

Detailed Mapping of the AAT Foundation Examination Syllabus with the BAFS Curriculum*
Paper 1 – Accounting and Business Essentials

Unit of Competency	Activity required to demonstrate competence (Performance indicators)	BAFS Compulsory Part †	BAFS Accounting Elective ‡
Accounting Essentials			
1. Understanding of the role of accounting within a business enterprise	<ul style="list-style-type: none"> ● Define accounting 	3.1.1 Functions of accounting	2.1.1 Nature of cost accounting
	<ul style="list-style-type: none"> ● Describe the functions of both financial and management accounting 		
	<ul style="list-style-type: none"> ● Identify the users of accounting information and their respective information needs 	3.2.1 <i>How information in financial statement can assist decision-making</i>	
2. Identifying and understanding of the types of financial statements and the purposes of each type	<ul style="list-style-type: none"> ● Describe the purposes of each type of financial statements 	3.2.2 Uses and limitations of financial statements	2.3.1 Use of marginal and absorption costing in preparing manufacturing accounts and income statements
	<ul style="list-style-type: none"> ● Identify the types of financial statements produced by both financial and management accounting 		
3. Understanding of the basic accounting concepts and conventions	<ul style="list-style-type: none"> ● Explain the following accounting concepts and conventions: <ul style="list-style-type: none"> - going concern - accrual - consistency - business entity - historical cost 	3.3 Accounting principles and conventions	

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4. Understanding of the double entry book-keeping and basic book-keeping procedures	<ul style="list-style-type: none"> ● Apply the accounting equation (Assets = Owner's Equity + Liabilities) 	3.4.1.1 Accounting equation and how transactions affect it	
	<ul style="list-style-type: none"> ● Describe and classify business transaction into: assets, liabilities, equity, revenues and expenses 	3.4.1.2 Application of the principles of double entry to the recording of business transactions	
	<ul style="list-style-type: none"> ● Distinguish between capital and revenue expenditure 		
	<ul style="list-style-type: none"> ● Explain the profit impact of incorrect classification between capital and revenue items 		1.3.3.1 Types of accounting errors and effects on accounting records
5. Understanding of the books of original entries and different types of ledgers	<ul style="list-style-type: none"> ● Describe the functions and prepare the following records of original entry: <ul style="list-style-type: none"> - cash book - petty cash journal - sales and returns journal - purchase and returns journal - general journal 	3.4.2.1 Functions of books of original entry and ledgers 3.4.2.2 Recording transactions in books of original entry and posting to ledger accounts	
	<ul style="list-style-type: none"> ● Describe the posting of journals to general and subsidiary ledgers 		
6. Understanding of the compilation of trial balance and preparation of financial statements	<ul style="list-style-type: none"> ● Record, handle and summarise accounting transactions 	3.4.3.2 Preparing a trial balance	
	<ul style="list-style-type: none"> ● Extract a trial balance from ledger accounts 		
	<ul style="list-style-type: none"> ● Construct statement of financial position and statement of comprehensive income for a sole trader 	3.4.4.1 Preparing income statements and balance sheets for sole proprietorships	

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7. Understanding of the balancing day adjustments	<ul style="list-style-type: none"> ● Explain and account for bad debts and allowance for impairment loss on accounts receivable 		1.1.2 Bad debts and allowance for doubtful accounts
	<ul style="list-style-type: none"> ● Explain the difference between perpetual and periodic inventory systems and prepare the accounting entries for inventory transactions 		---
	<ul style="list-style-type: none"> ● Explain and justify the valuation of inventories at the lower of cost and net realisable value 		1.4.4 <i>Application of accounting principles and concepts: prudence</i>
	<ul style="list-style-type: none"> ● Understand depreciation and reasons for providing depreciation 		1.1.3 Meaning and objectives of providing depreciation
	<ul style="list-style-type: none"> ● Demonstrate the accounting entries under different depreciation methods, and for disposing of non-current assets 		1.1.4 Commonly used depreciation methods
	<ul style="list-style-type: none"> ● Explain the factors to be considered in formulating depreciation policy 		1.1.5 Adjusting entries in the general journal, income statement and balance sheet
8. Applying period end adjustment and preparation of financial statements	<ul style="list-style-type: none"> ● Prepare accounting entries for the following period end adjustments including: <ul style="list-style-type: none"> - accrued expenses - prepaid expenses - inventory - depreciation - bad debts - allowance for impairment loss on accounts receivable - income in arrears - income in advance 		1.1.1 Differences between cash accounting and accrual accounting 1.1.5 Adjusting entries in the general journal, income statement and balance sheet

