

Briefing Session on the Direction of Development for Business, Accounting and Financial Studies (BAFS) and the Implementation of the Refined BAFS Curriculum and Assessment Framework

18 June 2020 (Thursday)

Registration

Part 1

- Summary of findings and follow-up works of school survey conducted in 2017
- The background, rationales and principles for drawing the recommendations

Part 2

- The direction of development of BAFS and the implementation of the refined BAFS curriculum and assessment
- Support measures for schools

Part 3

- Updates on the supplementary notes
- Updates on the 2023 and 2025 BAFS Assessment Framework
- Sample examination papers

Q&A Session

*Part 1

Proposed Changes in the BAFS Curriculum Framework (CF)

15% of the learning elements in the compulsory part will be moved to the elective part, and the remaining content for each strand will be streamlined as follows:

Accounting Strand

Compulsory Part (~~40%~~) (25%)

- Business Environment
- Introduction to Management
- Introduction to Accounting
- Basics of Personal Financial Management (8%)

Elective Part (~~60%~~) (75%)

- Financial Accounting
- Cost Accounting

Business Management Strand

Compulsory Part (~~40%~~) (25%)

- Business Environment
- Introduction to Management
- Introduction to Accounting
- Basics of Personal Financial Management (8%)

Elective Part (~~60%~~) (75%)

- Basics of Management
- Financial Management
- Human Resources Management
- Marketing

Streamlining

Proposed Changes in the BAFS Assessment Framework (AF)

- 1) Separate examination papers for the compulsory part of the two strands, with common questions set in Papers 1A & 1B for the common topics in both strands.
- 2) Adjustment in the exam duration and the number of questions in Paper 1 and Paper 2 on a pro rata basis in response to the change in the curriculum weighting of the compulsory part and the elective part from 40:60 to 25:75.

Component		Weighting	Duration (3.5 hours)
Public Examination	Paper 1 Compulsory Part (choose one only) 1A Accounting strand 1B Business Management strand	40% 25%	1 hour 15 minutes
	Paper 2 Elective Part (choose one only) 2A Accounting strand 2B Business Management strand	60% 75%	2 hours 15 minutes 30 minutes

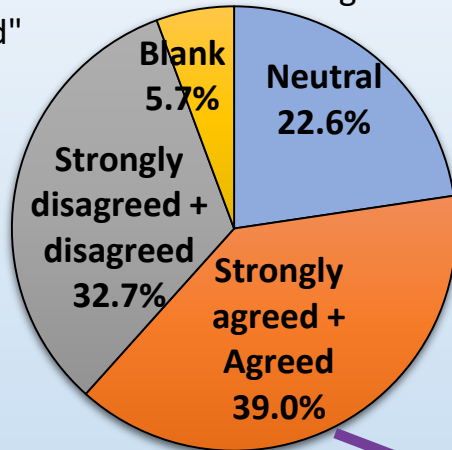
* Findings of School Survey 2017 - Background information

Survey Period:	Mid-Jan – early March 2017
No. of Respondents:	318 / 480 secondary schools <u>Remarks:</u> 5 returned questionnaires were considered invalid with the following reasons: <ul style="list-style-type: none"> - Questionnaire was blank - Questionnaire was completed without school code and school chop
Response Rate:	66.3 %

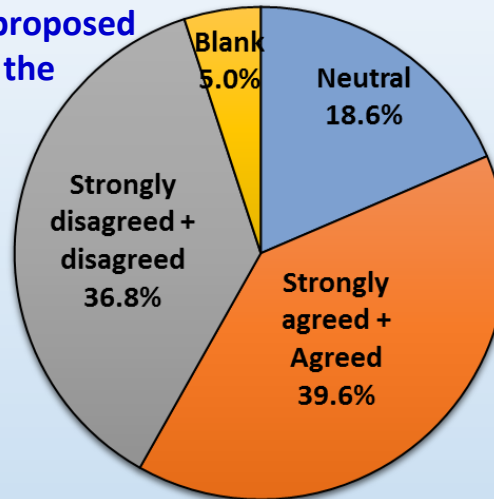
BAFS was offered	299
BAFS had not been offered	16
Schools ceased offering BAFS	1 (since 2014) 1 (since 2015)
No background information given	1
Total	318

* Findings of School Survey 2017 - Proposed changes in CF

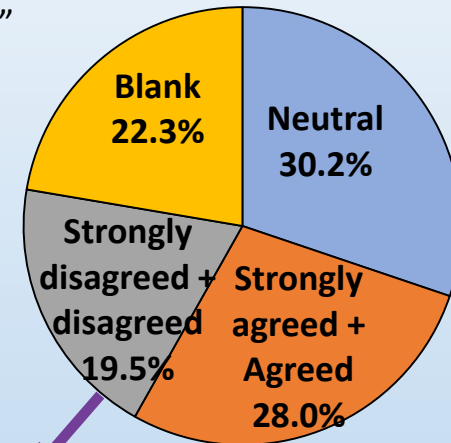
Degree of agreement about the improvement measures proposed for the "Accounting Strand"



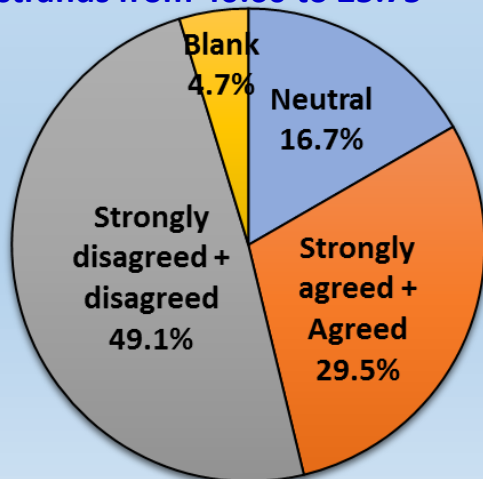
Degree of agreement about the proposed changes to the offering of BAFS as 2 strands of studies



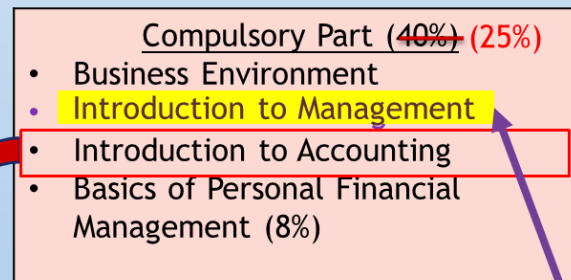
Degree of agreement about the improvement measures proposed for the "Business Management Strand"



