

**NSS Understanding and Interpreting the
Business, Accounting and Financial Studies
(BAFS) Curriculum**

Briefing on Supplementary Notes

(to be effective for 2014 and 2015 HKDSE Examinations)

24 April 2013

- **BAFS One-Committee members**
- **Working Group members**
- **All BAFS Teachers and Students**

Bouquets to ...



Part 1

Briefing on the Supplementary Notes for the BAFS Curriculum

- To explain the breadth and depth of the BAFS curriculum without changing the curriculum framework.
- To illustrate the requirement of topics in the BAFS curriculum specified in **C & A Guide 2007**.
- Learning and teaching activities are suggested for some topics.

What is supplementary notes about ?

Supplementary Notes for BAFS Curriculum

(To be effective for the 2014 and 2015 HKDSE examinations)

Final Draft as at April 2013

Appendices:

1. Formulae of Ratios
2. Accounting Terminology

Stating clear the key learning elements required

BAFS 2007 C & A Guide Curriculum Framework

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 development and characteristics of the Hong Kong economy.	- Characteristics of Hong Kong's economy include: <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.	
	(iv) Describe Hong Kong's economic and business relationships with the Mainland.	- Relationships include economic cooperation, <i>e.g. CEPA, trading partners, sources of capital</i>
	(v) Be aware of the economic policies and general business practices in the Mainland.	- Only basic, broad-brush knowledge about CEPA is required - Details about policies and practices are not required

How is it in effect on teaching ?

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(vi) Describe the impact of globalization on business.	- Impacts: <i>e.g. keen competition, international flow of capital and information, global sourcing and outsourcing, technology transfer</i>
	(vii) Explain the roles of major international trade organisations.	- Students are only required to explain the major functions of <i>WTO and APEC</i>
Forms of Business Ownership	(i) Distinguish between the major forms of business ownership: sole proprietorship, partnership, limited company, joint-venture, franchise and public enterprise.	- Characteristics of ' <i>general, limited and nominal partners</i> ' are required - Set up 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) Compare the characteristics of small and medium enterprises and multinational corporations in Hong Kong.	- Comparison of characteristics in terms of <i>the firms' size, forms of ownership and source of capital</i>
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.	
	(iii) Explain the principles and objectives of corporate governance, and appreciate the importance of good corporate governance.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about business ethics and social responsibilities

How is it in effect on teaching ?

Appendix 1 : Formulae of Ratios

mark-up	=	$\frac{\text{gross profit}}{\text{cost of goods sold}} \times 100\%$
gross profit ratio/margin	=	$\frac{\text{gross profit}}{\text{sales}} \times 100\%$
net profit ratio/margin	=	$\frac{\text{net profit before tax}}{\text{sales}} \times 100\%$
return on capital employed	=	$\frac{\text{profit before interest and tax}}{\text{average capital employed}} \times 100\%$
<div style="border: 2px solid black; padding: 5px;"> Capital employed = 1. Sole proprietorships: capital balance 2. Partnerships: Fixed capitals + current account balances 3. Limited companies: Non-current liabilities + shareholders' fund </div>		
working capital / current ratio	=	$\frac{\text{current assets}}{\text{current liabilities}} : 1$
quick / liquid ratio / acid test	=	$\frac{\text{current assets less inventories}}{\text{current liabilities}} : 1$
inventory turnover (times)	=	$\frac{\text{cost of goods sold}}{\text{average inventory}}$
average trade receivables collection period	=	$\frac{\text{average trade receivables}}{\text{credit sales}} \times 365 \text{ days} / 12 \text{ months}$
average trade payables repayment period	=	$\frac{\text{average trade payables}}{\text{credit purchases}} \times 365 \text{ days} / 12 \text{ months}$
trade receivables turnover (times)	=	$\frac{\text{credit sales}}{\text{average trade receivables}}$
trade payables turnover (times)	=	$\frac{\text{credit purchases}}{\text{average trade payables}}$
earnings per share	=	$\frac{\text{net profit after tax - preference dividend}}{\text{number of ordinary shares issued}}$
total assets turnover (times)	=	$\frac{\text{sales}}{\text{total assets}}$
gearing ratio	=	$\frac{\text{non-current liabilities} + \text{preference share capital}}{\text{non-current liabilities} + \text{shareholders' fund}} \times 100\%$
dividend cover for ordinary shares (times)	=	$\frac{\text{net profit after tax - preference dividend}}{\text{ordinary dividend paid}}$
price-earnings ratio	=	$\frac{\text{current price per ordinary share}}{\text{earnings per share}}$

Appendix 2 : Accounting Terminology

Except for term(s) specifically identified in the question or stated in the requirement, the following alternative accounting terminology will be accepted for marking purposes in the HKDSE Business, Accounting and Financial Studies examination.

