

Subject Benchmark Statement

Finance

February 2016

Contents

How can I use this document?	1
About Subject Benchmark Statements.....	2
About this Subject Benchmark Statement	4
1 Defining principles.....	6
2 Nature and extent of finance	7
3 Subject-specific knowledge and skills	8
4 Cognitive abilities and generic skills	10
5 Teaching, learning and assessment.....	11
6 Benchmark standards	12
Appendix: Membership of the benchmarking and review groups for the Subject Benchmark Statement for finance	14

How can I use this document?

This document is a Subject Benchmark Statement for finance, that defines what can be expected of a graduate in the subject, in terms of what they might know, do and understand at the end of their studies.

You may want to read this document if you are:

- involved in the design, delivery and review of programmes of study in finance or related subjects
- a prospective student thinking about studying finance, or a current student of the subject, to find out what may be involved
- an employer, to find out about the knowledge and skills generally expected of a graduate in finance.

Explanations of unfamiliar terms used in this Subject Benchmark Statement can be found in the Quality Assurance Agency for Higher Education's (QAA's) glossary.¹

¹ The QAA glossary is available at: www.qaa.ac.uk/about-us/glossary.

About Subject Benchmark Statements

Subject Benchmark Statements form part of the UK Quality Code for Higher Education (Quality Code) which sets out the Expectations that all providers of UK higher education reviewed by QAA are required to meet.² They are a component of Part A: Setting and Maintaining Academic Standards, which includes the Expectation that higher education providers 'consider and take account of relevant Subject Benchmark Statements' in order to secure threshold academic standards.³

Subject Benchmark Statements describe the nature of study and the academic standards expected of graduates in specific subject areas, and in respect of particular qualifications. They provide a picture of what graduates in a particular subject might reasonably be expected to know, do and understand at the end of their programme of study. Subject Benchmark Statements are used as reference points in the design, delivery and review of academic programmes. They provide general guidance for articulating the learning outcomes associated with the programme but are not intended to represent a national curriculum in a subject or to prescribe set approaches to teaching, learning or assessment. Instead, they allow for flexibility and innovation in programme design within a framework agreed by the subject community. Further guidance about programme design, development and approval, learning and teaching, assessment of students, and programme monitoring and review is available in Part B: Assuring and Enhancing Academic Quality of the Quality Code in the following Chapters:⁴

- *Chapter B1: Programme Design, Development and Approval*
- *Chapter B3: Learning and Teaching*
- *Chapter B6: Assessment of Students and the Recognition of Prior Learning*
- *Chapter B8: Programme Monitoring and Review.*

For some subject areas, higher education providers may need to consider other reference points in addition to the Subject Benchmark Statement in designing, delivering and reviewing programmes. These may include requirements set out by professional, statutory and regulatory bodies, national occupational standards and industry or employer expectations. In such cases, the Subject Benchmark Statement may provide additional guidance around academic standards not covered by these requirements.⁵ The relationship between academic and professional or regulatory requirements is made clear within individual statements, but it is the responsibility of individual higher education providers to decide how they use this information. The responsibility for academic standards remains with the higher education provider who awards the degree.

Subject Benchmark Statements are written and maintained by subject specialists drawn from and acting on behalf of the subject community. The process is facilitated by QAA. In order to ensure the continuing currency of Subject Benchmark Statements, QAA initiates regular reviews of their content, five years after first publication, and every seven years subsequently.

² The Quality Code, available at www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code, aligns with the *Standards and Guidelines for Quality Assurance in the European Higher Education Area*, available at: www.enqa.eu/wp-content/uploads/2015/05/ESG_endorsed-with-changed-foreword.pdf.

³ Part A: Setting and Maintaining Academic Standards, available at: www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-a.

⁴ Individual Chapters are available at: www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-b.

⁵ See further Part A: Setting and Maintaining Academic Standards, available at: www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/quality-code-part-a.

Relationship to legislation

Higher education providers are responsible for meeting the requirements of legislation and any other regulatory requirements placed upon them, for example by funding bodies. The Quality Code does not interpret legislation nor does it incorporate statutory or regulatory requirements. Sources of information about other requirements and examples of guidance and good practice are signposted within the Subject Benchmark Statement where appropriate. Higher education providers are responsible for how they use these resources.⁶

Equality and diversity

The Quality Code embeds consideration of equality and diversity matters throughout. Promoting equality involves treating everyone with equal dignity and worth, while also raising aspirations and supporting achievement for people with diverse requirements, entitlements and backgrounds. An inclusive environment for learning anticipates the varied requirements of learners, and aims to ensure that all students have equal access to educational opportunities. Higher education providers, staff and students all have a role in, and a responsibility for, promoting equality.