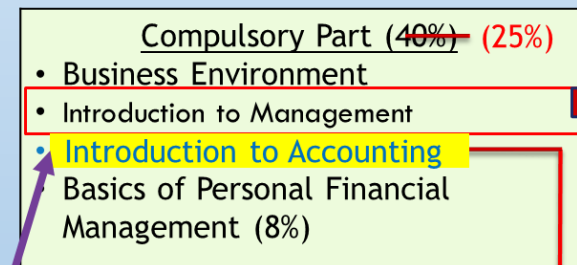
Degree of agreement about the proposed change of the weighting of the compulsory part to the elective part of both strands from 40:60 to 25:75



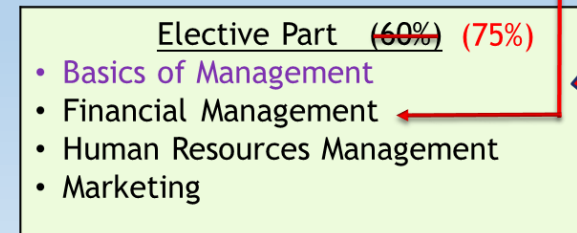
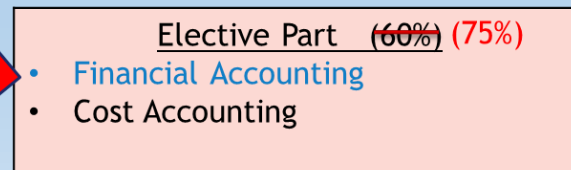
Accounting Strand



Business Management Strand

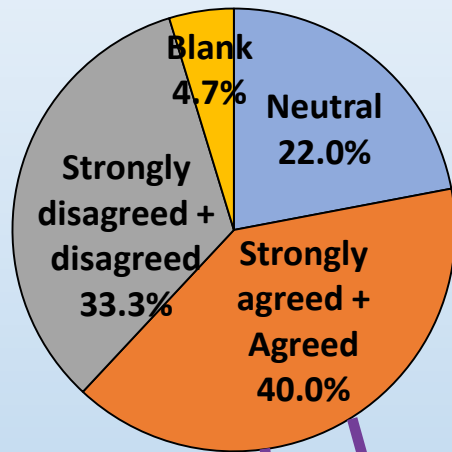


Streamlining

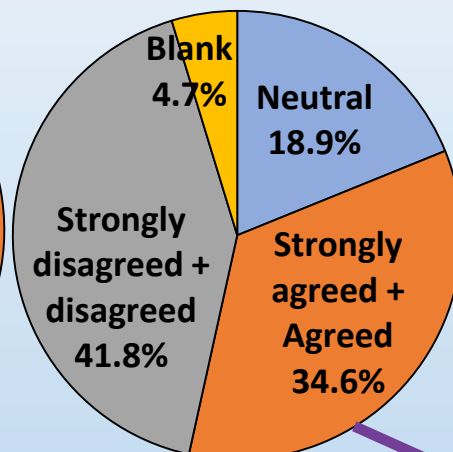


* Findings of School Survey 2017 - Proposed changes in AF

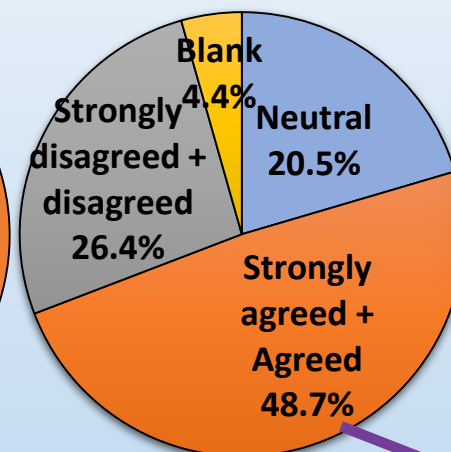
Degree of agreement about the number of questions of the papers/sections



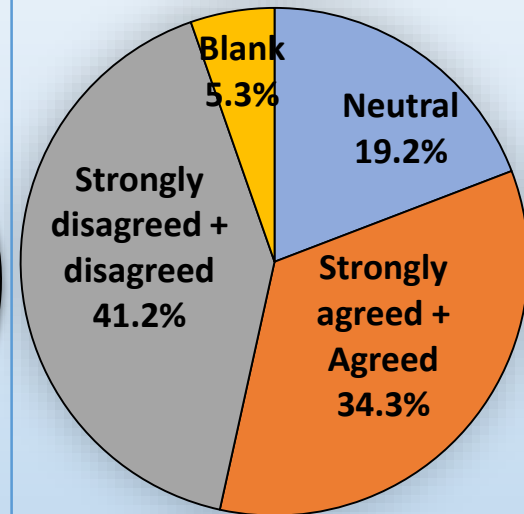
Degree of agreement about the relative weighting of the papers/sections



Degree of agreement about the examination duration of the papers



Degree of agreement about the proposed change in the AF



Component			Weighting	Duration (3.5 hours)
Public Examination	Paper 1 Compulsory Part (choose one only)		40% 25%	1 hour
	1A	Accounting strand		15 minutes
	1B	Business Management strand		
	Paper 2 Elective Part (choose one only)		60% 75%	2 hours
	2A	Accounting strand		15 minutes
	2B	Business Management strand		30 minutes

* Observations of the Advisory Committee (1)

There was no overwhelming evidence of opposition to the arrangement of the two strands for BAFS. The two strands mode would be adopted.

Views on improvement of the C&A Framework were diverse



Further engagement of key stakeholders after completion of school survey (Apr 2017 – Jun 2018)

- meetings with representatives/key persons of major stakeholders (including school councils and school head associations, accounting and management professional bodies, etc.)
- follow-up focus group meetings with teachers to gather more qualitative data regarding teachers' concern over the initial recommendations
- reported and discussed the findings of the school survey and the actions taken to refine the BAFS curriculum and assessment framework in meetings of the CDC and related committees

* Observations of the Advisory Committee (2)

Regarding the change of weighting in the compulsory part and the elective part of the two strands, as well as the corresponding changes of weighting of the papers/sections in the AF, respondents in FGMs expressed concern about

- (i) the impacts on the assessment of the subject caused by the adjustment of common core weighting → worried that the level of difficulty of examination papers would be higher
- (ii) the fairness issue on the curriculum contents for the two strands → Accounting strand seemed to be heavier than the BM strand after trimming



