

# APPENDIX 1 : Information on Examination Papers and Examination Syllabus

## Number of questions and distribution by topic\*:

Paper	Paper 1 - Insurance and Retirement Planning	Paper 2 - Tax and Estate Planning	Paper 3 - Investment Planning	Paper 4 - Financial Planning Practice
Duration	2.5 hours	2.5 hours	2.5 hours	3 hours
No. of questions	85-95	75-85	75-85	55-65
Distribution of question by topic areas:				
A. Financial Planning Process (Topics 1 – 18)**	22%	32%	25%	Integrated topics of financial planning
B. Insurance Planning (Topics 19 – 29)**	56%	—	—	
C. Investment Planning (Topics 30 – 49)**	—	—	75%	
D. Tax Planning (Topics 50 – 62)**	—	45%	—	
E. Employee Benefits and Retirement Planning (Topics 63 – 73)**	22%	—	—	
F. Estate Planning (Topics 74 – 87)**	—	23%	—	

\*This table is for reference only. The Institute of Financial Planners of Hong Kong may change this table from time to time.

\*\*See Examination Syllabus

## Examination syllabus (with effect from December 2008)

Please note that the 87-topic syllabus has not been amended. The syllabus has only been enhanced with the list of subtopics detailed below which indicates the major areas examined under each numbered topic heading. It is in no particular order and is not intended to be an exhaustive list. Candidates may refer to the reference materials<sup>#</sup> for further details in relation to topic headings and subtopics. (Reference information on the number of Multiple Choice Questions for each exam paper has been added in January 2010, and is based on the examinations held in 2008 and 2009. For details please see the table below. Please note that IFPHK has the discretion to modify the number of Multiple Choice Questions without prior notice.)

# - A list of reference materials is contained in Appendix 2 of the CFP<sup>CM</sup> Certification Examination Handbook.

## - No number of Multiple Choice Questions is provided for Paper 4 as it is a case-related examination that covers integrated topics.

### A. Financial Planning Process

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
1	<b>Establishing client-planner relationships</b>	✓	✓	✓	✓
	a) Defining the scope of the engagement				
	b) Communication techniques				
	c) Rules for soliciting and communicating with clients	1-3	1-3	1-3	##
	d) Honesty and fiduciary relationship				
2	<b>Gathering client data and determining goals and expectations</b>	✓	✓	✓	✓
	a) Determining a client's personal and financial goals, needs and priorities				
	b) Obtaining quantitative information and documents				
	c) The client's unstated needs/ non-financial needs	1-3	1-3	1-3	##
	d) The storage and maintenance of client's data				