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	<ul style="list-style-type: none"> Prepare statement of financial position and statement of comprehensive income with period end adjustments for a sole trader 		
Business Essentials			
9. Introduction to business ethics	<ul style="list-style-type: none"> Explain the importance of ethics in business environment and outline the fundamental principles on professional ethics 	1.3.1 Why and how a business should be ethically responsible to various stakeholders	
	<ul style="list-style-type: none"> Explain how a business should be ethically responsible to various stakeholders 		
	<ul style="list-style-type: none"> Discuss the ways that business ethics and social responsibilities affect business decisions 	1.3.2 How business ethics and social responsibilities affect business decisions	
	<ul style="list-style-type: none"> Explain the principles and objectives of corporate governance, and understand the significance of good corporate governance 	1.3.3 Principles and objectives of corporate governance, and importance of good corporate governance	
	<ul style="list-style-type: none"> Discuss the ethical issues involved in accounting activities, and the value and attitudes to be adopted in making decisions on such issues 		1.8.1 Ethical issues involved in accounting activities 1.8.2 Positive values and attitudes in making ethical decisions

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10. Understanding of the ownership and governance structure of different types of business	<ul style="list-style-type: none"> ● Compare and contrast the ownership and governance structure of: <ul style="list-style-type: none"> - sole traders - partnership - limited companies - joint venture - franchise 	1.2.1 Differences between major forms of business ownership	
	<ul style="list-style-type: none"> ● Understand the pros and cons of different forms of ownership 	1.2.2 Pros and cons of different forms of business ownership	
11. Understanding of the unique characteristics of small and medium enterprises and its business environment	<ul style="list-style-type: none"> ● Understand the general business environment in Hong Kong 	1.1.2 Recent development and characteristics of Hong Kong economy	
	<ul style="list-style-type: none"> ● State the definition and characteristics of a small and medium enterprise (SME) and the development of SMEs in Hong Kong 	2.4.2.1 Characteristics of SMEs 2.4.2.2 Importance of SMEs to the local economy	
	<ul style="list-style-type: none"> ● Understand the governmental support measures for the development of SMEs 	2.4.2.4 Governmental support measures for SMEs	
12. Understanding of the unique characteristics of international business	<ul style="list-style-type: none"> ● Understand the unique characteristics of international business: <ul style="list-style-type: none"> - regulatory requirements - terminology - cultural diversity 	1.2.3 Comparison between SMEs and multinational corporations	
	<ul style="list-style-type: none"> ● Compare the characteristics of SME and international business 		

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13. Understanding of the importance of effective organisational management to achieve the aims of an organisation	<ul style="list-style-type: none"> ● Describe the role and importance of the following key functional areas in business: <ul style="list-style-type: none"> - marketing management - production and operations management - financial management - human resources management - information management - risk management 	2.3.1 Role and importance of key business functions	
	<ul style="list-style-type: none"> ● Describe the basic elements of organisation design and the advantages / disadvantages of different structures 	2.1.2 Basic understanding of management functions: <i>organising</i>	
	<ul style="list-style-type: none"> ● Describe the various levels of management and the function and inter-relationship of each level 	2.3.2 <i>Interrelationship and integrated nature of different business functions in solving business problems</i>	
	<ul style="list-style-type: none"> ● Describe and distinguish the various types and levels of planning undertaken by organisations 	2.1.2 Basic understanding of management functions: <i>planning</i>	
	<ul style="list-style-type: none"> ● Describe the need for control in organisations 	2.1.2 Basic understanding of management functions: <i>controlling</i>	
	<ul style="list-style-type: none"> ● Explain manager's major management skills 	2.2.1 Major management skills required of managers	
	<ul style="list-style-type: none"> ● Apply the following principles of effective management: division of work, unity of command, unity of direction, authority and responsibility, and management by objectives. 	2.2.2 Principles of effective management	

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14. Understanding of the basic concepts and means of communication	<ul style="list-style-type: none"> ● Define communication ● Identify the elements in the communication process: <ul style="list-style-type: none"> - sender - message - encoding - channel - receiver - decoding - feedback 	2.5.1.1 <i>Need for and importance of effective communication</i>	
	<ul style="list-style-type: none"> ● Distinguish between different means of communication: <ul style="list-style-type: none"> - reading - written - speaking - listening 		
15. Understanding of effective communication techniques	<ul style="list-style-type: none"> ● Identify the common barriers that impede communication <ul style="list-style-type: none"> - barriers in the world around us - barriers between people - barriers made by words - barriers caused by cultural differences 	2.5.1.3 Barriers to effective communication	
	<ul style="list-style-type: none"> ● Explain the principles of effective communication: <ul style="list-style-type: none"> - clarity - courtesy - conciseness - completeness - concreteness 	2.5.1.2 Principles of effective communication	