*Further improvement measures were proposed by
Advisory Committee*

* Observations of the Advisory Committee (3)

- Weighting of sections in each strand of the examination should be fine-tuned

The 15% weighting of Paper 1 to be shifted to Paper 2 Section A, which comprises short questions only

- The curriculum content, especially the Accounting strand, should be further streamlined to ensure the two strands are of comparable level of difficulty

	Paper 2A Accounting strand	Paper 2B Business Management strand	Weighting (75%)
Section A	4-5 short questions	5-6 short questions	33%
Section B	3 application problems	2 case studies	27%
Section C	1 long question	1 essay question	15%

- Further streamlined the content
- Adjusted the breadth and depth of topics in accounting module (*please refer to the updated supplementary notes for details*)
- Sample papers to show that the content being shifted from the compulsory part to elective part will still be the same (*please refer to the sample examination papers for details*)

18% → 25% → 33%
 27% → 33% → 27%
 15% → 17% → 15%
 existing Initial recommendations

* Observations of the Advisory Committee (4)



Concluded the recommendations for BAFS and submitted to the Curriculum Development Council (CDC) and the Public Examination Board (PEB) for discussion and consideration (Aug 2018 – Apr 2020)

- reviewed and updated the curriculum content of BAFS under the two-strand arrangement with the engagement of related committees and working group
- planned and prepared measures to support and facilitate the implementation of the recommendations
- recommendations on the direction of development of the BAFS curriculum and assessment (including the refined BAFS C&AF) endorsed by the CDC and the PEB

Remarks:

- *14 Advisory Committee meetings have been conducted since its establishment*
- *Work progress of the Advisory Committee were reported in related committees/liaison meetings during the period*

* Considerations for proposing and concluding the recommendations (1)

**Please refer to the preamble of questionnaire for the school survey conducted in 2017 for details*

https://www.edb.gov.hk/attachment/en/curriculum-development/kla/technology-edu/whats-new/School_survey_on_the_way_forward_for_BAFS_CAF_Jan_2017.pdf

To remain steadfast in the ultimate goals of the senior secondary curriculum under NAS

Impacts on introducing new senior secondary subject(s) to schools

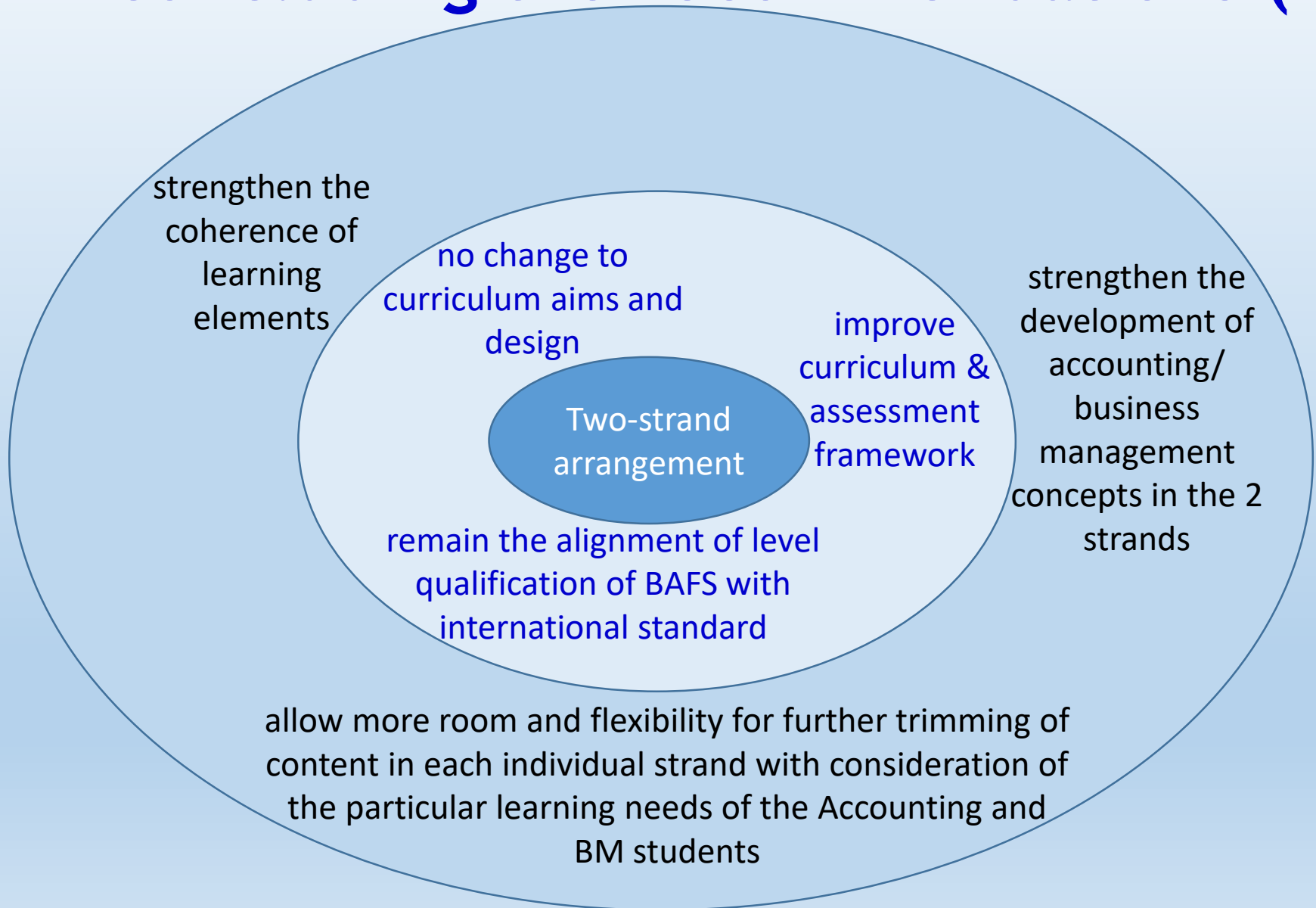
Students should be nurtured with essential knowledge, skills and values/attitudes required in the 21st century for the ultimate benefit of student learning

Smooth articulation to multiple progression pathways

Relevant information and views collected from different sources

It is important to balance the views of different stakeholders

* Considerations for proposing and concluding the recommendations (2)



*Part 2

* Direction of development of the BAFS curriculum and assessment

- The BAFS subject should be retained
- The development of separate subject(s) or splitting of BAFS into separate subjects was not supported
- The curriculum and assessment (C&A) framework should be improved

* Recommendations on the refined curriculum framework (CF)

- (i) **Two-strand arrangement**: The BAFS curriculum will *offer two strands of studies, i.e. Accounting Strand and Business Management Strand*. “Introduction to Accounting” and “Introduction to Management” will be moved from the compulsory part to the respective Accounting/Business Management elective modules with a view *to enhancing the coherence of content in each strand*.
- (ii) **Adjustment in the weighting of the compulsory part and elective part from 40:60 to 25:75**: The *compulsory part of each strand will have two common topics, i.e. ‘Business Environment’ and ‘Basics of Personal Financial Management’*. In addition, the compulsory part of the Accounting Strand will include ‘Basics of Management’ while the Business Management Strand will include ‘Basics of Accounting’.
- (iii) **Streamlining of the curriculum content**: The curriculum content is further streamlined *for better flow and balanced weighting of content for the two strands of studies*.

