p>2</p> <p>3</p> <p>2</p> <p>3</p> <p>2</p>
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 • Design and perform tests of controls and substantive tests of transactions for the purchase and payment cycle and assess related control risk • Discuss the nature of creditors and describe the related controls over them 	<p>2</p> <p>3</p> <p>2</p>

Understanding of tests of controls and substantive tests of transactions applicable to the audit of the payroll and personnel cycle	• Describe the payroll and personnel cycle and its pertinent documents and records, functions, and internal controls	2
	• Design and perform tests of controls and substantive tests of transactions for the payroll and personnel cycle	3
	• Design and perform analytical procedures for the payroll and personnel cycle	3
	• 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	• Know the debtors' balance-related audit objectives	2
	• Design and perform analytical procedures for accounts in the sales and collection cycle	3
	• Design and perform tests of details of balances for debtors for each balance-related audit objective	3
	• Obtain and evaluate debtors' confirmations	2
	• Design audit procedures for the audit of debtors taking into account the degree of strength of the evidence obtained	3
	• Design and perform audit tests of prepaid expenses	3
Understanding of the audit of the inventory and production cycle	• Describe the inventory and production cycle and its pertinent function, documents and records, and internal controls	2
	• Explain the significance of the inventory and production cycle because of its integration with the purchase cycle and sales cycle	2
	• Design and perform audit tests on cost accounting	3
	• Design and perform analytical tests on accounts in the inventory and production cycle	3
	• Design and perform physical observation audit tests for inventory	3
	• Design and perform audit tests of pricing and compilation for inventory	3
Understanding of the audit of creditors and accrued liabilities	• Design and perform analytical procedures for creditors	3
	• Design and perform tests of details for creditors	3
	• Know the importance of out-of-period liability tests for creditors and common tests	2
	• Know the relative reliability of vendors' invoices, vendors' statements and confirmation of creditors	2
	• 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	• Describe the nature of and need for the auditor's report on financial statements	2
	• Identify the conditions that justify issuing the standard unqualified audit report	2
	• Explain a standard unqualified audit report	2
	• Identify all categories of audit reports	2
	• Explain how materiality affects audit reporting decisions	2
	• Evaluate circumstances that require modification to a standard unqualified audit report	2
	• Evaluate circumstances that require the auditor to express qualified opinions	2
	• 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	• 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
	• Formulate appropriate information systems strategies to support implementation of business and functional strategies	2
Understanding of the systems development process	• 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
	• Recognize and understand the roles of accountants in all the stages of the SDLC	2
	• Appreciate the behavioural issues of implementing information systems in organizations	2
	• 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:

- (i) 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
- (ii) 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 negligence and business liability	• Describe the importance of the duty of care	2
	• Explain the concepts of damages and defences as they relate to negligence	2
	• Describe particular forms of business liability	2

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

7. Company law: company formation		
<p>Understanding of the process of forming an incorporated body, in particular:</p> <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 • Explain the relevance of the provisions contained in the company's memorandum • Explain the content of Table A/other chosen Articles of Association • State the requirements for record keeping 	<p>3</p> <p>3</p> <p>3</p> <p>3</p>
8. Capital and financing of companies		
<p>Understanding of the nature of share capital and loan capital and to appreciate its complex nature, in particular:</p> <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 • Distinguish between fixed and floating charges • Explain how a company may alter its share capital • Explain the priority of different types of charges in the event of receivership and winding up • Explain the importance of maintenance of capital 	<p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p>
9. Administration of companies		
<p>Understanding of how companies make decisions and manage their activities, in particular:</p> <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 • Explain the fiduciary duties of directors • Explain the duty of care and skill owed by a director to his company • Distinguish between the business of the company decided by directors and matters requiring the approval of the shareholders in general meeting 	<p>3</p> <p>3</p> <p>3</p> <p>2</p>

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 • Explain the role of liquidators • Describe the procedures for liquidation 	<p>3</p> <p>3</p> <p>3</p>
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 • Identify the various types of taxation and tax bases applicable in Hong Kong • Criteria for ascertaining chargeability for all major taxes • Identify and explain basic tax planning issues 	<p>2</p> <p>2</p> <p>2</p> <p>2</p>
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 	<p>3</p>

Appendix VI

Transitional arrangements

Accounting Technician Examination (ATE)