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
3	<b>Determining the client's financial status by analysing and evaluating clients' information</b>	✓	✓	✓	✓
	a) Client's background and client's financial status				
	b) Analysing and evaluating client's information c) Identifying problems and issues	1-3	1-3	1-3	##
4	<b>Developing and presenting the financial plan</b>	✓	✓	✓	✓
	a) Identifying and evaluating financial planning alternatives				
	b) Developing the financial recommendations c) Presenting the financial planning recommendation(s)	1-3	1-3	1-3	##
5	<b>Implementing the financial plan</b>	✓	✓	✓	✓
	a) Agreeing on implementation responsibilities				
	b) Selecting products and services for implementation c) Handling client's assets	0-2	0-2	0-2	##
6	<b>Monitoring the financial plan</b>	✓	✓	✓	✓
	a) Defining monitoring responsibilities				
	b) Source of changes / reasons for review				
	c) Conducting and supervising a review	1-3	1-3	1-3	##
	d) Revision of plans e) Ongoing services				
7	<b>Regulatory requirements for CFP certificants</b>	✓	✓	✓	✓
	a) Becoming CFP certificants / 4Es requirements				
	b) Proper usage of CFP Certification marks				
	c) IFPHK's disciplinary rules and procedures	0-2	0-2	0-2	##
	d) Renewal policy e) Ongoing certification requirements				
8	<b>Ethical and professional considerations in financial planning</b>	✓	✓	✓	✓
	a) IFPHK's Code of Ethics and Professional Responsibility b) Professional liability and fiduciary duty	1-3	1-3	1-3	##
9	<b>Assessment of risk and client behavior</b>	✓	✓	✓	✓
	a) Risk profiling / risk tolerance				
	b) Life cycle analysis c) Personal profiling	0-2	0-2	1-3	##
10	<b>Financial planning for special needs</b>	✓	✓	✓	✓
	a) Divorce				
	b) Disabilities				
	c) Terminal illness				
	d) Non-traditional families	0-2	0-2	0-2	##
	e) Job changes and job loss, including severance packages f) Dependant(s) with special needs				
11	<b>Economic environment and indicators</b>	✓	✓	✓	✓
	a) Supply and demand				
	b) Inflation/deflation				
	c) Interest rates/yield curves				
	d) Monetary and fiscal policies	1-3	1-3	1-3	##
	e) Business cycles				
	f) Leading, lagging and coincident indicators				
	g) Stock and bond market indexes h) Understanding the operation of financial markets				
12	<b>Calculate and interpret time value of money</b>	✓	✓	✓	✓
	a) Present values				
	b) Future values and compound interest				
	c) Perpetuities, annuities and multiple cash flows	3-5	3-5	1-3	##
	d) Inflation and time value of money e) Effective interest rate				

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
13	<b>Asset valuation for financial planning functions</b>	✓	✓	✓	✓
	a) Overview of asset valuation for financial planning functions b) Ratio analysis	0-1	0-1	0-1	##
14	<b>Forms of business ownership / entity relationships</b>	✓	✓	✓	✓
	a) Sole proprietorship b) Partnership (general partnership and limited partnership) and overview of related legislation c) Private limited company and overview of related legislation d) Public limited company and overview of related legislation	1-3	1-3	1-3	##
15	<b>Ways of taking title to property</b>	✓	✓	✓	✓
	a) Different types of legal title/ownership to property b) Overview of different ways of taking title to property	0-1	0-1	0-1	##
16	<b>Legal aspects of financial planning</b>	✓	✓	✓	✓
	a) Overview of the Personal Data (Privacy) Ordinance b) Overview of the Companies Ordinance c) Overview of legislation governing money laundering d) Overview of the Prevention of Bribery Ordinance e) Overview of other relevant legislation and codes of conduct	1-3	1-3	1-3	##
17	<b>Budgeting</b>	✓	✓	✓	✓
	a) Discretionary income versus non-discretionary income b) Financing strategies c) Saving strategies	1-3	1-3	1-3	##
18	<b>Personal use-asset management</b>	✓	✓	✓	✓
	a) Balance sheet (statement of financial position) b) Cash flow statement	1-3	1-3	1-3	##

## B. Insurance Planning

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
19	<b>Principles of insurance</b>	✓			✓
	a) Risk handling methods				
	b) Definition of risk				
	c) Types of risk	5-7			##
	d) Moral hazard/Morale hazard/Physical hazard/Adverse selection e) Insurance company operation				
20	<b>Identification of life, health, homeowners, auto and other property and liability risk exposures</b>	✓			✓
	a) Personal risk exposure				
	b) Property risk exposure				
	c) Liability risk exposure	3-5			##
	d) Business-related risk exposure				
21	<b>Legal aspects of insurance</b>	✓			✓
	a) Basic parts of an insurance contract				
	b) Definition of the "insured"				
	c) Distinct legal characteristics	4-6			##
	d) Principles of insurance contract e) Renewal and cancellation of insurance contract				
22	<b>Insurance industry regulation</b>	✓			✓
	a) Reasons for insurance regulation				
	b) Regulatory framework of insurance industry				
	c) Role of Insurance Authority				
	d) Codes and standards relevant to the local insurance industry				
	e) Insurance claims	3-5			##
	f) Issues regarding equal opportunities				
	g) Prevention of insurance fraud				
	h) Prevention of money laundering				
	i) Licensing of insurance intermediaries				
23	<b>Property and liability policy analysis</b>	✓			✓
	a) Combined comprehensive or package policies				
	b) Property insurance				
	c) Liability insurance				
	d) Pecuniary insurance	6-8			##
	e) Common policy exceptions and conditions				
	f) General, specific and market exclusions				
	g) Use of excesses, deductibles and franchises				
	h) Subrogation				
24	<b>Policy analysis</b>	✓			✓
	a) Policy wordings, policy terms and conditions, premium	3-5			##
	b) Others: Travel insurance				
25	<b>Life insurance policy analysis</b>	✓			✓
	a) Types of life insurance				
	b) Amount of protection needed				
	c) Life insurance contractual provisions	8-10			##
	d) Policy riders e) Beneficiary designation				
26	<b>Annuity policy analysis</b>	✓			✓
	a) Types of annuities	4-6			##
	b) Amount of annuity needed				