* Recommendations on the refined assessment framework (AF)

- (i) **Proportional adjustments in AF:** The *weighting, examination duration and number of questions* in Paper 1 and Paper 2 will be *adjusted on a pro rata basis* in response to the change in the weighting of the compulsory part and the elective part from *40:60 to 25:75*.
- (ii) **Separate examination papers will be provided for the two strands:** The Accounting Strand will be composed of *Papers 1A and 2A* and the Business Management Strand *Papers 1B and 2B*. *Same questions* will be set in Paper 1A & 1B *for the common topics in the compulsory part* of the two strands.
- (iii) The *15% weighting of Paper 1* will be shifted to Paper 2 Section A, *which comprises short questions only*.

*Year of implementation

The refined C&A framework will be implemented *at S4 starting from the 2022/23 school year*, leading to the *HKDSE BAFS Examination in 2025* and thereafter.

* Support measures to facilitate the implementation of recommendations (1)

- *BAFS supplementary notes* were updated and posted at EDB webpage
- *Sample examination papers* were prepared and uploaded on the HKEAA webpage
- More *professional development programmes* to broaden teachers' horizons in the business world will be organised, including visits to local companies and the Mainland
- Development of *e-learning resources* to support student learning of the refined BAFS curriculum is in progress (e.g. a set of *graded assignments* (English version) for selected topics of the Accounting Elective Part of the curriculum was completed in Feb 2020)

* Support measures to facilitate the implementation of recommendations (2)

- *Educational multimedia resources* to promote the BAFS curriculum is completed and broadcasted in Feb 2020
(<https://www.hkedcity.net/etv/resource/446481044>)



- *Development of a BAFS website* to promote professional development and sharing among teachers is in progress and will be launched by the end of 2020
- *A briefing session to be arranged for publishers* to explain the requirements of submitting textbooks (Compulsory Part) for BAFS
- *Constantly review and update* the *BAFS C&A Guide*, as well as the *BAFS Glossary*

Updates on the
supplementary notes

Accounting Strand

Business Management Strand

*Part 3

*Accounting Strand - Compulsory Part

Business, Accounting and Financial Studies (BAFS)**Supplementary Notes for Accounting Strand**(To be implemented in S4 in **2022/23**; effective for **2025** HKDSE Examination and onwards)**Appendices:**

1. Formulae of Ratios
2. Accounting Terminology

Compulsory Part**1(a) Business Environment**

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Hong Kong Business Environment	(i) Describe the role and importance of business in the Hong Kong economy.	
	(ii) Analyse the recent developments and characteristics of the Hong Kong economy.	- Recent developments of Hong Kong economy: <ol style="list-style-type: none"> 1. <i>Closer economic and business relationships with the Mainland (e.g. CEPA, trading partners, sources of capital)</i> 2. <i>Impacts of globalization on Hong Kong business (e.g. keen competition, international flow of capital and information, global sourcing and outsourcing, technology transfer)</i> 3. <i>Increasing international trade cooperation— (major international trade organisations include WTO and APEC)</i>

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
		<ul style="list-style-type: none"> - Characteristics of Hong Kong economy: <i>lack of primary industries, dependence on external trade, concentration on tertiary industry, free trade, simple taxation</i>
	(iii) Evaluate how economic, technological, cultural, physical, social, political and legal factors affect business decisions.	
Forms of Business Ownership	(i) Distinguish between the major forms of business ownership: sole proprietorship, partnership and limited company, joint venture, franchise and public enterprise.	<ul style="list-style-type: none"> - Characteristics Only of general and limited and nominal partners are required - Setup procedures of different forms of business ownership and related documents are not required
	(ii) Evaluate the pros and cons of the different forms of business ownership.	
	(iii) Describe the characteristics of multinational corporations in Hong Kong.	
Business Ethics and Social Responsibilities	(i) Explain why and how a business should be ethically responsible to various stakeholders.	
	(ii) Describe how business ethics and social responsibilities affect business decisions.	

1(b) Basics of Management

Topics	Learning Elements Specified in C&A Guide Explanatory Notes	Supplementary Teaching Notes
Management Functions	(i) Explain the importance of management.	
	(ii) Demonstrate a basic understanding of the following management functions for organisations: planning, organising, leading and controlling.	<ul style="list-style-type: none"> - Planning: importance, planning process and characteristics of SMART goals - Organising: organisational structure – by level and by authority; departmentalisation – by function, by product, and by location - Leading: leadership styles - Controlling: control process
	(iii) Apply the following principles of effective management: division of work, unity of command, unity of direction, as well as balancing authority and responsibility, and management by objectives.	Detailed process of MBO is not required
Key Business Functions	(i) Describe the role and importance of the following key business functions: human resources management, financial management, operations management, marketing management, information management and risk management.	<ul style="list-style-type: none"> - Interrelationship and integrated nature of different business functions in solving business problems are not required
	(ii) Explain the interrelationship and integrated nature of different business functions in solving business problems.	
Small and Medium Enterprises (SMEs)	(i) Describe the characteristics of SMEs.	
	(ii) Explain the importance of SMEs to the Hong Kong economy.	
	(iii) Explain the importance of entrepreneurship in business development.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(iv) Describe the rights and responsibilities of individual investors and consumers of financial services.	<ul style="list-style-type: none"> - Rights and responsibilities: <ol style="list-style-type: none"> 1. right to ask for rationale behind an investment recommendation made by a broker or bank 2. right to file a complaint 3. duty to understand the terms of a contract before signing it 4. duty to monitor activities on own account by checking account statements, transaction documents
Stock Trading as an Investment	(i) Explain the factors affecting share prices.	<ul style="list-style-type: none"> - Major factors include: general economic condition, political factors, interest rate, industry prospects, company performance, dividend policy and speculation
	(ii) Describe the platforms of stock trading in Hong Kong: Main Board and Growth Enterprise Market (GEM).	<ul style="list-style-type: none"> - Knowledge about the basic listing requirements for new applicants of Main Board and GEM is not required. Knowledge about the basic listing requirements for new applicants is required: <ol style="list-style-type: none"> 1. operating history and management financial requirements; profit attributable to shareholders, market capitalisation, revenue and cash flow (exact figures of the above are not required) [Website for reference: Hong Kong Exchanges and Clearing Limited (HKEx) http://www.hkex.com.hk/eng/listing/listreq_pro/listreq/equities.htm]
	(iii) Describe the importance of Hang Seng Index (HSI).	