Equality of opportunity involves enabling access for people who have differing individual requirements as well as eliminating arbitrary and unnecessary barriers to learning. In addition, disabled students and non-disabled students are offered learning opportunities that are equally accessible to them, by means of inclusive design wherever possible and by means of reasonable individual adjustments wherever necessary.

⁶ See further the *UK Quality Code for Higher Education: General Introduction*, available at: www.qaa.ac.uk/publications/information-and-guidance/publication/?PubID=181.

About this Subject Benchmark Statement

This Subject Benchmark Statement refers to bachelor's degrees with honours in Finance.⁷

This version of the statement forms its second edition, following initial publication in 2007.⁸

Note on alignment with higher education sector coding systems

Programmes of study which use this Subject Benchmark Statement as a reference point are generally classified under the following codes in the Joint Academic Coding System (JACS).⁹

N300	(Finance)
N310	(Banking)
N320	(Investment and insurance)
N321	(Investment)
N322	(Insurance)
N323	(Actuarial science)
N330	(Taxation)
N340	(Financial management)
N341	(Financial risk)
N390	(Finance not elsewhere classified)

Summary of changes from the previous Subject Benchmark Statement (2007)

The Statement was reviewed by the same group which reviewed the Statement for Accounting. At the start of the review process the group considered and rejected the option of combining the statements for Accounting and Finance. The two Statements remain aligned as far as that is deemed appropriate.

The Statement retains a description of both the typical as well as the threshold standard for Bachelor's degrees in the subject.

The review group considered that extensive changes were not needed to the Statement an approach endorsed by the consultation.

The changes are designed to ensure that the study of the subject reflects both the current and changing context of financial services activity both on a national and international scale, and that more attention is paid to the ethical and social dimensions of financial activities and systems rather than just the economic. Particular attention has been paid to clarifying the terminology used in defining the threshold standard (in section 6), in particular ensuring that this more accurately reflects the level of achievement appropriate for an honours degree. The word 'basic' in the previous statement was deemed unhelpful in conveying the threshold standard.

⁷ Bachelor's degrees are at level 6 in *The Framework for Higher Education Qualifications in England, Wales and Northern Ireland* and level 10 in *The Framework for Qualifications of Higher Education Institutions in Scotland*, as published in *The Frameworks for Higher Education Qualifications of UK Degree-Awarding Bodies*, available at: www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code/qualifications.

⁸ Further information is available in the *Recognition Scheme for Subject Benchmark Statements*, available at: www.qaa.ac.uk/publications/information-and-guidance/publication?PubID=190.

⁹ Further information about JACS is available at: www.hesa.ac.uk/content/view/1776/649/.

The section on teaching, learning and assessment (section 5) does not detail specific examples of methods of teaching or assessment (in contrast with many Subject Benchmark Statements). The review group carefully considered this approach, set out in the previous version of the Statement, and determined that as no particular activities for learning, teaching or assessment are uniquely suited to Finance a list, which could never be exclusive, was unhelpful in the context of this specific Statement.

Suggestions for making reference to particular forms of capital, such as intellectual property, were also considered, but given the range of matters which finance graduates need to know about, it was considered inappropriate to make specific mention in the Statement.

1 Defining principles

1.1 This Subject Benchmark Statement is intended to cover programmes of study in Finance in UK higher education providers leading to the award of an honours degree. The study of finance as the major component of an undergraduate degree involves the consideration of both conceptual and applied aspects of the subject. The term 'conceptual' is intended to explicitly include theoretical considerations. The term 'applied' is intended to include both the application and use of empirical methods, and relating theory to practice.

1.2 Degree programmes in the area commonly have titles of the form 'finance' or 'financial management'. Most degree programmes which contain substantial finance content also include elements of accounting and economics.

1.3 Some programmes with titles other than those indicated (for example, banking or financial services) can sensibly be evaluated relative to this Subject Benchmark Statement. It is the responsibility of an individual higher education provider to relate any pathway within a degree programme to an appropriate Subject Benchmark Statement.

1.4 Finance can be studied as part of a joint programme with related or unrelated disciplines (for example, finance and a modern language, finance and accounting, finance and economics, finance and law, or finance and mathematics). In such cases this Subject Benchmark Statement should be applied in conjunction with others relating to the joint programme. In the case of combined programmes, the scope, depth and balance of concepts and application, in terms of subject coverage, should not result in a neglect of either the conceptual or the applied aspects of the subject.