Accounting Terminology Acceptable for the HKDSE BAFS Examination	
English	Chinese
Statement of financial position / Balance sheet	財務狀況表 / 資產負債表
Year end / Balance sheet date / End of reporting period	年終 / 期末
Income statement / Trading and profit and loss account	損益表 / 購銷及損益帳
Net book value / Carrying amount	帳面淨值
Reducing balance method / Diminishing balance method	餘額遞減法
Depreciation based on usage / Units of production method	按使用量計算折舊
Sales / Turnover / Revenue	銷售 / 銷貨 / 收益
Cost of goods sold / Cost of sales	銷貨成本 / 銷售成本
Selling and distribution expenses / Distribution costs	銷售及運送費用
Allowance for doubtful debts / Provision for bad and doubtful debts	呆帳準備
Net profit / profit (or Net loss / loss) for the year / period	年度淨利/淨虧損
Retained profits / Retained earnings	留存利潤
Accounts receivables / Trade and other debtors	應收帳款
Accounts payables / Trade and other creditors	應付帳款
Trade receivables / Trade debtors	應收貨款
Trade payables / Trade creditors	應付貨款
Other receivables / Other debtors	其他應收帳款
Other payables / Other creditors	其他應付帳款
Inventories / Stocks	存貨
Short term investments / Current investments	短期投資
Equity / Capital and reserves	股東權益 / 資本及儲備
Total equity and liabilities / Total capital and liabilities / Shareholders' Fund and liabilities	股東權益及負債總額 / 資本及負債總額
Short term loans / Short term borrowings / Current portion of long-term borrowings	短期貸款

Timeline	Year of Examination	Documents supporting BAFS curriculum
Apr 24 2013	2014 / 2015	Supplementary notes for teachers to illustrate the curriculum in 2007 C&A Guide
May 16 2013	2016	Trimmed curriculum (based on the result of NSS C & A Review)
Before Sept 2013	2016	Supplementary Notes 13/14 for teachers (with reference to the trimmed curriculum)

When will the supplementary notes be effective ?

Please download the supplementary notes for
2014/2015 HKDSE and trimmed C & A for
2016 HKDSE, from the following website:

http://edblog.hkedcity.net/te_bafs

**How to get the supplementary
notes ?**



Part 2

Explanation of the Supplementary Notes for the BAFS Curriculum

Compulsory Part –

1a. Business Environment

Supplementary Notes for BAFS Curriculum

(To be effective for the 2014 and 2015 HKDSE examinations)

Final Draft as at April 2013

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 development and characteristics of the Hong Kong economy.	- Characteristics of Hong Kong's economy include: <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.	
	(iv) Describe Hong Kong's economic and business relationships with the Mainland.	- Relationships include economic cooperation, <i>e.g. CEPA, trading partners, sources of capital</i>
	(v) Be aware of the economic policies and general business practices in the Mainland.	- Only basic, broad-brush knowledge about CEPA is required - Details about policies and practices are not required

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(vi) Describe the impact of globalization on business.	- Impacts: <i>e.g. keen competition, international flow of capital and information, global sourcing and outsourcing, technology transfer</i>
	(vii) Explain the roles of major international trade organisations.	- Students are only required to explain the major functions of <i>WTO and APEC</i>
Forms of Business Ownership	(i) Distinguish between the major forms of business ownership: sole proprietorship, partnership, limited company, joint-venture, franchise and public enterprise.	- Characteristics of ' <i>general, limited and nominal partners</i> ' are required - Set up 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) Compare the characteristics of small and medium enterprises and multinational corporations in Hong Kong.	- Comparison of characteristics in terms of <i>the firms' size, forms of ownership and source of capital</i>
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.	
	(iii) Explain the principles and objectives of corporate governance, and appreciate the importance of good corporate governance.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about business ethics and social responsibilities