*Accounting Strand - Elective Part

Elective Part – Accounting Module

- 1(c) Introduction to Accounting (the shaded parts) being moved from the compulsory part to the elective part and subsumed under 2(a).

2(a) Financial Accounting

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Purposes and Role of Accounting	(i) Explain the importance of accounting and its relevance to decision-making.	
	(ii) Describe the functions of accounting.	- Functions: <i>recording, classifying, summarising and communicating</i>
	(iii) Describe the flow of the accounting cycle.	- Flow of an accounting cycle: <i>books of original entry, ledgers, trial balance, period-end adjustments, financial statements</i>
Double entry system	(i) Explain the accounting equation and demonstrate how transactions affect it.	- Accounting equation: $C = A - L - (R - E)$
	(ii) Apply the principles of double entry to the recording of business transactions in ledger.	
Books of Original Entry and Types of Ledgers	(i) Explain the functions of books of original entry and ledgers.	- Petty cash book is not required
	(ii) Record transactions in books of original entry and post to ledger accounts.	
	(iii) Identify the major types of ledgers.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Trial balance	(i) Explain the functions and limitations of a trial balance.	
	(ii) Balance off the accounts and prepare a trial balance.	
Period-end Adjustments Relating to the Preparation of Financial Statements	(i) Differentiate between cash accounting and accrual accounting.	
	(ii) Distinguish between bad debts and allowance for doubtful accounts.	<ul style="list-style-type: none"> - Allowance for discounts allowed on trade receivables is not required - Students are expected to be able to interpret an ageing schedule
	(iii) State the meaning and objectives of providing depreciation in accounting.	
	(iv) Distinguish between capital expenditures and revenue expenditures.	
	(v) Compare the commonly used methods of depreciation: straight-line, reducing-balance and depreciation based on usage; and explain the effect of depreciation charge (including disposal) on profits.	<ul style="list-style-type: none"> - Students are expected to be able to record disposals of non-current assets including trade-in - Calculation and reversal of impairment loss are not required
	(vi) Apply the following to determine the value of inventory: <ol style="list-style-type: none"> 1. lower of cost and net realisable value 2. sale or return 3. weighted average cost 	<ul style="list-style-type: none"> - Distinction between the accounting treatment for normal and abnormal inventory loss is required - Perpetual inventory system is not required
	(vii) Prepare adjusting entries at the close of accounting period and show their effect on income statement and statement of financial position.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Financial Reporting for Different Forms of Business Ownership	(i) Explain how information in financial statements can assist decision-making.	- Identify the users of financial statements and state their information needs
	(ii) Explain the uses and limitations of financial statements.	
	(iii) Prepare income statement and statement of financial position for sole proprietorship, partnership and limited company.	— Both horizontal and vertical form of financial statements are accepted. - Published accounts are not required - Students are expected to be able to record income tax in the financial statements of limited companies but over or under-provision brought forward and tax payable outstanding at period end will not be included
• Accounting for partnership	(iv) Prepare appropriation account and current accounts for partnership.	
	(v) Define goodwill and explain the factors affecting its valuation.	- Valuation of goodwill is not required
	(vi) Prepare the necessary adjustments to capital and/or net assets arising from changes in profit-sharing ratio, admission and retirement of partner(s) at the beginning or end of a financial period.	- Preparation of the necessary accounting entries arising from dissolution of partnership is not required
	(vii) Prepare the necessary accounting entries required in dissolution.	— Students are expected to be able to record capital deficiency of insolvent partner(s) as instructed — Piecemeal realisation and the Garner v Murray rule are not required — Conversion or sale of a partnership to a limited company is not required

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Incomplete Records	(i) Determine profits or losses from statement of affairs.	
	(ii) Calculate the cash and inventory value from incomplete record.	
	(iii) Prepare income statement and statement of financial position from incomplete records.	- Calculation of cash and inventory loss from incomplete record is not required
Accounting Assumptions, Principles and Conventions Generally-Accepted-Accounting-Principles	(i) Explain the meaning, importance and shortcomings of the following principles and conventions: business entity, going concern, historical cost, consistency, accrual, matching, realisation, prudence, materiality, objectivity, timeliness and money measurement.	
	(ii) Apply the relevant accounting principles and conventions in accounting situations.	
Financial Analysis	(i) Calculate ratios and comment on a company's profitability, liquidity, solvency, management efficiency and return on investment: mark-up, gross profit ratio, net profit ratio, return on capital employed, working capital/current ratio, quick/liquid/acid test ratio, inventory turnover, average trade receivables collection period, average trade payables repayment period, trade receivables turnover, trade payables turnover, earnings per share, total assets turnover, gearing ratio, dividend cover and price-earnings ratio.	- Proposal for remedial actions is not required - Refer to <u>Appendix 1</u> for the relevant formulae of ratios
	(ii) Explain the functions and limitations of accounting ratios in financial analysis.	