1.5 Students taking a degree in Finance do so for a variety of reasons. For example, many may be using the degree as an introduction to the worlds of business and finance. Others might be studying finance as a purely intellectual pursuit for its own sake, or as a route to further study. Given the variety of reasons for which students take finance degrees, it is to be expected that such degree schemes will have a range of aims.

2 Nature and extent of Finance

2.1 Finance is an activity concerned with the workings of national and international capital markets and the interaction between such markets and economic units, such as households, firms, financial institutions and governments.

2.2 Finance as a degree subject requires students to study the design and operation of financial systems (which include banks, stock exchanges, financial intermediaries, financial institutions, and governments), structures and instruments and, in particular, to understand the pricing of financial assets, the measurement and management of risk, and the possibilities for optimising the behaviours of firms, financial institutions and individuals. Such study can be pursued from a variety of perspectives, including, but not restricted to, the behavioural, ethical, economic, sustainable and statistical/mathematical. At a minimum, students need to be aware of the potential ethical and social dimensions of financial activities and systems, and not merely the economic.

2.3 Although Finance is often studied in conjunction with Accounting, an in-depth knowledge of Accounting is not required. However, reasonable knowledge of accounting practices and the principles of taxation, and their effect on the firm, is required.

3 Subject-specific knowledge and skills

3.1 Paragraph 3.2 specifies subject-specific knowledge and skills that are outcomes of successful completion of a finance honours degree. Associated with each item is a set of examples, given in parentheses. The examples are given to help illustrate the outcomes of a Finance degree, not to act as a set of prescriptions. It is not intended that degree programmes should include all the examples and most degree programmes will include additional learning outcomes.

3.2 On completion of a degree covered by this Subject Benchmark Statement, a student is generally expected to have the following subject-specific knowledge and skills:

- i An appreciation of the nature of the contexts in which finance can be seen as operating, including knowledge of the institutional framework necessary for understanding the role, operation and function of markets and financial institutions (for example the economic, ethical, legal, political, regulatory, social and tax environment, both national and international; the firm; the capital markets; and the public sector).
- ii Knowledge of the major theoretical tools and theories of finance, and their relevance and application to theoretical and practical problems (for example concept of arbitrage and examples of its use; financial mathematics; informational efficiency; optimal risk sharing; portfolio theory; asset pricing models and the valuation of securities; cost of capital; derivative pricing; risk management; information asymmetry; principal agency relationships; signalling; Fisher separation and capital budgeting criteria; behavioural finance; term structure and the movement of interest rates; determination of exchange rates; and financial intermediation).
- iii An understanding of the relationship between financial theory and empirical testing, and application of this knowledge to the appraisal of the empirical evidence in at least one major theoretical area. The appraisal should involve some recognition of the limitations and evolution of empirical tests and theory (for example the efficient markets hypothesis; anomalies; risk management; pricing of derivatives and other securities; portfolio management; interest rates; exchange rates; raising capital and capital structure).
- iv An ability to interpret financial data including that arising in the context of the firm or household from accounting statements and data generated in financial markets. The interpretation should involve analysis using statistical and financial functions and procedures such as are routinely available in spreadsheets and other statistical/econometric software packages. It may involve the skills necessary to manipulate financial data and carry out statistical and econometric tests (for example estimation and interpretation of asset pricing models; financial modelling and projections; event studies and residuals analysis; elements of time series analysis, such as serial correlation, mean reversion, and stochastic volatility).
- v An understanding of the financing arrangements and governance mechanisms and structures of business entities, and an appreciation of how theory and evidence can be combined to assess the effectiveness and efficiency of such arrangements (for example decisions as to sources of finance and financial structure; the pricing of corporate securities; the market for corporate control; corporate governance; financial planning; and international dimensions of finance).

- vi An understanding of the factors influencing the investment behaviour and opportunities of private individuals (for example bonds, equities, and derivatives; risk aversion; risk/return trade-offs; portfolio management and performance measurement; pensions and long term savings; the tax treatment of savings and investments; international diversification; foreign exchange risk; objectives of, and constraints on, institutional investors and advisers).
- vii An understanding of financial service activity in the economy, and the factors that are changing these activities over time, and an appreciation of how finance theory and evidence can be employed to aid such understanding (for example, ideas of information asymmetry, moral hazard and risk sharing could be employed to analyse the fundamental nature of services, such as insurance, pensions, bank lending and consumer credit, and also explore fundamental problems arising in such financial service provision; the efficient market hypothesis could be used to explore the value added by investment and financial services).
- viii An ability to understand financial statements, and a reasonable appreciation of the limitations of financial reporting and disclosure practices and procedures (for example financial statement analysis; the relation between cash flow accounting and accrual accounting; discretionary accounting practices; and financial statement-derived measures of financial performance, including risk).