Transitional arrangements

	HKIAAT ATE students (those who are not studying in accredited programmes)	Students studying in accredited programmes (partial exemption)	Students studying in accredited programmes (full exemption)
Date of registration as ATE students	On or before 15 July 2008 (Note 1)		
Date of course commencement		Before 31 December 2009*	Before 31 December 2009*
Transitional arrangements (Note 2)	Eligible for cross-credits (please refer to the cross-credit table)	Eligible for a paper-by-paper exemption (please refer to the cross-credit table)	Eligible for a paper-by-paper exemption (please refer to the cross-credit table)
Further arrangements for those who can complete the examinations and apply for membership by the specified time stated below:			
Date of completion of all 8 examination papers (Note 3)	By June 2011	By June 2011	
Date of membership application	By 31 December 2011	By 31 December 2011	By 31 December 2011
Transitional arrangements	<ul style="list-style-type: none"> • Be exempted from the professional assessment for membership admission • Eligible for two years of full-time study or two years of a mixture of work experience and study in lieu of the one-year work experience for membership admission. 	<ul style="list-style-type: none"> • Be exempted from the professional assessment for membership admission • Eligible for two years of full-time study or two years of a mixture of work experience and study in lieu of the one-year work experience for membership admission. 	<ul style="list-style-type: none"> • Be exempted from the professional assessment for membership admission • Eligible for two years of full-time study or two years of a mixture of work experience and study in lieu of the one-year work experience for membership admission.

* Irrespective of the course commencement date, students studying in accredited programmes must complete all examinations and apply for membership before the deadline in order to be exempted from the professional assessment and be eligible for two years of full-time study (or two years of a mixture of work experience and study) for membership admission.

Note:

1. Those students who are **not** studying in accredited programmes and **register on or after 16 July 2008** will have to follow all the requirements under the new qualification framework.
2. There is **no** time limit for students to apply for the cross-credit exemptions.
3. Completion of all examinations can be a combination of the current and new papers but the total number of papers must be **eight**.

Cross-credit exemptions for ATE

Existing ATE paper / BAE / CAE	Credit for new AAT examination paper
Paper 1 - Financial accounting	Paper 1 - Fundamentals of accounting and computerized accounts
Paper 2 - Business communication	Paper 2 - Business communication and organization and management
Paper 3 - Cost accounting	Paper 3 - Management accounting
Paper 4 - IT applications in accounting	Paper 4 - Business economics and financial mathematics
Paper 5 - Hong Kong taxation	Paper 5 - Principles of taxation
Paper 6 - Hong Kong business law	Paper 6 - Fundamentals of business law
Paper 7 - Advanced accounting	Paper 7 - Financial accounting
Paper 8 - Auditing	Paper 8 - Principles of auditing and management information systems
BAE and CAE	Paper 1 - Fundamentals of accounting and computerized accounts

Professional Bridging Examination (PBE)

Transitional arrangements

Date of registration as PBE students	On or before 15 September 2008 (Note 1)
Transitional arrangements	Eligible for cross-credits (please refer to the cross-credit table) (Note 2)

Note:

1. Those students who **register on or after 16 September 2008** will have to follow all the requirements under the new qualification framework.
2. There is **no** time limit for students to apply for the cross-credit exemptions provided that the student registers on or before 15 September 2008.

Cross-credit exemptions for PBE

Existing PBE paper	Credit for new PBE paper
Paper I - Financial reporting	Paper I - PBE Financial accounting
Paper II - Management accounting	Paper II - PBE Management accounting and finance
Paper III - Financial management	Paper III - PBE Auditing and information systems
Paper IV - Legal environment	Paper IV - PBE Business law and taxation

Past registered students

Past registered students who are no longer on the students' register and have yet to complete the ATE or PBE qualification will be entitled to the same cross-credits and/or exemptions as existing students.

During the period from the announcement of the final new qualification framework to 15 November 2010 (deadline for registration to sit the June 2011 examination), past ATE and PBE students can join the students' register again for exemption from the professional assessment for membership admission. Please refer to page 85 for details of the transitional arrangement. The required fees are as follows:

(i) For ATE students:

Two options are available and the HKIAAT will accept both, whichever the fee is the lower:

- (a) Pay the gap years' fee with a ceiling of up to 3 years; or
- (b) Pay the first registration fee and status retaining fee to retain the status of papers passed or exempted.

(ii) For PBE students:

They may be revived as a member (without the need to attempt the professional assessment and to fulfil the one year work experience requirement). Two options are available and the HKIAAT will accept both, whichever the fee is the lower:

- (a) Pay the gap years' membership fee with a ceiling of up to 3 years; or
- (b) Pay the first registration fee and status retaining fee to retain the status of papers passed.



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