2(b) Cost Accounting

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Cost Classification, Concepts and Terminology	(i) Explain the general nature of cost accounting and its importance for financial decision-making.	
	(ii) Distinguish between direct and indirect costs, fixed and variable costs, and factory and administrative overheads.	
Marginal and Absorption Costing	(i) Prepare income statement under marginal and absorption costing.	<ul style="list-style-type: none"> - Students are only expected to apply weighted average cost for the costing of inventory - Reconciliation of profit/loss under the two methods is not required - Over and under-absorption of overheads is to be charged to cost of goods sold
	(ii) Compare the advantages and disadvantages of adopting marginal and absorption costing.	
Cost Accounting for Decision-making	(i) Identify the nature of various cost items and their relevance to decision-making: sunk costs, incremental costs and opportunity costs.	
	(ii) Apply costing concepts and techniques in business decisions e.g. 'hire, make or buy', 'accept or reject an order at a special price', 'retain or replace equipment', 'sell or process further', and 'eliminate or retain an unprofitable segment'.	<ul style="list-style-type: none"> - Joint product costing is not required

*Business Management Strand - Compulsory Part

Business, Accounting and Financial Studies (BAFS)
Supplementary Notes for Business Management Strand
 (To be implemented in S4 in 2022/23; effective for 2025 HKDSE Examination and onwards)

Appendices:

1. Formulae of Ratios
2. Accounting Terminology

Compulsory Part**1(a) Business Environment**

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Hong Kong Business Environment	(i) Describe the role and importance of business in the Hong Kong economy.	
	(ii) Analyse the recent developments and characteristics of the Hong Kong economy.	- Recent developments of Hong Kong economy: <ol style="list-style-type: none"> 1. <i>Closer economic and business relationships with the Mainland (e.g. CEPA, trading partners, sources of capital)</i> 2. <i>Impacts of globalization on Hong Kong business (e.g. keen competition, international flow of capital and information, global sourcing and outsourcing, technology transfer)</i> 3. <i>Increasing international trade cooperation (major international trade organisations include WTO and APEC)</i>

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
		- Characteristics of Hong Kong economy: <i>lack of primary industries, dependence on external trade, concentration on tertiary industry, free trade, simple taxation</i>
	(iii) Evaluate how economic, technological, cultural, physical, social, political and legal factors affect business decisions.	
Forms of Business Ownership	(i) Distinguish between the major forms of business ownership: sole proprietorship, partnership and limited company, joint venture, franchise and public enterprise.	- Characteristics Only of general and limited and nominal partners are required - Setup procedures of different forms of business ownership and related documents are not required
	(ii) Evaluate the pros and cons of the different forms of business ownership.	
	(iii) Describe the characteristics of multinational corporations in Hong Kong.	
Business Ethics and Social Responsibilities	(i) Explain why and how a business should be ethically responsible to various stakeholders.	
	(ii) Describe how business ethics and social responsibilities affect business decisions.	

1(c) Introduction to Basics of Accounting

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Purposes and Role of Accounting	(i) Explain the importance of accounting and its relevance to decision-making.	
	(ii) Describe the functions of accounting.	- Functions: <i>recording, classifying, summarising and communicating</i>
	(iii) Describe the flow of the accounting cycle.	- Flow of an accounting cycle: <i>books of original entry, ledgers, trial balance, period-end adjustments, financial statements</i>
The Accounting Cycle • Double entry system	(i) Explain the accounting equation <u>as well as the principles of double entry</u> , and demonstrate how <u>business transactions</u> affect it <u>the former</u> .	- Accounting equation: $C = A - L - (R - E)$ - <u>Recording of business transactions and their effects to ledgers are not required</u>
	(ii) Apply the principles of double entry to the recording of business transactions in ledger.	
• Trial balance	(ii) Explain the functions and limitations of a trial balance.	
	(iii) <u>Balance off the accounts</u> and Prepare a trial balance.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
• Financial statements	(iv) Prepare income statement and statement of financial position for sole proprietorships.	Both horizontal and vertical form of financial statements are accepted. - Calculations and entries for period-end adjustments are not required
Uses of Financial Statements	(i) Explain how information in financial statements can assist decision-making.	- Identify the users of financial statements and state their information needs
	(ii) Explain the uses and limitations of financial statements.	
Accounting Assumptions, Principles and Conventions	(i) Explain the meaning of the following: business entity, going concern, historical cost, consistency and accrual.	- Application to case scenario is required
Basic Ratio Analysis	(i) State the general functions of accounting ratios.	
	(ii) Calculate and interpret the following ratios: working capital/current ratio, quick/liquid/acid test ratio, gross profit ratio, net profit ratio and return on capital employed.	Refer to <u>Appendix 1</u> for the relevant formulae of ratios
	(iii) Evaluate the liquidity and profitability of a business using accounting ratios.	Proposal for remedial actions is not required

Move to Elective Part - Financial Management

Topics	Learning Elements Specified in C&A Guide Explanatory Notes	Supplementary Teaching Notes
	(iv) Describe the rights and responsibilities of individual investors and consumers of financial services.	<ul style="list-style-type: none"> - Rights and responsibilities: <ol style="list-style-type: none"> 1. right to ask for rationale behind an investment recommendation made by a broker or bank 2. right to file a complaint 3. duty to understand the terms of a contract before signing it 4. duty to monitor activities on own account by checking account statements, transaction documents
Stock Trading as an Investment	(i) Explain the factors affecting share prices.	<ul style="list-style-type: none"> - Major factors include: general economic condition, political factors, interest rate, industry prospects, company performance, dividend policy and speculation
	(ii) Describe the platforms of stock trading in Hong Kong: Main Board and Growth Enterprise Market (GEM). (iii) Describe the importance of Hang Seng Index (HSI).	<ul style="list-style-type: none"> - Knowledge about the basic listing requirements for new applicants of Main Board and GEM is not required. Knowledge about the basic listing requirements for new applicants is required: <ul style="list-style-type: none"> 1. operating history and management financial requirements, profit attributable to shareholders, market capitalisation, revenue and cash-flow (exact figures of the above are not required) (Website for reference: Hong Kong Exchanges and Clearing Limited (HKEx) http://www.hkex.com.hk/eng/listing/listreq_pro/listreq/equities.htm)

*Business Management Strand - Elective Part

Elective Part -- Business Management Module

- 1(b) Introduction to Management (the shaded parts) being moved from the compulsory part to the elective part as 3(a)
- Renumbering of the 3 topics under Business Management Module as follows:
 - 3(b) Financial Management
 - 3(c) Human Resources Management
 - 3(d) Marketing Management

3(a) Introduction to Management

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Management Functions	(i) Explain the importance of management.	
	(ii) Demonstrate a basic understanding of the following management functions for organisations: planning, organising, leading and controlling.	<ul style="list-style-type: none">- Planning: importance, planning process and characteristics of <i>SMART</i> goals- Organising: organisational structure – by level and by authority; departmentalisation – by function, by product, and by location- Leading: leadership styles- Controlling: control process
	(iii) Apply the following principles of effective management: division of work, unity of command, unity of direction, balancing authority and responsibility, and management by objectives	<ul style="list-style-type: none">- Detailed process of MBO is not required
Key Business Functions	(i) Describe the role and importance of the following key business functions: human resources management, financial management, operations management, marketing management, information management and risk management.	
	(ii) Explain the interrelationship and integrated nature of different business functions in solving business problems.	
Small and Medium Enterprises (SMEs)	(i) Describe the characteristics of SMEs.	
	(ii) Explain the importance of SMEs to the Hong Kong economy.	
	(iii) Explain the importance of entrepreneurship in business development.	