4 Cognitive abilities and generic skills

4.1 On completion of a degree covered by this Subject Benchmark Statement, a student is generally expected to have the following abilities and skills:

- i critical evaluation of arguments and evidence
- ii independent and self-managed learning
- iii analysis, filtering and evaluation of data, and drawing reasoned conclusions concerning structured and, to a more limited extent, unstructured problems from a given set of data and from data acquired by the student
- iv location, extraction and analysis of data from multiple sources, including acknowledging and referencing of sources
- v numeracy, including the processing and analysis of financial and other numerical data and the appreciation of statistical concepts at an appropriate level
- vi using contemporary information and communications technology for the acquisition, analysis and communication of financial information
- vii communication, including presenting quantitative and qualitative information, together with analysis, argument and commentary, in a form appropriate to the intended audience, and oral as well as written presentation
- viii working with others (such as through small group projects).

5 Teaching, learning and assessment

5.1 It is the responsibility of each higher education provider offering a degree programme in Finance to select a set of teaching, learning and assessment activities that is appropriate for meeting the aims and desired outcomes of the programme. Whatever set of activities is determined, providers will be able to demonstrate (for all pathways through the degree programme leading to the award of a degree in Finance) how these activities enable students to achieve the subject-specific knowledge and skills set out in Section 3 and the cognitive abilities and generic skills set out in Section 4.

5.2 No one set of teaching and learning activities is uniquely suitable to the study of Finance independent of the context of the degree programme. The design of such activities takes into account:

- the need to achieve an appropriate balance between the conceptual (including theoretical) and applied aspects of the subject
- the extent to which the degree programme reflects current research and contemporary debate in the subject
- the nature of the student population addressed by a particular provider for example predominantly full-time or full-time with a period of professional practice students, mainly part-time students currently in employment, level of relevant experience, countries of origin
- the mode of delivery (for example, full-time, full-time with a period of professional practice, part-time, modular and blended learning).

5.3 No single form of assessment activity is uniquely appropriate for evaluating student achievement on degree programmes in Finance. Programmes involve a suitable balance and mix of assessment activities to allow and require students to demonstrate not only their understanding of the conceptual and applied aspects of finance but also the cognitive abilities and non-subject specific skills they have developed as a consequence of their studies. Also, they reflect the consideration given to the balance between formal and informal, summative and formative assessment activities and other forms of non-assessed experiences that together contribute to the development of a finance graduate.

5.4 The balance and mix of assessment activities take into account the effectiveness and reliability of the chosen activities in providing indicators of individual performance in terms of the outcomes indicated in Sections 3 and 4.

5.5 Where appropriate the design of teaching and learning activities, together with associated assessment activities, can usefully be informed by current pedagogical developments and research in these areas. Also, regular reviews can usefully be undertaken to ensure that such activities remain 'fit for purpose' in achieving the desired outcomes of the programme with respect to this benchmarking statement.

6 Benchmark standards

6.1 The following presents the minimum standards of achievement that warrant the award of an honours degree - the threshold level of achievement to be matched or exceeded by all successful graduates. Also, identified are ways in which 'typical' students can distinguish themselves from 'threshold' students.

6.2 Evidence of achievement with respect to many of the learning outcomes of a Finance degree programme is likely to be spread across several units, courses or modules making up the programme. At present, the award and classification of degrees at any degree-awarding body will depend on that institution's rules and procedures. These rules and procedures are usually based on an individual student's profile of achievement across the units, courses or modules taken as part of the degree programme. The rules and procedures often incorporate provisions for condoning or compensating failures on specific units, courses or modules. They also have the effect of trading off achievement levels for particular learning outcomes against relative lack of achievement in respect of other learning outcomes.

6.3 It is not the purpose of this Subject Benchmark Statement to specify rules and procedures for classifying finance degrees. However, if the achievement of specific learning outcomes is not shown directly by passing individual units, courses or modules, degree-awarding bodies need to be able to demonstrate how evidence is gathered, across the whole range of assessment activities, to support each decision to make an award. Students should be able to demonstrate ability in relation to most of the learning outcomes and have exposure to all others.