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
27	<b>Health insurance policy analysis</b>	✓			✓
	a) Medical insurance				
	b) Personal accident and sickness	5-7			##
	c) Disability insurance				
	d) Long term care insurance				
28	<b>Taxation of insurance products</b>	✓			✓
	a) General concept of taxation of insurance products	0-1			##
	b) Overview of taxation of different insurance products				
29	<b>Selecting Insurance Companies and Agencies</b>	✓			✓
	a) Financial strength				
	b) Ratings	3-5			##
	c) Types of policies available				
	d) Cost comparison				

## C. Investment Planning

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
30	<b>Client Assessment</b>			✓	✓
	a) Overview of client assessment			0-2	##
31	<b>Marketability/liquidity</b>			✓	✓
	a) General concept of marketability b) General concept of liquidity			0-2	##
32	<b>Types of investment risk</b>			✓	✓
	a) Inflation/purchasing power risk				
	b) Interest rate risk				
	c) Market/systematic/non-diversifiable risk				
	d) Business risk				
	e) Liquidity and marketability risk			2-4	##
	f) Reinvestment risk				
	g) Political risk				
	h) Exchange rate risk i) Specific/non-systematic/diversifiable risk				
33	<b>Measurement of risk</b>			✓	✓
	a) Different ways of risk measurement b) Risk calculations			2-4	##
34	<b>Influence of time on investment risk</b>			✓	✓
	a) Overview of influence of time on investment risk				
	b) Bond duration c) Convexity			2-4	##
	d) Internal rate of return (IRR)				
35	<b>Government regulation of securities and markets</b>			✓	✓
	a) The regulatory framework of the securities market				
	b) Overview of the Securities and Futures Ordinance				
	c) The regulatory framework of the banking industry				
	d) The regulatory framework of the Mandatory Provident Fund industry			2-4	##
	e) Overview of the Mandatory Provident Fund Schemes Ordinance				
	f) Licensing of securities intermediaries g) Licensing of MPF intermediaries				
36	<b>Investment vehicles</b>			✓	✓
	a) Asset classes and their characteristics				
	b) Markets classifications and types of orders				
	c) Mutual funds and other investment companies				
	d) Derivative market products				
	e) Equity market products			5-7	##
	f) Fixed-income capital market products				
	g) Money market products				
	h) Convertible securities				
	i) Real assets and real estate j) Indexes				
37	<b>Types and measures of investment returns</b>			✓	✓
	a) Horizon analysis				
	b) Interest rate sensitivity and return				
	c) Price-earnings ratios (P/E)				
	d) The expectations theory and yield curve				
	e) The liquidity preference theory and yield curve			5-7	##
	f) Yield to call (YTC)				
	g) Yield to maturity (YTM)				
	h) Holding-period return (HPR) i) Risk-adjusted return				