Compulsory Part –

1b. Introduction to Management

1(b) 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"> - <i>Planning: importance, planning process and characteristics of SMART goals</i> - <i>Organising: organisational structure – by level and by authority; departmentalisation – by function, by product, and by location</i> - <i>Leading: leadership styles</i> - <i>Controlling: control process</i>
Effective Management	(i) Illustrate the major management skills required of managers.	- Students are expected to be able to distinguish the <i>relative importance of technical skills, conceptual skills and human/ interpersonal skills at the lower, middle and top management level</i>
	(ii) Apply the following principles of effective management: division of work, unity of command, unity of direction, 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 functional areas in business: human resources management, financial management, operations management, marketing management, information management and risk management.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(ii) Explain and appreciate the interrelationship and integrated nature of different business functions in solving business problems.	
Entrepreneurship and Small and Medium Enterprises (SMEs) Management <ul style="list-style-type: none"> • Entrepreneurship • SMEs management 	(i) Describe the characteristics and aptitudes of an entrepreneur.	- <i>Characteristics and aptitudes: take initiatives, seek new opportunities, desire for independence, receptive to innovative ideas</i>
	(ii) Explain the importance of entrepreneurship in business development and economic growth.	
	(iii) Describe the characteristics of SMEs.	
	(iv) Explain the importance of SMEs to the local economy.	
	(v) Compare the differences between small and large businesses from management perspectives.	- <i>Comparison of differences in planning, organising, leading and controlling</i>
	(vi) Describe the governmental support measures for the development of SMEs.	- <i>Suggested to be learning and teaching activities to enhance awareness and knowledge about the governmental support measures for SMEs</i>
	(vii) Describe the process of developing a business plan.	- <i>Suggested to be learning and teaching activities to enhance awareness and knowledge about the process of developing a business plan</i>
Business Communication <ul style="list-style-type: none"> • Means and principles of effective communication 	(i) Appreciate the need for and importance of effective communication.	<ul style="list-style-type: none"> - <i>Importance: acquire timely and accurate information; facilitate the management process; establish and maintain good relationships with business partners and related parties</i> - <i>Communication process and forms of communication are required</i>

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(ii) Explain the following principles of effective communication: clarity, courtesy, conciseness, completeness and concreteness.	
	(iii) Identify barriers to effective communication and means for enhancing communication.	
• Business information	(iv) Describe the characteristics of quality business information.	- Characteristics: <i>accuracy, relevance to decision-making, faithful representation, timeliness, understandability</i>
	(v) Discuss the contribution of information and communication technology (ICT) to information management.	- Only requires a basic, broad-brush discussion of the contribution of ICT to information management with reference to the characteristics stated above

Compulsory Part –

1c. Introduction to Accounting

1(c) Introduction to Accounting

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Purposes and the Role of Accounting	(i) Describe the functions of accounting.	- Functions: <i>recording, classifying, summarising and communicating</i>
	(ii) Appreciate the importance of accounting and its relevance to decision-making.	
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

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(ii) Explain the uses and limitations of financial statements.	
Accounting Principles and Conventions	(i) State the meaning of fundamental accounting principles and conventions: business entity, going concern, accrual, historical cost and consistency.	- Application to case scenario is required
The Accounting Cycle <ul style="list-style-type: none"> • Double entry system 	(i) Explain the accounting equation and demonstrate how transactions affect it.	<ul style="list-style-type: none"> - Knowledge of the flow of an accounting cycle is required: <i>books of original entry, ledgers, trial balance, balancing day adjustments, financial statements, post-closing trial balance / statement of financial position (balance sheet)</i> - Accounting equation: C = A - L - (R - E) - Calculations and entries for balancing day adjustments are not required
	(ii) Apply the principles of double entry to the recording of business transactions.	
<ul style="list-style-type: none"> • Books of original entry and different types of ledgers 	(iii) Explain the functions of books of original entry and ledgers.	- Petty cash book is not required
	(iv) Record transactions in books of original entry and post to ledger accounts.	
	(v) Identify the major classifications in ledgers.	
<ul style="list-style-type: none"> • Trial balance 	(vi) Explain the functions and limitations of a trial balance.	
	(vii) Prepare a trial balance.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
• Financial statements	(viii) Prepare income statements and balance sheets for sole proprietorships.	
Basic Ratio Analysis	(i) State the general functions of accounting ratios.	
	(ii) Calculate and interpret the following ratios: gross profit ratio, net profit ratio, working capital/current ratio, quick/liquid ratio and return on capital employed.	- Refer to <i>Appendix I</i> for the list of Formulae of Ratios
	(iii) Evaluate the profitability and liquidity of a business using accounting ratio.	- Proposal for remedial actions is not required



