

**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 8: Principles of auditing and management information systems**

**Aim:** This paper aims:

- (i) to develop and assess the principles of auditing as required in the regulatory, legal and reporting framework in Hong Kong
- (ii) to develop and assess the understanding of information as a key resource to organization and the appreciation of how management information systems can create value and improve the competitive advantage of an organization

**Content (Auditing)**

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the nature of auditing	<ul style="list-style-type: none"> <li>▪ Identify the objectives, nature and benefits of the audit process</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Distinguish between auditing and accounting</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Identify the types of audits</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Distinguish between external auditors and internal auditors</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Outline the responsibilities of auditors under the Hong Kong Companies Ordinance</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Explain the concept of 'true and fair'</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Explain management's responsibilities in preparing financial statements</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Describe auditors' responsibilities to verify financial statements and discover material errors, irregularities and illegal acts</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Describe auditors' responsibilities to consider fraud in an audit of financial statement</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Describe auditors' liability to clients and third parties</li> </ul>	1
Understanding of audit evidence	<ul style="list-style-type: none"> <li>▪ Explain the nature of audit evidence</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Describe the four audit evidence decisions that the auditor must make to prepare an audit programme:                             <ul style="list-style-type: none"> <li>○ audit procedures</li> <li>○ sample size</li> <li>○ items to select</li> <li>○ timing</li> </ul> </li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Determine the factors affecting the persuasiveness of audit evidence:                             <ul style="list-style-type: none"> <li>○ relevance</li> <li>○ competence</li> <li>○ reliability</li> <li>○ sufficiency</li> <li>○ timeliness</li> </ul> </li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Explain the following procedures for obtaining audit evidence:                             <ul style="list-style-type: none"> <li>○ inspection</li> <li>○ observation</li> </ul> </li> </ul>	2

	<ul style="list-style-type: none"> <li>○ enquiry and confirmation</li> <li>○ computation</li> <li>○ analytical procedures</li> </ul>	
	<ul style="list-style-type: none"> <li>▪ Define the following types of audit tests: <ul style="list-style-type: none"> <li>○ procedures to obtain an understanding of internal control</li> <li>○ tests of controls</li> <li>○ substantive tests of transactions</li> <li>○ analytical procedures</li> <li>○ tests of details of balances</li> </ul> </li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Explain the concept of representative sampling</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Distinguish between statistical and non-statistical sampling</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Select representative samples</li> </ul>	3
Awareness of issues relating to the audit of computer based systems	<ul style="list-style-type: none"> <li>▪ Explain how the use of computer based systems affects the audit of business organizations</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Describe computer based internal controls and their impact on evidence accumulation</li> </ul>	2
Understanding of audit planning and documentation	<ul style="list-style-type: none"> <li>▪ Discuss the importance of adequate audit planning</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Explain the purpose of obtaining an engagement letter and discuss the contents of an engagement letter</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Explain the purposes of audit work papers</li> </ul>	2
Understanding of materiality and risk	<ul style="list-style-type: none"> <li>▪ Understand the concept of materiality to the audit process</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Define risk in auditing</li> </ul>	1
Understanding of internal control	<ul style="list-style-type: none"> <li>▪ Discuss the nature of internal control and its importance to both management and the auditor</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Describe the following with regard to internal control: <ul style="list-style-type: none"> <li>○ management's responsibility</li> <li>○ reasonable assurance</li> <li>○ inherent limitations</li> </ul> </li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Identify: <ul style="list-style-type: none"> <li>○ control environment</li> <li>○ control procedures</li> </ul> </li> </ul>	2
Understanding of the requirements for completing an audit from the perspective of a company	<ul style="list-style-type: none"> <li>▪ Explain the purpose and content of a management representation letter</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Explain the communication with the audit committee and/or management</li> </ul>	1
	<ul style="list-style-type: none"> <li>▪ Describe the requirement for, and meaning of, the auditor's report</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Explain a standard unqualified audit report</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Evaluate circumstances that require the auditor to express a qualified opinion</li> </ul>	2

## Content (Management information systems)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the nature and value of information systems	<ul style="list-style-type: none"> <li>Understand the value of information as a key resource and asset of an organization</li> </ul>	2
	<ul style="list-style-type: none"> <li>Recognize the strategic significance of information systems as a tool in enhancing the competitive advantage of the organization</li> </ul>	1
	<ul style="list-style-type: none"> <li>Explain and illustrate different types of information systems: transaction processing systems (TPS), management information systems (MIS), decision support systems (DSS), expert systems (ES), executive information systems (EIS) and enterprise resource planning systems (ERP)</li> </ul>	2
	<ul style="list-style-type: none"> <li>Explain the different information needs and managerial decisions at different organizational levels: strategic, tactical and operational</li> </ul>	2
	<ul style="list-style-type: none"> <li>Understand how information systems contribute to the success of strategy implementation and their relationships</li> </ul>	1
Knowledge of the information technology applications	<ul style="list-style-type: none"> <li>Understand the nature and characteristics of e-commerce and e-business as a strategic business tool</li> </ul>	1
	<ul style="list-style-type: none"> <li>Explain the different types of networks used in organizations: internet, intranet, and extranet</li> </ul>	1
	<ul style="list-style-type: none"> <li>Understand the roles of knowledge management systems (KMS), business intelligence systems (BIS), data warehouse (DW), data mining (DM), online analytical processing (OLAP) and artificial intelligence (AI) in enhancing the value of information in contemporary organizations</li> </ul>	2
Understanding of the role of electronic commerce	<ul style="list-style-type: none"> <li>Describe the role of e-commerce in the Hong Kong business environment</li> </ul>	1
	<ul style="list-style-type: none"> <li>Describe the role of e-commerce in the global business environment</li> </ul>	1
	<ul style="list-style-type: none"> <li>Identify key security and control issues relating to common e-commerce transactions</li> </ul>	1
Knowledge of the issues and process involved in selecting a management information system	<ul style="list-style-type: none"> <li>Outline the methodology followed in selecting a management information system or computer package</li> </ul>	1
	<ul style="list-style-type: none"> <li>Describe the method for evaluating different products</li> </ul>	1

Understanding of risks to security of management information	<ul style="list-style-type: none"> <li>▪ Describe key risks and threats to information systems</li> </ul>	2
	<ul style="list-style-type: none"> <li>▪ Describe general controls applied to information technology activities: <ul style="list-style-type: none"> <li>○ physical</li> <li>○ organizational</li> <li>○ procedural</li> </ul> </li> </ul>	2