

Detailed competency map:

Knowledge requirements

(AAT examination)

Fields of competency

The items listed are shown with an indicator of the minimum acceptable level of competency, based on a three-point scale as follows:

1. Awareness

The candidate demonstrates familiarity with the concept in question; can define it in overview terms and can relate the importance or relevance of the concept to the activities of an accounting technician.

2. Knowledge

This builds upon awareness. The candidate is able to explain the concept; describe and discriminate between its component parts and describe their inter-relationships; recognize instances of the concept; and describe processes, theories and judgement issues; without necessarily being able to perform in those areas with professional skill.

3. Application

This builds upon knowledge. The candidate is able to execute or implement knowledge; apply the knowledge to real world problems in real world situations. In so doing, the candidate displays to a satisfactory degree of the level of competence reasonably to be expected of an accounting technician at career entrance level.

Paper 4: Business economics and financial mathematics**Aim:** This paper aims

- (i) to develop and assess the understanding candidates have of the basic principles of economics in relation to the economic management of the Hong Kong Special Administrative Region (HKSAR) and other countries
- (ii) to introduce candidates to, and assess their understanding and application of, the basic principles and techniques of business mathematics used in making decisions and inferences in the business world

Content (Business economics)

Unit of Competency	Activity Required to Demonstrate Competence (Performance Indicators)	Level of Competence Required
Understanding of the principal features of the economic environment in which business operates	<ul style="list-style-type: none"> ▪ Describe the economic concepts of: <ul style="list-style-type: none"> ○ scarcity ○ choice ○ opportunity cost ○ allocation of resources 	1
Using economic theory to understand the working of HKSAR and other economies	<ul style="list-style-type: none"> ▪ Describe and differentiate the concepts of market economy, planned economy and mixed economy 	2
	<ul style="list-style-type: none"> ▪ Explain demand, supply, market equilibrium and price elasticity 	2
	<ul style="list-style-type: none"> ▪ Identify instances in the HKSAR economy of demand, supply, market equilibrium and price elasticity in action 	2
	<ul style="list-style-type: none"> ▪ Explain the theory of production and identify concepts of: <ul style="list-style-type: none"> ○ cost/revenue determination ○ diminishing returns ○ economies of scale ○ long and short run production ○ factor market and income distribution 	2
	<ul style="list-style-type: none"> ▪ Describe and relate to HKSAR, the 4 types of market structure and the respective profit maximization strategies: <ul style="list-style-type: none"> ○ monopoly ○ oligopoly ○ perfect competition ○ monopolistic competition 	2
	<ul style="list-style-type: none"> ▪ Describe: <ul style="list-style-type: none"> ○ market and economic efficiency ○ market failure ○ public policies 	2

Understanding of macroeconomic theory and its impact on the economic policies of HKSAR	▪ Explain the circular flow of income	2
	▪ Describe measures of economic activity	2
	▪ Describe the concepts of investment, consumption, and savings	2
	▪ Describe how fiscal and monetary policies achieve macroeconomic goals	2
	▪ Describe the causes of unemployment, inflation, and economic growth	2
	▪ Describe the difference between free trade and protectionism	2
	▪ Describe both the processes for, and importance of, managing: <ul style="list-style-type: none"> ○ exchange rates ○ balance of payments ○ international trade 	2

Content (Financial mathematics)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the principal concepts used in financial mathematics	<ul style="list-style-type: none"> ▪ Calculate and explain the use of: <ul style="list-style-type: none"> ○ simple interest ○ compound interest ○ net present value ○ internal rate of return ○ annuities 	3
Understanding of the principal concepts used in statistical analysis	<ul style="list-style-type: none"> ▪ Describe the following statistical terms: <ul style="list-style-type: none"> ○ descriptive statistics ○ inferential statistics ○ samples ○ parameters ○ census 	2
	<ul style="list-style-type: none"> ▪ Describe the process of statistical analysis 	2
	<ul style="list-style-type: none"> ▪ Describe and use the following sampling techniques and identify the advantages, disadvantages and differences between each: <ul style="list-style-type: none"> ○ convenience sampling ○ judgement samples ○ quota sampling ○ simple random sampling ○ systematic random sampling ○ stratified random sampling ○ cluster random sampling 	3

Understanding of the collection and presentation of statistical data	<ul style="list-style-type: none"> ▪ Identify sources of data and types of data 	1
	<ul style="list-style-type: none"> ▪ Describe and be able to use various methods of collecting data: <ul style="list-style-type: none"> ○ direct observation ○ interviewing ○ postal questionnaire ○ abstraction from published statistics ○ internet 	3
	<ul style="list-style-type: none"> ▪ Describe and use frequency distribution for grouping and tabulation of data 	3
	<ul style="list-style-type: none"> ▪ Demonstrate the use of graphical representation: <ul style="list-style-type: none"> ○ bar charts ○ pie charts ○ histograms ○ frequency polygons ○ stem and leaf display 	3
Understanding of statistical analysis in business situations	<ul style="list-style-type: none"> ▪ Calculate the following statistical measures: <ul style="list-style-type: none"> ○ mean ○ median ○ mode ○ range ○ quartile deviation ○ interquartile range ○ standard deviation ○ variance ○ co-efficient of variation 	3
	<ul style="list-style-type: none"> ▪ Calculate and explain the concepts of sampling distribution of the mean: <ul style="list-style-type: none"> ○ standard error ○ confidence intervals for means and proportions ○ hypothesis testing for means and proportions 	3
	<ul style="list-style-type: none"> ▪ Calculate required sample sizes of achieve a desired level of accuracy 	3
	<ul style="list-style-type: none"> ▪ Calculate and explain the characteristics of index numbers: <ul style="list-style-type: none"> ○ price indices ○ quantity indices ○ current index number 	3
	<ul style="list-style-type: none"> ▪ Describe the four components of time series: <ul style="list-style-type: none"> ○ trend ○ cyclical variation ○ seasonal variation ○ irregular variation 	3