Compulsory Part –

1d. Basics of Personal Financial Management

1(d) Basics of Personal Financial Management

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Fundamentals of Financial Management <ul style="list-style-type: none"> Structure and role of financial market 	(i) Differentiate the roles of different sectors of the Hong Kong financial market.	- Sectors: <i>banking, insurance, securities</i>
	(ii) Distinguish between: <ol style="list-style-type: none"> primary and secondary markets capital and money markets listed exchanges and over-the-counter 	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(iii) Discuss the roles of different participants in the financial market.	- Participants: <i>listed companies, brokers, banks, investors, regulators (HKEx and SFC)</i>
• Time value of money	(iv) Define opportunity cost and demonstrate how it relates to personal financial decisions.	- Only basic knowledge of opportunity cost as the highest-valued option forgone is required
	(v) Explain the concepts of compounding, discounting, present value and future value.	
	(vi) Apply the concepts of present value and future value to compute net present value.	- Annuity is not required - Only 'simple calculation' (with not more than 3 compounding periods) is required. - Students are not required to look up the annuity or discount factor table
	(vii) Distinguish between nominal and effective rate of return.	
• The relationship between risks and returns	(viii) Identify the basic characteristics and the relationship between risks and returns of common financial products.	- Students are expected to explain 1. <i>investors should expect higher risks of investments for higher return; and</i> 2. <i>higher risks of investments do not necessarily bring higher returns</i> - Common financial products: <i>saving/term deposits, stocks, bonds</i> - Numerical concepts and application are not required
	(ix) Identify the factors that affect the risks and returns of common financial products.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about relationship between risks and returns

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Personal Financial Management <ul style="list-style-type: none"> • Consumer credit 	(i) Explain different types of consumer credit and finance products.	<ul style="list-style-type: none"> - Common types of consumer credit (and finance products): <i>bank overdraft, credit card, mortgage loan and personal loans</i> - Differentiation of consumer credit and finance products is not required
	(ii) Compare and select the most suitable consumer credit and finance products with understanding of how interest is calculated.	<ul style="list-style-type: none"> - Suggested to be learning and teaching activities to enhance awareness and knowledge about consumer credit
	(iii) Appreciate the importance of maintaining a good personal credit record.	
<ul style="list-style-type: none"> • Personal financial planning and investments 	(iv) Adopt positive values and attitudes towards personal financial planning in a life-cycle context.	
	(v) Adopt a proper personal financial planning process: setting investment objectives, portfolio construction and portfolio review.	<ul style="list-style-type: none"> - Suggested to be learning and teaching activities to enhance awareness and knowledge about personal financial planning and investments
	(vi) Discuss the issues to be considered in selecting appropriate financial products for a personal investment portfolio.	
	(vii) Apply budgeting principles and techniques to prepare personal budgets.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(viii) Demonstrate a basic understanding of the Mandatory Provident Fund (MPF) system.	- Students are only required to describe the <i>rights and responsibilities of employees and self-employed persons under Mandatory Provident Fund (MPF)</i>
• Investor protection in Hong Kong	(ix) Explain the roles of regulators in regulating financial products and financial service providers in Hong Kong.	- Regulators: <i>SFC, HKEx, HKMA</i>
	(x) Describe the investor compensation regime in Hong Kong.	- Only purpose of the 'Investor Compensation Fund' and its coverage are required
	(xi) Be aware of the rights and responsibilities of individual investors and consumers of financial services.	- Rights and responsibilities of investors: <ol style="list-style-type: none"> 1. <i>right to ask for rationale behind an investment recommendation made by a broker or bank</i> 2. <i>right to file a complaint</i> 3. <i>duty to understand the terms of a contract before signing it</i> 4. <i>duty to monitor activities on own account by checking account statements, transaction documents</i>
	(xii) Demonstrate how to make an informed investment decision.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about investor protection in Hong Kong



Elective Part –

Accounting Module

Elective Part - Accounting Module

2(a) Financial Accounting

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Balancing Day Adjustments Relating to the Preparation of Financial Statements	(i) Differentiate between cash accounting and accrual accounting.	- Balancing-day adjustments also known as period-end adjustments
	(ii) Distinguish between bad debts and allowance for doubtful accounts.	- 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.	- Students are expected to be able to distinguish between capital and revenue expenditures before the calculation of depreciation for non-current assets
	(iv) Compare the commonly used depreciation methods: straight-line, reducing-balance and depreciation based on usage; and explain the effect of depreciation charge on profits.	- Students are expected to be able to record: <ol style="list-style-type: none"> 1. <i>disposal of non-current assets including trade-in; and</i> 2. <i>the effect of depreciation charge (including disposal) on profits</i> <div style="border: 2px solid blue; padding: 5px;"> Students are expected to be able to apply the following to determine the value of inventory: <ol style="list-style-type: none"> 1. <i>lower of cost and net realisable value;</i> 2. <i>sale or return; and</i> 3. <i>weighted average cost</i> Distinction between the accounting treatment for normal and abnormal inventory loss is required </div>
	(v) Prepare adjusting entries in the general journal, income statement and balance sheet.	- Students are expected to be able to prepare ledger entries for period-end adjustments