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
38	<b>Bond and stock valuation methods</b>			✓	✓
	a) Bond valuation				
	b) Default risk, bond rating and bond pricing c) Stock valuation			5-7	##
39	<b>Portfolio performance measurement</b>			✓	✓
	a) Choosing the right measure of risk				
	b) Comparison groups				
	c) Jensen measure				
	d) Sharpe measure				
	e) Treynor measure			3-5	##
	f) M <sup>2</sup> measure				
	g) Performance attribution				
	h) Portfolio rebalancing				
	i) Risk adjustments				
	j) Benchmarks				
40	<b>Formula investing</b>			✓	✓
	a) Charting				
	b) Technical analysis and market efficiency				
	c) Technical indicators: sentiment indicators, flow of funds, market structure indicators			2-4	##
	d) The Dow theory				
	e) Dollar-cost averaging				
	f) Dividend reinvestment				
41	<b>"Active" and "passive" strategies</b>			✓	✓
	a) Market timing				
	b) General concept of active management			3-5	##
	c) General concept of passive management				
42	<b>Leverage and use of borrowed funds for investing</b>			✓	✓
	a) Margin trading				
	b) Short selling			1-3	##
43	<b>Hedging and options strategies</b>			✓	✓
	a) Hedge ratios and the Black-Scholes formula				
	b) Arbitrage and hedge using options				
	c) Types and characteristics of option contract			3-5	##
	d) Option strategies				
	e) Other hedging strategies				
44	<b>Asset allocation: active and passive</b>			✓	✓
	a) Asset allocation across risky and risk-free portfolios				
	b) Asset allocation and security selection				
	c) International diversification				
	d) Risk tolerance and asset allocation				
	e) The Capital Allocation Line (CAL)			1-3	##
	f) The Capital Market Line (CML)				
	g) The fallacy of time diversification				
	h) The mean-variance criterion				
	i) Separation property				

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
45	<b>Pricing models</b>			✓	✓
	a) Capital Asset Pricing Model (CAPM)				
	b) Multi-factor Asset Pricing Model (APM)				
	c) Security Characteristic Line (SCL)				
	d) Security Market Line (SML)				
	e) Spot-Futures Parity			4-6	##
	f) The Put-Call Parity relationship				
	g) Real estate pricing				
	h) Dividend Discount Models (DDM)				
	i) Life cycles and Multi-stage Growth Models				
j) The Constant Growth Dividend Discount Model					
46	<b>Efficient market hypothesis (EMH)</b>			✓	✓
	a) Evidence and implications of semi-strong form EMH				
	b) Evidence and implications of strong form EMH				
	c) Evidence and implications of weak form EMH			2-4	##
	d) Portfolio management in an efficient market				
e) Random walks and the EMH					
47	<b>Investment vehicles match to client</b>			✓	✓
	a) Investment decisions				
	b) Investment planning strategies				
	c) Investment policies				
	d) Investment process			2-4	##
	e) Investor constraints				
	f) Investors and objectives				
	g) Monitoring and revising investment portfolios				
h) Investment policy statements					
48	<b>Tax impact on time value analysis of investment</b>			✓	✓
	a) Overview of tax impact on time value analysis of investment			0-1	##
49	<b>International finance and foreign exchange</b>			✓	✓
	a) Functions of the foreign exchange market				
	b) Participants of the foreign exchange market				
	c) Equilibrium conditions for prices, interest rates, and exchange rates				
	d) Forward-spot relationship			2-4	##
	e) Interest rate parity condition (IRP)				
	f) International Fisher Effect				
	g) Purchasing power parity condition (PPP)				
h) Foreign exchange rates and quotations					