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16. Ability to convey accurate and concrete business information	<ul style="list-style-type: none"> ● Discuss and distinguish the differences between the following business communication: <ul style="list-style-type: none"> - business letter - memo - agenda/minutes - proposal - e-mail - fax message 	2.5.1.3 Means for enhancing communication	
	<ul style="list-style-type: none"> ● Describe the characteristics of quality business information 	2.5.2.1 Characteristics of quality business information	
	<ul style="list-style-type: none"> ● Discuss the contribution of information and communication technology (ICT) to information management 	2.5.2.2 Contribution of ICT to information management	
Financial Management Essentials			
17. Understanding of the financial management environment	<ul style="list-style-type: none"> ● Understand the characteristics of financial and capital markets in Hong Kong <ul style="list-style-type: none"> - characteristics of financial system - characteristics of financial market - characteristics of capital market 	4.1.1.2 Distinction between primary and secondary markets, capital and money markets, listed exchanges and over-the-counter	
	<ul style="list-style-type: none"> ● Differentiate the roles of different sectors in the financial market 	4.1.1.1 Roles of different sectors of the Hong Kong financial market	
18. Understanding of the principal concepts used in financial mathematics	<ul style="list-style-type: none"> ● Calculate, explain and apply the use of: <ul style="list-style-type: none"> - simple interest - compound interest - net present value - internal rate of return - annuities 	4.1.2.2 Concepts of compounding, discounting, present value and future value 4.1.2.3 Computation of net present value	

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19. Understanding of the nature and types of risk	<ul style="list-style-type: none"> ● Explain financial risk and their respective measures 	<p><i>4.1.3.1 Characteristics and relationship between risks and returns of common financial products</i></p>	
	<ul style="list-style-type: none"> ● Understand the risk and return relationship for common financial products 	<p><i>4.1.3.2 Factors affecting risks and returns of common financial products</i></p>	

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Paper 2 – Fundamentals of Financial and Management Accounting

23

Unit of Competency	Activity required to demonstrate competence (Performance indicators)	BAFS Compulsory Part #	BAFS Accounting Elective #
1. Understanding of accounting for, and presentation of financial statements for a partnership	<ul style="list-style-type: none"> ● Explain the characteristics of a partnership 	1.2.1 Differences between major forms of ownership: partnership	
	<ul style="list-style-type: none"> ● Prepare an income statement (statement of comprehensive income), an appropriation account and a statement of financial position for a partnership 		1.2.1.1 Properly presented income statements and balance sheets: partnership
	<ul style="list-style-type: none"> ● Distinguish between and prepare partners capital and current accounts 		1.2.2.1 Goodwill and factors affecting its valuation
	<ul style="list-style-type: none"> ● Record admission and retirement of partners and prepare the statement of financial position for a new partnership 		1.2.2.2 Adjustments to partners' capital and/or net assets arising from changes in profit-sharing ratio, admission and retirement of partner(s)
	<ul style="list-style-type: none"> ● Describe revaluation of assets for partnership and its accounting treatment 		1.2.2.3 Factors leading to dissolution of a partnership
	<ul style="list-style-type: none"> ● Describe the valuation of partnership goodwill and its accounting treatment 		1.2.2.4 Accounting entries required in dissolution
	<ul style="list-style-type: none"> ● Describe and record the dissolution of partnership 		
2. Understanding of accounting for, and presentation	<ul style="list-style-type: none"> ● Explain the characteristics of a limited liability company and understand the Hong Kong company registration and accounting requirements 	1.2.1 Differences between major forms of ownership: limited company	<i>1.2.3.4 Regulatory framework of accounting in Hong Kong</i>