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Financial Reporting for Different Forms of Business Ownership <ul style="list-style-type: none"> Financial statements 	(i) Prepare properly presented income statements and balance sheets for sole proprietorships, partnerships and limited companies.	<ul style="list-style-type: none"> Students are expected to be able to prepare financial statements <i>in both horizontal and vertical form</i> Published accounts are not required Students are expected to be able to record income tax in the financial statements of limited companies. Over or under-provision brought forward and tax payable outstanding at period end will not be included Calculation and reversal of impairment loss are not required
<ul style="list-style-type: none"> Accounting for partnership 		<ul style="list-style-type: none"> Students are expected to be able to prepare the appropriation account and current accounts for the partnership
	(ii) Define goodwill and explain the factors affecting its valuation.	<ul style="list-style-type: none"> Valuation of goodwill is not required
	(iii) Prepare the necessary adjustments to partner(s)' capital and/or net assets arising from changes in profit-sharing ratio, admission and retirement of partner(s).	<ul style="list-style-type: none"> Students are expected to be able to record accounting entries in relation to partnership changes occurred at the beginning or end of a financial period
	(iv) Analyse the factors leading to the dissolution of a partnership.	<ul style="list-style-type: none"> <i>Suggested to be learning and teaching activities to enhance awareness and knowledge about the dissolution of a partnership</i>
	(v) Prepare the necessary accounting entries required in dissolution.	<ul style="list-style-type: none"> 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 limited company is not required

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
<ul style="list-style-type: none"> Accounting for limited companies 		<ul style="list-style-type: none"> Students are expected to be able to prepare the appropriation accounts and calculate the balance of retained profits
	(vi) Distinguish between authorised / registered and issued capital.	<ul style="list-style-type: none"> Students are expected to apply the distinction for making appropriate entries in the statement of financial position (balance sheet)
	(vii) Prepare journal and ledger entries relating to the issue of ordinary shares and debentures fully paid on application.	<ul style="list-style-type: none"> Students are expected to prepare entries for shares issued at par or at a premium, and debentures issued at par The calculation of the amount to be refunded to unsuccessful applicants, and the necessary entries, are required Journal and ledger entries for rights and bonus (capitalisation) issues of shares are not required
	(viii) Distinguish between the nature of reserves and provisions.	<ul style="list-style-type: none"> Revaluation of non-current assets is not required
	(ix) Describe the regulatory framework of accounting in Hong Kong.	<ul style="list-style-type: none"> Suggested to be learning and teaching activities to enhance awareness and knowledge about accounting for limited companies
Control Systems <ul style="list-style-type: none"> Control accounts and their reconciliation 	(i) Explain the need to keep ledger control accounts for the accounts receivable and accounts payable ledgers.	<ul style="list-style-type: none"> Students are expected to prepare control accounts
	(ii) Prepare ledger control accounts and reconcile them with respective subsidiary ledgers.	<ul style="list-style-type: none"> Suggested to be learning and teaching activities to enhance awareness and knowledge about control accounts

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
<ul style="list-style-type: none"> Bank reconciliation statement 	(iii) Explain the functions of a bank reconciliation statement. (iv) Identify reasons for discrepancies between cash book and bank statement balances and prepare a bank reconciliation statement.	
<ul style="list-style-type: none"> Correction of errors 	(v) Identify the types of accounting errors and their effects on accounting records.	
	(vi) Prepare correcting entries and, where appropriate, a suspense account.	
Generally Accepted Accounting Principles	(i) Explain the key assumptions underlying the preparation of financial statements: accrual and going concern.	
	(ii) Describe the principal qualitative characteristics of financial statements: understandability, relevance, reliability and comparability.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about GAAP
	(iii) Explain the meaning, importance and shortcomings of the following principles and concepts: business entity, historical cost, prudence, consistency, materiality, matching, objectivity, timeliness, realisation, money measurement and substance over form.	- Examples for substance over form include: sale and repurchase of non-current assets; non-current assets received at zero cost through donations or government subsidies
	(iv) Apply the relevant accounting principles and concepts in accounting situations.	
Financial Analysis	(i) Describe the following types of financial statement analysis: ratio analysis, trend analysis, horizontal analysis and vertical analysis.	- Students are expected to identify the types of financial statement analysis but not their comparison