## D. Tax Planning

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
50	<b>Ethical considerations in tax planning</b>		✓		✓
	a) General concept of tax planning, tax avoidance and tax evasion b) Overview of ethical considerations in tax planning		1-3		##
51	<b>Income tax fundamentals</b>		✓		✓
	a) Salaries Tax: net assessable income; deductions and allowances b) Salaries Tax: exemptions c) Salaries Tax: inclusion of assessable income/scope and source of income/ locality of income d) Salaries Tax: benefits-in-kind		5-8		##
52	<b>Tax compliance matters</b>		✓		✓
	a) Assessment and payment of tax b) Taxpayers' rights and obligations c) Employers' rights and obligations d) Penalties for non-compliance e) Powers of Inland Revenue Department to obtain returns and information		3-5		##
53	<b>Taxation terminology</b>		✓		✓
	a) General taxation terminology b) Overview of the Inland Revenue Ordinance c) Overview of relevant Inland Revenue Rules d) Overview of relevant Departmental Interpretation & Practice Notes e) Features of Hong Kong tax system		2-4		##
54	<b>International tax planning</b>		✓		✓
	a) Tax havens - identification, selection and users of tax havens; tax avoidance b) Fundamentals of the income tax systems in the US, Canada, Australia and the Mainland of China c) Fundamentals of double taxation (including arrangements between the Mainland of China and Hong Kong) and double taxation relief d) Elements of international tax planning		1-3		##
55	<b>Tax calculations and special rules</b>		✓		✓
	a) Tax calculations for all types of taxes in Hong Kong b) Overview of the Stamp Duty Ordinance c) Property tax d) Provisional tax e) Other taxes and duties in Hong Kong		3-5		##
56	<b>Tax accounting</b>		✓		✓
	a) Overview of methods: cash method, accrual method, hybrid method b) Accounting periods		1-3		##
57	<b>Tax characteristics of business forms</b>		✓		✓
	a) Determination of source of profits/assessable profits b) Allowable deductions and losses c) Depreciation allowances d) Hong Kong agents e) Special form of companies: e.g. service companies f) Taxation at dissolution		5-7		##
58	<b>Tax-related write-off concepts</b>		✓		✓
	a) Overview of tax-related write-off concepts		0-1		##
59	<b>Tax management techniques</b>		✓		✓
	a) Personal Assessment b) Joint Assessment c) Deferral of income d) Advance Rulings		3-5		##

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
60	<b>Non-taxable transactions</b>		✓		✓
	a) Relief				
	b) Non-taxable transactions c) Exempted organizations		1-3		##
61	<b>Interest and penalty taxes and other charges</b>		✓		✓
	a) Offences and penalties				
	b) Objections and appeals c) General concept of tax investigation		2-4		##
62	<b>Tax pitfalls</b>		✓		✓
	a) Overview of tax pitfalls		0-2		##

## E. Employee Benefits and Retirement Planning

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
63	<b>Social benefits</b>	✓			✓
	a) Basic principles and characteristics of social insurance b) Different social welfare schemes in Hong Kong	1-3			##
64	<b>Ethical considerations in retirement planning and employee benefits</b>	✓			✓
	a) Overview of ethical considerations in retirement planning and employee benefits	0-2			##
65	<b>Types of retirement plans</b>	✓			✓
	a) Overview of different types of retirement plans				
	b) Executive benefits and deferred compensation plans c) Stock purchase plan / Incentive stock options	2-4			##
66	<b>Qualified plan characteristics</b>	✓			✓
	a) Government pension for civil servants in Hong Kong				
	b) Relevant provisions in the Occupational Retirement Schemes Ordinance	5-7			##
	c) Relevant provisions in the Mandatory Provident Fund Schemes Ordinance d) Other qualified schemes in Hong Kong				
67	<b>Distributions and distributions options</b>	✓			✓
	a) Pension benefit formulas				
	b) Defined-benefit formulas c) Defined-contribution formulas	0-2			##
68	<b>Retirement needs analysis</b>	✓			✓
	a) Planning retirement income				
	b) Retirement living expenses c) Retirement issues affecting different retirees	0-2			##
69	<b>Recommendation of the most appropriate type of retirement plan</b>	✓			✓
	a) Advantages and disadvantages of different plans				
	b) Meeting the client's retirement needs c) Creating a plan for balanced living	0-2			##
70	<b>Suitability of an investment portfolio for a qualified plan situation</b>	✓			✓
	a) Overview of the suitability of investment portfolios for a qualified plan situation	0-2			##
71	<b>Life, medical and disability plans in employee benefit programs</b>	✓			✓
	a) Overview of group insurance				
	b) Group life insurance				
	c) Group health insurance				
	d) Group dental insurance				
	e) Group disability insurance f) Other group insurance benefits	3-5			##
72	<b>Statutory employee benefits</b>	✓			✓
	a) Statutory employee benefits in Hong Kong				
	b) Statutory versus non-statutory benefits				
	c) Overview of the Employment Ordinance				
	d) Overview of the Employees' Compensation Ordinance	4-6			##
	e) Overview of the Protection of Wages on Insolvency Ordinance f) Overview of the Occupational Safety and Health Ordinance				
73	<b>Business applications of individual life and disability insurance</b>	✓			✓
	a) Key-man insurance b) Business continuation insurance	0-2			##