6.4 In describing attainment, the following two dimensions are identified.

- Knowledge and understanding - reasonable knowledge and understanding is characterised by knowledge of a topic in outline, together with an understanding that demonstrates some ability to make comparisons and critical evaluations. By way of contrast, thorough knowledge and understanding is characterised by knowledge and understanding of facts and material presented to the student, together with further knowledge and understanding gained by the student's own discovery and synthesis. Graduates with thorough knowledge and understanding can be expected to display higher levels of argument and critical evaluation.
- Cognitive abilities and skills - levels of attainment are characterised by achieving a minimum level of proficiency in the ability or skill. Graduates with a threshold level of attainment can be expected to perform well in straightforward, structured, situations. Graduates with high levels of cognitive abilities and skills can also perform well in complex situations.

6.5 A situation is described as 'straightforward' if there are few items of data and the relationships among them are restricted to principal factors under consideration in a particular topic. By way of contrast, complex situations are characterised by many items of data, multiple relationships, extraneous data and, frequently, a mix of qualitative and quantitative criteria to be applied.

6.6 The identification of threshold standards below is intended to represent the minimum standard of achievement consistent with the award of an honours degree in finance by a degree-awarding body within the UK. This does not, however, preclude a degree-awarding body within the UK from setting higher standards for the award of an honours degree in finance within the dimensions of performance identified in paragraph 6.7. Neither does it preclude such a body from requiring additional dimensions of performance, relative to those identified in paragraph 6.7, for the award of an honours degree in finance.

- 6.7 Threshold graduates will be able to:
- i demonstrate a reasonable appreciation of the nature of the context and institutional framework in which finance operates
 - ii demonstrate a reasonable knowledge of the main theories used in finance and a reasonable ability to apply them in straightforward structured situations from given data generated for the purpose
 - iii reveal a reasonable ability to interpret financial data and carry out straightforward statistical and financial analysis
 - iv relate empirical evidence to finance theory in at least one of the main areas of finance with a reasonable understanding of the significance and limitations of such evidence
 - v demonstrate an understanding of the financial needs of business entities, a reasonable appreciation and understanding of how theory and evidence may be used to guide practice; the workings of capital markets; the relationship between risk and return; and the nature and use of financial derivatives
 - vi demonstrate a reasonable understanding of the principles of personal investment
 - vii demonstrate a reasonable ability to use and interpret the information in financial statements
 - viii demonstrate possession of the required cognitive abilities and non-subject specific skills to a reasonable level of attainment
 - ix demonstrate a reasonable understanding of the economic, political, regulatory and social environments in which finance and financial services operates, and the ethical considerations embedded in these operations.

6.8 Typical graduates can distinguish themselves from threshold graduates by displaying a thorough knowledge and understanding and enhanced technical abilities. They can also demonstrate an enhanced capacity to develop and apply critical, analytical and problem solving abilities and skills. However, typical graduates are not expected to distinguish themselves from threshold graduates on each of the dimensions of the performance identified in paragraph 6.7.

Appendix: Membership of the benchmarking and review groups for the Subject Benchmark Statement for finance

Membership of the review group for the Subject Benchmark Statement for finance (2014-15)

Professor Joan Ballantine	University of Ulster
Professor Vivien Beattie	Lancaster University
Professor John Cullen	University of Sheffield
Dr Peter Green	University of Ulster
Professor Pru Marriott	University of Winchester
Professor Andrew Marshall	University of Strathclyde
Professor Christopher Napier	Royal Holloway, University of London
Professor Andrew Stark (Chair)	University of Manchester
Dr Greg Stoner	University of Glasgow
Wilma Teviotdale	University of Huddersfield
Professor Martin Walker	University of Manchester
Dr Carolina Valiente	London South Bank University
Professor John Wilson	University of St Andrews

Professional, statutory and regulatory body representatives

Professor Mark Allison	ICAS
Judy Dimmock	ICAEW

Employer representatives

Ian Beaumont	BDO
Oliver Bryden	Yorkshire Building Society
Matthew Laretta	Intellectual Property Office
Karen Lewchenko	Just Audit Limited
Daniel Perry	Park House Healthcare Ltd

Student reader

Adam Pincher	ifs University College
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HEA Discipline Lead

Lynn Vos	(formerly) Higher Education Academy
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QAA Officer

Dr Tim Burton	Quality Assurance Agency for Higher Education
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Membership of the benchmarking group for the Subject Benchmark Statement for finance (2007)

Details provided below are as published in the Subject Benchmark Statement for finance (2007)

Professor Anthony Antoniou	Durham University
Professor David Ashton	University of Bristol Professor
Paul Draper	University of Exeter Professor
John Holland (Chair)	University of Glasgow Professor
Andrew Marshall	University of Strathclyde
Professor Michael Moore	The Queen's University Belfast
Professor Janette Rutterford	Open University
Professor Andrew Stark	University of Manchester
Professor Martin Walker	University of Manchester

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