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(ii) Calculate ratios and comment on a company's profitability, liquidity, solvency, management efficiency and return on investment: mark-up, margin, inventory turnover, days' sales in accounts receivable, days' purchases in accounts payable, accounts receivable turnover, accounts payable turnover, earnings per share, total assets turnover, gearing, dividend cover and price-earnings ratio.	<ul style="list-style-type: none"> - Refer to Appendix 1 for the list of Formulae of Ratios and the updated terminology for some of the ratios - Paper 2A requires the in-depth application of the ratios in the Compulsory Part, i.e. <i>working capital/current ratio, quick/liquid ratio, gross profit ratio, net profit ratio and return on capital employed</i>
	(iii) Propose remedial actions which will improve the financial performance of a company.	<ul style="list-style-type: none"> - Suggested to be learning and teaching activities to enhance awareness and knowledge about financial analysis
	(iv) Explain the functions and limitations of accounting ratios in financial analysis.	
Incomplete Records	(i) Determine profits or losses from statement of affairs.	
	(ii) Prepare an income statement and a balance sheet from incomplete records.	<ul style="list-style-type: none"> - Students are expected to be able to calculate the cash and inventory value from incomplete record: <i>cash stolen, inventory loss, physical stocktaking after period end</i>
Information and Communication Technology (ICT) Applications in Accounting	(i) Identify the major types of ICT applications in accounting.	
	(ii) Discuss the advantages and disadvantages of using computerised accounting.	<ul style="list-style-type: none"> - Suggested to be learning and teaching activities to enhance awareness and knowledge about ICT applications in accounting
	(iii) Describe and appreciate the importance of an accounting information system in management decisions.	
Ethical Issues in Accounting	(i) Discuss the ethical issues involved in accounting activities.	
	(ii) Adopt positive values and attitudes in making ethical decisions.	<ul style="list-style-type: none"> - Suggested to be learning and teaching activities to enhance awareness and knowledge about the ethical issues involved in accounting activities
	(iii) Explain and appreciate the significance of accounting information in corporate governance.	

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 appreciate its importance for financial decision-making.	
	(ii) Distinguish between direct and indirect costs, fixed and variable costs, and factory and administrative overheads.	
Job Costing	(i) Explain the job costing system for manufacturing operations.	
	(ii) Illustrate the allocation and apportionment of costs to a single job or product.	<ul style="list-style-type: none"> - The preparation of overhead allocation statement to apportion overheads from service to production departments is not required - Activity-based costing is not required
Marginal and Absorption Costing	(i) Compare the use of marginal and absorption costing in preparing: <ol style="list-style-type: none"> 1. manufacturing accounts 2. income statements. 	<ul style="list-style-type: none"> - Students are only expected to apply weighted average cost for the costing of inventory - 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
	(iii) Conduct cost-volume-profit analysis to assess the effects of changes in costs, selling price and units sold on the breakeven point and target profit.	<ul style="list-style-type: none"> - Calculation of margin of safety is required - CVP analysis for multiple products is required - The involvement of limiting factors is required - Graphical presentation is not required



Elective Part --

Business Management Module

Elective Part- Business Management Module

3(a) 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) Assess business performance from a range of accounting ratios in terms of profitability, liquidity, solvency and management efficiency.	<ul style="list-style-type: none"> - Students are expected to be able to discuss the limitations of financial analysis - The ratios required are: <i>gross profit ratio, net profit ratio, working capital/current ratio, quick/liquid ratio and return on capital employed, trade receivables turnover, inventory turnover, trade payables turnover, total assets turnover and gearing</i> <p><i>[Refer to Appendix 1 for the list of Formulae of Ratios]</i></p>
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
Sources of Financing	(i) Compare different sources of financing: debt and equity financing, short-term and long-term financing, and internal and external financing.	<ul style="list-style-type: none"> - Details of the features of financing instruments are not required
	(ii) Apply the basic principles for selecting financing methods.	
Capital Investment	(i) Evaluate financial and non-financial factors affecting capital investment decisions.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
Appraisal	(ii) Apply the basic capital investment appraisal methods to evaluate capital projects: payback period, net present value, internal rate of return and accounting rate of return.	- Calculation of IRR and ARR is not required
	(iii) Compare the usefulness and limitations of different capital investment appraisal methods.	
Working Capital Management	(i) Explain the importance of working capital management.	- Students are expected to be able to describe the operating cycle and cash conversion cycle
	(ii) Describe the basic principles of cash management and the relevance of cash budgeting.	- Preparation of cash budget is not required
	(iii) Analyse the factors affecting the formulation of accounts receivable and accounts payable policies.	- Students are expected to be able to describe the elements of a credit policy, credit terms and credit standard (<i>5Cs: capital, capacity, collateral, condition and character</i>)
	(iv) Explain the objectives of inventory management and apply simple inventory control techniques: Economic Order Quantity (EOQ) and re-order level methods.	
Risk Management	(i) Appreciate the importance of risk management in a business organisation.	- The process of developing a risk management programme is not required
	(ii) Identify different types of risk faced by business firms and analyse their impact on business activities.	- Types of risks: <i>insurable vs non-insurable; pure vs speculative</i>
	(iii) Demonstrate an understanding of various types of insurance protection available to business.	- Types of insurance: <i>comprehensive insurance, motor insurance, fidelity insurance, liability insurance, public liability insurance, employees' compensation insurance</i>
	(iv) Explain the following risk management strategies: risk avoidance, risk assumption, risk reduction and risk transfer.	- Students are expected to be able to apply appropriate risk management strategies to given scenarios

