



# **Subject Benchmark Statement**

**Finance**

October 2019

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## How can I use this document?

This is the Subject Benchmark Statement for Finance. It defines the academic standards that can be expected of a graduate, in terms of what they might know, do and understand at the end of their studies, and describes the nature of the subject.

The [UK Quality Code for Higher Education](#) (Quality Code) sets out the Expectations and Core practices that all providers of UK higher education are required to meet. Providers in Scotland, Wales and Northern Ireland must also meet the Common practices in the Quality Code.

The Quality Assurance Agency for Higher Education (QAA) has also published a set of [Advice and Guidance](#), divided into 12 themes, and a number of other resources that support the mandatory part of the Quality Code. Subject Benchmark Statements sit alongside these resources to help providers develop courses and refine curricula but are not part of the regulated requirements for higher education providers in the UK.

This Statement is intended to support you if you are:

- involved in the design, delivery and review of courses of study in finance or related subjects
- a prospective student thinking about studying this subject, 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 this subject.

Subject Benchmark Statements provide general guidance for articulating the learning outcomes associated with the course 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 course design within a framework agreed by the subject community.

It may be helpful to refer to relevant Advice and Guidance when using this Statement.

Explanations of unfamiliar terms used in this Subject Benchmark Statement can be found in QAA's [Glossary](#).

## About the Statement

This Subject Benchmark Statement refers to bachelor's degrees with honours in finance.<sup>1</sup>

It has been produced by a group of subject specialists drawn from, and acting on behalf of, the subject community. The process is facilitated by QAA, as is the full consultation with the wider academic community and stakeholder groups each Statement goes through.

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, or in response to significant changes in the discipline.

## 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. This Statement does not interpret legislation, nor does it incorporate statutory or regulatory requirements. The responsibility for academic standards remains with the higher education provider who awards the degree.

Higher education providers may need to consider other reference points in addition to this Statement in designing, delivering and reviewing courses. These may include requirements set out by professional, statutory and regulatory bodies (PSRBs), and industry or employer expectations.

Sources of information about other requirements and examples of guidance and good practice are signposted within the Subject Benchmark Statement where appropriate. Individual higher education providers will decide how they use this information.

## Summary of changes from the previous Subject Benchmark Statement (2014-15)

This version of the Statement forms its third edition, following initial publication of the Subject Benchmark Statement in 2007 and review and revision in 2014-15.

This latest version of the Statement is the consequence of the revision to the [UK Quality Code for Higher Education](#) which was published in 2018. It has been revised to update references to the Quality Code and other minor changes within the sector. Changes have been made by QAA and confirmed by a member of the most recent review group.

There have been no revisions to the subject-specific content of the statement.

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<sup>1</sup> 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](#)

# 1 Defining principles

1.1 This Subject Benchmark Statement is intended to cover courses 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 courses in the area commonly have titles of the form 'finance' or 'financial management'. Most degree courses which contain substantial finance content also include elements of accounting and economics.

1.3 Some courses 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 course to an appropriate Subject Benchmark Statement.

1.4 Finance can be studied as part of a joint course 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 course. In the case of combined courses, 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 courses 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 a 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 courses should include all the examples and most degree courses 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, the 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-agent 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 activities 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 course in finance to select a set of teaching, learning and assessment activities that is appropriate for meeting the aims and desired outcomes of the course. Whatever set of activities is determined, providers will be able to demonstrate (for all pathways through the degree course 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 course. 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 course 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 courses in finance. Courses 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 course with respect to this Subject Benchmark 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 course is likely to be spread across several units, courses or modules making up the course. 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 course. 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 argumentation 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 in the UK. This does not, however, preclude a degree-awarding body in 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 (2019)**

The third edition, published in 2019, was revised by QAA to align the content with the revised UK Quality Code for Higher Education, published in 2018. Proposed revisions were checked and verified by the Chair of the review group of the Subject Benchmark Statement for Finance from 2014-15.

Professor Andrew Stark (Chair) Dr Andy Smith	University of Manchester Quality and Standards Manager, QAA
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### **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	Institute of Chartered Accountants of Scotland (ICAS)
Judy Dimmock	Institute of Chartered Accountants in England and Wales (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	QAA
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**Membership of the original benchmarking group for 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	The Open University
Professor Andrew Stark	University of Manchester
Professor Martin Walker	University of Manchester

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Southgate House, Southgate Street, Gloucester GL1 1UB  
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Tel: 01452 557 000  
Website: [www.qaa.ac.uk](http://www.qaa.ac.uk)