## F. Estate Planning

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
74	<b>Estate planning overview</b>		✓		✓
	a) The estate planning process: identifying estate planning needs and strategies				
	b) Estate planning versus will making		2-4		##
	c) Valuing the estate d) The financial planner's role in the estate planning process				
75	<b>Estate planning pitfalls and weaknesses</b>		✓		✓
	a) Overview of estate planning pitfalls and weaknesses		0-2		##
76	<b>Methods for property transfer at death</b>		✓		✓
	a) Wills: types and contents				
	b) Overview of the Wills Ordinance				
	c) Avoiding will contests		3-5		##
	d) Advance medical directives e) Agreements: marital, business and others				
77	<b>Estate planning documents</b>		✓		✓
	a) Overview of estate planning documents		0-2		##
78	<b>Probate</b>		✓		✓
	a) The probate process: overview of the Probate and Administration Ordinance				
	b) Testate succession				
	c) Intestate succession: overview of Intestates' Estates Ordinance		3-5		##
	d) Assets subject to probate				
	e) Advantages and disadvantages of probate f) Techniques of avoiding probate				
79	<b>Liquidity planning</b>		✓		✓
	a) Valuing the assets b) Sale of assets		0-2		##
80	<b>Powers of appointment in estate planning</b>		✓		✓
	a) Overview of the Powers of Attorney Ordinance				
	b) Use and purpose				
	c) General and special powers		2-4		##
	d) Role of the executor e) Overview of the Enduring Powers of Attorney Ordinance				
81	<b>Features of trusts</b>		✓		✓
	a) Classification and different features of different trusts				
	b) Parties to a trust				
	c) Rule against perpetuities		1-3		##
	d) Trusts versus wills e) Overview of the Trustee Ordinance				
82	<b>Taxation of trusts and estates</b>		✓		✓
	a) Overview of taxation of trusts and estates		0-1		##
83	<b>Life insurance for estate planning</b>		✓		✓
	a) Use of different types of life insurance in estate planning and their advantages and disadvantages b) Ownership, beneficiary designations and settlement options		1-3		##
84	<b>Gifts and charitable contributions</b>		✓		✓
	a) Definition of gifts and charitable contributions b) Consideration for transfers and contributions		1-3		##
85	<b>Intra-family business and property transfers</b>		✓		✓
	a) Estate planning for family business				
	b) Forms of family business ownerships				
	c) Calculating the value of the family business		0-2		##
	d) Overview of the Transfer of Business (Protection of Creditors) Ordinance e) Forms of property transfers: joint tenancy and tenancy-in-common				

Topic no.	Topic	Paper 1	Paper 2	Paper 3	Paper 4
		No. of Multiple Choice Question(s)			
86	<b>Planning for incapacity</b>		✓		✓
	a) Definition of incapacity/disability				
	b) Care of client's dependants and property		0-2		##
	c) Disability insurance				
	d) Long-term care insurance				
	e) Social security disability benefits				
87	<b>Special topics in estate planning</b>		✓		✓
	a) Linking retirement planning with estate planning		0-2		##
	b) Recent developments in estate planning				