3(b) Financial Management

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Financial Analysis	(i) Explain the role of financial management in running an organisation.	
	(ii) State the general functions of accounting ratios.	
	(iii) Assess business performance from a range of accounting ratios in terms of profitability, liquidity, solvency and management efficiency.	<p>Students are expected to be able to discuss the limitations of financial analysis</p> <ul style="list-style-type: none"> - The ratios required are: gross profit ratio, net profit ratio, <u>return on capital employed</u>, working capital/current ratio, <u>quick/liquid/acid test ratio</u>, <u>inventory turnover</u>, and return on capital employed, trade receivables turnover, inventory turnover, trade payables turnover, total assets turnover and gearing ratio - Proposal for remedial actions is not required - Refer to <u>Appendix 1</u> for the relevant formulae of ratios
	(iv) Explain the limitations of accounting ratios in financial analysis	
Budgeting	(i) Explain the purposes of budgeting.	
	(ii) Describe the usefulness and limitations of budgetary control.	
	(iii) Identify the causes of budgeting variance and propose remedial action.	<ul style="list-style-type: none"> - Calculation of variances is not required

3(c) Human Resources Management

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Functions of Human Resources Management <ul style="list-style-type: none"> Manpower planning 	(i) Explain the importance of manpower planning for an organisation.	
	(ii) Describe the manpower planning process.	- Approaches and process of job analysis are not required
<ul style="list-style-type: none"> Staffing 	(iii) Describe the recruitment process.	
	(iv) Compare different methods of recruitment.	
<ul style="list-style-type: none"> Performance appraisal 	(v) Describe the objectives of performance appraisal.	
	(vi) Describe the basic steps in the performance appraisal.	
<ul style="list-style-type: none"> Reward management 	(vii) Describe the characteristics and advantages of monetary and non-monetary rewards.	
	(viii) Compare different forms of compensation.	- Forms: time-based pay (hourly, daily, monthly) Vs performance-based pay
	(ix) Explain the purposes of benefits.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
<ul style="list-style-type: none"> Training and development 	(x) Explain the objectives of training and development.	<ul style="list-style-type: none"> Students are expected to be able to suggest various on-the-job and off-the-job training methods
	(xi) Evaluate the effectiveness of different modes of training.	
Development of a Quality Workforce	(i) Apply the following motivation theories to enhance staff efficiency and reduce absenteeism : <ol style="list-style-type: none"> Maslow's Hierarchy of Needs Theory Herzberg's Dual-factor Theory McGregor's Theory X and Theory Y 	
	(ii) Suggest appropriate ways of internal communication programmes to enhance employee relations. _	

3(d) Marketing Management

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Role of Marketing	(i) Explain the marketing concept.	
	(ii) Discuss the importance of marketing as a business function.	
	(iii) Describe the planning, organising, implementing and controlling of marketing activities.	
	(iv) Discuss the objectives, strategies and resources of the marketing process.	
Marketing Research	(i) Explain the importance and major objectives of marketing research.	
	(ii) Apply basic principles for designing marketing research: data collection methods and sampling techniques.	- Sampling techniques: <i>random sampling, convenience sampling, stratified random sampling</i>
Customer Behaviour	(i) Describe the customer decision-making process.	- Students are expected to be able to describe the process with respect to both individual and business customers
	(ii) Analyse the factors which affect customer decisions.	
	(iii) Identify the major business customers: producers, resellers, governments and institutions.	
	(iv) Distinguish between business and consumer markets.	
Marketing Strategies	(i) Explain different types of market segmentation methods.	

Appendix 1 : Formulae of Ratios

Only include the
formulae covered in
BM Strand

$$\text{gross profit ratio} = \frac{\text{gross profit}}{\text{sales}} \times 100\%$$

$$\text{net profit ratio} = \frac{\text{net profit before tax}}{\text{sales}} \times 100\%$$

$$\text{return on capital employed} = \frac{\text{profit before interest and tax}}{\text{average capital employed}} \times 100\%$$

Capital employed =

1. Sole proprietorships: capital balance
2. Partnerships: capital account balances + current account balances (if any)
3. Limited companies: non-current liabilities + shareholders' fund

$$\text{working capital / current ratio} = \frac{\text{current assets}}{\text{current liabilities}} : 1$$

$$\text{quick / liquid / acid test ratio} = \frac{\text{current assets} - \text{inventories}}{\text{current liabilities}} : 1$$

$$\text{inventory turnover (times)} = \frac{\text{cost of goods sold}}{\text{average inventory}}$$

$$\text{trade receivables turnover (times)} = \frac{\text{credit sales}}{\text{average trade receivables}}$$

$$\text{trade payables turnover (times)} = \frac{\text{credit purchases}}{\text{average trade payables}}$$

$$\text{total assets turnover (times)} = \frac{\text{sales}}{\text{total assets}}$$

$$\text{gearing ratio} = \frac{\text{non-current liabilities} + \text{preference share capital}}{\text{non-current liabilities} + \text{shareholders' fund}} \times 100\%$$

Updates on the 2023 and 2025 BAFS Assessment Framework

*Part 3

BUSINESS, ACCOUNTING AND FINANCIAL STUDIES (2025 HKDSE)

INTRODUCTION

The public assessment of this subject is based on the Business, Accounting and Financial Studies Curriculum and Assessment Guide (Secondary 4 - 6) jointly prepared by the Curriculum Development Council and the Hong Kong Examinations and Assessment Authority. Candidates have to refer to the Curriculum and Assessment Guide for the knowledge, understanding and skills they are required to demonstrate in the assessment.

ASSESSMENT OBJECTIVES

The public assessment of Business, Accounting and Financial Studies (BAFS) aims to assess candidates' abilities to:

1. demonstrate knowledge and understanding of different areas of business;
2. apply such knowledge and understanding to familiar and novel situations;
3. analyse, synthesise and evaluate information in the context of business decisions, taking into account the integrated and dynamic nature of business problems; and
4. communicate facts, opinions, and suggestions in an effective manner.