3(b) 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.	
<ul style="list-style-type: none"> Staffing 	(iii) Describe the staffing process.	
	(iv) Compare different methods of staffing.	- Approaches and process of job analysis are not required
<ul style="list-style-type: none"> Performance management 	(v) Describe the objectives of performance management.	
	(vi) Explain the methods, processes and application of performance management.	- Methods: <i>MBO, critical incident, simple ranking, graphic rating</i> - Students are expected to be able to describe the basic steps in a performance management process, and apply it to the given scenario
<ul style="list-style-type: none"> Compensation and benefit management 	(vii) Describe the characteristics and advantages of direct and indirect compensation.	- Students are expected to be able to describe the characteristics and advantages of monetary and non-monetary rewards
	(viii) Compare different forms of compensation.	- Forms: <i>Time-based (hourly, daily, monthly) vs performance-based</i>
	(ix) Explain job evaluation and its relationship with compensation.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about compensation and benefit management
	(x) Explain grade and salary structure and related administration.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(xi) Explain the purposes of benefits.	
	(xii) Describe how to conduct and analyse compensation and benefit surveys.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about compensation and benefit management
• Training and development	(xiii) Explain the objectives of training and development.	
	(xiv) Describe the essential features of a systematic training function.	- Students are expected to be able to describe the process of training
	(xv) Evaluate the effectiveness of different modes of training.	- On-the job training: <i>apprenticeship, job rotation, mentoring/coaching</i> ; - Off-the job training: <i>classroom teaching, programmed learning, simulated training</i>
Development of a Quality Workforce • Employee relations	(i) Describe the industrial relations system.	- Major players in the system: <i>employees, employers, government, unions</i>
	(ii) Explain the application of employment-related legislation.	- Employment-related legislation: <i>Employment Ordinance and Employees' Compensation Ordinance</i>
	(iii) Explain the functions of collective bargaining, conciliation, mediation and arbitration in industrial conflicts.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about employees relations
	(iv) Suggest appropriate orientation and internal communication programmes.	
	(v) Explain grievances handling and disciplinary action procedures.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about employees relations

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
<ul style="list-style-type: none"> Motivation and group dynamics 	(vi) 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 Vroom's Expectancy Theory Adams's Equity Theory 	- Students are expected to be able to demonstrate a basic knowledge of Vroom's Expectancy Theory and Adam's Equity Theory
	(vii) Evaluate the impact of different types of work group on organisational efficiency and productivity.	
	(viii) Apply the major team-building techniques and appreciate the synergetic effect of teamwork.	

3(c) 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.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
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>
	(iii) Prepare a simple market research report.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about marketing research
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 for Goods and Services • Target markets • Marketing mix	(i) Explain different types of market segmentation methods.	
	(ii) Explain the factors affecting the determination of target market: market niche and positioning.	
	(iii) Explain the concept of marketing mix.	
	(iv) Illustrate different pricing, promotion, product and place strategies for goods.	
	(v) Apply various marketing mix strategies to different stages of the product life cycle.	
	(vi) Explain the characteristics of services and their effect on marketing mix design.	