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of financial statements for limited liability companies	<ul style="list-style-type: none"> Account for and explain the nature and purpose of share capital and debentures 		1.2.3.1 Distinction between authorised / registered and issued capital 1.2.3.2 Entries relating to the issue of ordinary shares and debentures fully paid on application
	<ul style="list-style-type: none"> Distinguish between nature of reserves and provisions 		1.2.3.3 Nature of reserves and provisions
	<ul style="list-style-type: none"> Prepare a statement of comprehensive income and a statement of financial position 		1.2.1.1 Properly presented income statements and balance sheets: limited companies
3. Understanding of the control features of accounting system and correcting the errors	<ul style="list-style-type: none"> Describe functions of control accounts 		1.3.1 Control accounts and their reconciliation
	<ul style="list-style-type: none"> Prepare control accounts for receivables and payables ledgers 		
	<ul style="list-style-type: none"> Reconciliation between control accounts and respective subsidiary ledgers 		
	<ul style="list-style-type: none"> Prepare and explain the purpose of preparing a bank reconciliation statement 		1.3.2 Bank reconciliation statement
	<ul style="list-style-type: none"> Describe types of accounting errors and prepare journal entries to correct errors 		1.3.3 Correction of errors
	<ul style="list-style-type: none"> Describe the purpose of a suspense account 		

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4. Understanding the accounting concepts, principles and conventions	<ul style="list-style-type: none"> ● Understand the basic accounting concepts, principles and conventions and apply them in business situations: <ul style="list-style-type: none"> - accrual - prudence - consistency - going concern - business entity - historical cost - materiality - substance over form - money measurement - realisation - matching - objectivity - timeliness - understandability - relevance - reliability - comparability 		1.4 Generally accepted accounting principles

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5. Analysing and appraising financial statements	<ul style="list-style-type: none"> ● Calculate accounting ratios: <ul style="list-style-type: none"> - return on capital employed - gross profit margin - net profit margin - asset turnover ratio - capital turnover ratio - current ratio - inventory turnover - accounts receivable collection period - accounts payable repayment period - gearing ratio - interest cover - dividend cover - earnings per share - price earnings ratio - return on equity ● Demonstrate the significance of, and reasons for, changes in ratios over time; and differences in ratios between entities; in respect of: <ul style="list-style-type: none"> - profitability - short term liquidity - long term solvency - investment ratio 	3.5 Basic ratio analysis	1.5.1 Types of financial statement analysis 1.5.2 Calculation of ratios and comments on a company's profitability, liquidity, solvency, management efficiency and return on investment
6. Preparing financial statements from incomplete records	<ul style="list-style-type: none"> ● Identify the incomplete information for preparation of financial statements <ul style="list-style-type: none"> - statement of affairs - financial accounts preparation - inventory valuation at the balance sheet date 		1.6 Incomplete records
7. Understanding of cost	<ul style="list-style-type: none"> ● Recognise the variety of cost units, cost centres and profit centres 		

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classification, cost concepts and costing terminology	<ul style="list-style-type: none"> Understand the nature and purpose of cost classification 		2.1 Cost classification, concepts and terminology
	<ul style="list-style-type: none"> Differentiate between: <ul style="list-style-type: none"> direct and indirect costs fixed and variable costs period and product costs controllable and uncontrollable costs avoidable and unavoidable costs 		
	<ul style="list-style-type: none"> Identify cost classification for decision-making and planning 		2.4.1 Nature of various cost items and their relevance to decision-making
8. Understanding of job costing	<ul style="list-style-type: none"> Explain the flow and accumulation of costs when using job costing 		2.2 Job costing
	<ul style="list-style-type: none"> Describe the purposes and contents of a job cost sheet 		
	<ul style="list-style-type: none"> Demonstrate the methods for accumulating costs for products and services 		
9. Understanding of marginal and absorption costing	<ul style="list-style-type: none"> Explain and compare the use of marginal and absorption costing in manufacturing accounts and income statements 		2.3 Marginal and absorption accounting
	<ul style="list-style-type: none"> Compare and contrast the advantages and disadvantages of adopting marginal and absorption costing 		
10. Analysing cost-volume- profit (CVP) relationships	<ul style="list-style-type: none"> Identify the purposes and assumptions underlying CVP analysis 		2.4.3 CVP analysis to assess the effects of changes in costs, selling price and units sold on the breakeven point and
	<ul style="list-style-type: none"> Calculate and explain the usefulness of contribution margin and contribution margin ratio 		

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	<ul style="list-style-type: none"> ● Apply break-even analysis in business planning and decisions 		target profit
11. Understanding of the costing concepts and techniques in short-term business decisions	<ul style="list-style-type: none"> ● Identify the relevant costs to short term business decisions: sunk costs, incremental costs and opportunity costs 		2.4.1 Nature of various cost items and their relevance to decision-making 2.4.2 Applying cost concepts and techniques in business decisions
	<ul style="list-style-type: none"> ● Apply costing concepts and techniques in short term business decisions 		
	<ul style="list-style-type: none"> ● Explain both the quantitative and qualitative considerations in short term business decisions 		