MODE OF ASSESSMENT

Candidates taking BAFS are required to enter the examination in either of the two strands: Accounting or Business Management. The following table outlines the various components of the public assessment of the subject in HKDSE:

Component	Accounting strand	Business Management strand	Weighting	Duration (3.5 hours)
Public Examination	Paper 1A Compulsory part	Paper 1B Compulsory part	25%	1 hour
	Paper 2A Elective part	Paper 2B Elective part	75%	2 hours 30 minutes

PUBLIC EXAMINATION

Paper 1 Compulsory part

Candidates will attempt either Paper 1A or 1B. Questions will be set on the compulsory part of the curriculum. For topics that are common in the two strands, common questions will be set in Papers 1A and 1B as appropriate. Candidates have to attempt all questions in this paper.

There will be two sections as follows:

	Paper 1A (Accounting strand)	Paper 1B (Business Management strand)	Weighting (25%)	Remarks
Section A	24 multiple-choice questions	24 multiple-choice questions	17%	All questions are compulsory. Same questions for common topics in both strands.
Section B	3 short questions	3 short questions	8%	

Paper 2 Elective part

Candidates will attempt either Paper 2A or 2B. Questions will be set on the elective part of the curriculum.

There will be three sections as follows:

	Paper 2A (Accounting strand)	Paper 2B (Business Management strand)	Weighting (75%)	Remarks
Section A	4-5 short questions	5-6 short questions	33%	All questions are compulsory.
Section B	3 application problems	2 case studies	27%	
Section C	1 long question	1 essay question	15%	Answer one out of two questions.

Candidates are expected to be aware of the impact of standards issued by the Hong Kong Institute of Certified Public Accountants upon the accounting definitions and treatments covered by this curriculum. In case where updates in the accounting standards would affect the BAFS curriculum and/or assessment, the Curriculum Development Institute of the Education Bureau and the Hong Kong Examinations and Assessment Authority will announce the impact of the updates on the curriculum and/or assessment on a need basis.

Early adoption in 2023 HKDSE:

Candidates are expected to be aware of the impact of standards issued by the Hong Kong Institute of Certified Public Accountants upon the accounting definitions and treatments covered by this curriculum. ~~Newly issued or revised standards which are effective before 1 September 2020 are applicable to the examination.~~ In case where updates in the accounting standards would affect the BAFS curriculum and/or assessment, the Curriculum Development Institute of the Education Bureau and the Hong Kong Examinations and Assessment Authority will announce the impact of the updates on the curriculum and/or assessment on a need basis.

Sample examination papers

*Part 3

- *The sample paper aims to illustrate the **revised rubrics, instructions and paper layout**, effective from the **2025** examination.
- *The questions are adapted from past papers.

Accounting Strand

Paper **1A** + Paper **2A**

Business Management Strand

Paper **1B** + Paper **2B**

- 24 MCQs + 3 Short Questions
- MCQ1-MCQ16, SQ 1 and SQ 2 → Same questions for both Paper 1A and Paper 1B

Paper 1A

Paper 1B

Section A

Sample Paper	HKDSE		Topic	Same as Paper 1B
	Year	Question		
1	2016	1	Business Environment	
2	2015	1		
3	2018	7		
4	2016	15		
5	2016	17		
6	2017	6		
7	2017	1		
8	2016	28		
9	2016	4	Personal Financial Management	
10	2016	9		
11	2016	14		
12	2017	13		
13	2017	3		
14	2016	25		
15	2017	23		
16	2017	26		

Same Questions

17	2018	26	Basics of Management	
18	2016	3		
19	2015	3		
20	2016	20		
21	2016	10		
22	2016	22		
23	2016	24		
24	2017	14		

Different Questions

Section B

Sample Paper	HKDSE		Topic	
	Year	Question		
1	2018	1	Business environment	Same as Paper 1B
2a	2016	2a	Personal Financial Management	
2b	2017	2		
3a	2017	3c	Basics of Management	
3b	2016	5c		

Same Questions

Different Questions

Section A

Sample Paper	HKDSE		Topic	
	Year	Question		
1	2016	1	Business Environment	Same as Paper 1A
2	2015	1		
3	2018	7		
4	2016	15		
5	2016	17		
6	2017	6		
7	2017	1		
8	2016	28		
9	2016	4	Basics of Personal Financial Management	
10	2016	9		
11	2016	14		
12	2017	13		
13	2017	3		
14	2016	25		
15	2017	23		
16	2017	26		

17	2016	5	Basics of Accounting	
18	2015	10		
19	2015	18		
20	2018	23		
21	2017	5		
22	2016	29		
23	2017	19		
24	2018	29		

Section B

Sample Paper	HKDSE		Topic	
	Year	Question		
1	2018	1	Business environment	Same as Paper 1A
2a	2016	2a	Personal Financial Management	
2b	2017	2		
3a	2015	4a	Basics of Accounting	
3b	2015	2b		

Paper 2A

This sample paper aims to illustrate the revised rubrics, instructions and paper layout, effective from the 2025 examination. The questions are adapted from past papers as follows:

Sample Paper	HKDSE	
	Year	Question
1(a)	2017	Paper 1 Q4(a)
1(b)	2014	Paper 1 Q3(b)
2(a)	2016	2
2(b)	2017	3(a)
3(a)	2017	1(a)(b)
3(b)	2017	Paper 1 Q3(d)
4(a)	2012	Paper 1 Q1
4(b)(c)(d)	2017	3(b)(c)(d)
5(a)(b)	2016	Paper 1 Q4(a)(b)
5(c)	2014	6(b)
6	2018	4
7(a)	2014	6(a)
7(b)	2017	7(b)
8	2017	6
9	2015	8(a)(b)
10	2016	8(a)(b)

Paper 2B

This sample paper aims to illustrate the revised rubrics, instructions and paper layout, effective from the 2025 examination. The questions are adapted from past papers as follows:

Sample Paper	HKDSE	
	Year	Question
1	2018	Paper 1 Q2(a)(b)
2(a)	2017	2
2(b)	2016	5(a)
3	2017	3
4(a)	2016	Paper 1 Q.4(c)(i)
4(b)	2016	Paper 1 Q.4(c)(ii)
5	2014	4
6(a)	2016	2
6(b)	2016	3
7(a)	2015	Paper 1 Q1(a)
7(b)(c)(d)	2017	5(a)(c)(d)
8(a)	2018	Paper 1 Q4(c)
8(b)(c)(d)(e)	2017	6(a)(c)(d)(e)
9	2017	7
10	2016	9

*End