Learning Elements Specified in C&A Guide		Supplementary Teaching Notes
Topics	Explanatory Notes	
	(vii) Compare the differences between traditional marketing strategies and e-marketing strategies.	
• Customer relationship management (CRM)	(viii) Explain the importance of CRM to the marketing process.	
	(ix) Evaluate the factors affecting customer loyalty and develop marketing strategies to enhance customer loyalty.	
Consumerism	(i) Adopt appropriate consumer values and attitudes in making consumption decisions.	- Suggested to be learning and teaching activities to enhance awareness and knowledge about consumerism
	(ii) Explain and appreciate the importance of contracts in business.	
	(iii) Evaluate the rights and responsibilities of consumers.	
	(iv) Describe the major consumer protection measures in Hong Kong.	- Consumer protection measures: 1. Legislation: <i>Trade Description Ordinance, Sale of Goods Ordinance, Food Safety Ordinance, Toys & Children's Products Safety Ordinance</i> 2. Consumer Council: <i>functions and powers</i>

Appendix 1 : Formulae of Ratios

mark-up	=	$\frac{\text{gross profit}}{\text{cost of goods sold}} \times 100\%$
gross profit ratio/margin	=	$\frac{\text{gross profit}}{\text{sales}} \times 100\%$
net profit ratio/margin	=	$\frac{\text{net profit before tax}}{\text{sales}} \times 100\%$
return on capital employed	=	$\frac{\text{profit before interest and tax}}{\text{average capital employed}} \times 100\%$
<p>Capital employed =</p> <ol style="list-style-type: none"> 1. Sole proprietorships: capital balance 2. Partnerships: Fixed capitals + current account balances 3. Limited companies: Non-current liabilities + shareholders' fund 		
working capital / current ratio	=	$\frac{\text{current assets}}{\text{current liabilities}} : 1$
quick / liquid ratio / acid test	=	$\frac{\text{current assets less inventories}}{\text{current liabilities}} : 1$
inventory turnover (times)	=	$\frac{\text{cost of goods sold}}{\text{average inventory}}$
average trade receivables collection period	=	$\frac{\text{average trade receivables}}{\text{credit sales}} \times 365 \text{ days} / 12 \text{ months}$
average trade payables repayment period	=	$\frac{\text{average trade payables}}{\text{credit purchases}} \times 365 \text{ days} / 12 \text{ months}$
trade receivables turnover (times)	=	$\frac{\text{credit sales}}{\text{average trade receivables}}$
trade payables turnover (times)	=	$\frac{\text{credit purchases}}{\text{average trade payables}}$
earnings per share	=	$\frac{\text{net profit after tax - preference dividend}}{\text{number of ordinary shares issued}}$
total assets turnover (times)	=	$\frac{\text{sales}}{\text{total assets}}$
gearing ratio	=	$\frac{\text{non-current liabilities} + \text{preference share capital}}{\text{non-current liabilities} + \text{shareholders' fund}} \times 100\%$
dividend cover for ordinary shares (times)	=	$\frac{\text{net profit after tax - preference dividend}}{\text{ordinary dividend paid}}$
price-earnings ratio	=	$\frac{\text{current price per ordinary share}}{\text{earnings per share}}$

Appendix 2 : Accounting Terminology

Except for term(s) specifically identified in the question or stated in the requirement, the following alternative accounting terminology will be accepted for marking purposes in the HKDSE Business, Accounting and Financial Studies examination.

Accounting Terminology Acceptable for the HKDSE BAFS Examination	
English	Chinese
Statement of financial position / Balance sheet	財務狀況表 / 資產負債表
Year end / Balance sheet date / End of reporting period	年終 / 期末
Income statement / Trading and profit and loss account	損益表 / 購銷及損益帳
Net book value / Carrying amount	帳面淨值
Reducing balance method / Diminishing balance method	餘額遞減法
Depreciation based on usage / Units of production method	按使用量計算折舊
Sales / Turnover / Revenue	銷售 / 銷貨 / 收益
Cost of goods sold / Cost of sales	銷貨成本 / 銷售成本
Selling and distribution expenses / Distribution costs	銷售及運送費用
Allowance for doubtful debts / Provision for bad and doubtful debts	呆帳準備
Net profit / profit (or Net loss / loss) for the year / period	年度淨利/淨虧損
Retained profits / Retained earnings	留存利潤
Accounts receivables / Trade and other debtors	應收帳款
Accounts payables / Trade and other creditors	應付帳款
Trade receivables / Trade debtors	應收貨款
Trade payables / Trade creditors	應付貨款
Other receivables / Other debtors	其他應收帳款
Other payables / Other creditors	其他應付帳款
Inventories / Stocks	存貨
Short term investments / Current investments	短期投資
Equity / Capital and reserves	股東權益 / 資本及儲備
Total equity and liabilities / Total capital and liabilities / Shareholders' Fund and liabilities	股東權益及負債總額 / 資本及負債總額
Short term loans / Short term borrowings / Current portion of long-term borrowings	短期貸款

Question and Answer

Session
