

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 1: Accounting and computerized accounts

Aim: This paper aims:

- (i) to develop and assess candidates' knowledge, comprehension and application of the basic accounting concepts and principles; including the ability to apply these to record business transactions; and to prepare and interpret basic financial reports
- (ii) to develop and assess candidates' ability to use available accounting software to record business transactions and to generate financial reports

Content (Accounting)

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Understanding of the role of accounting within a business enterprise	▪ Define accounting	2
	▪ Describe the function of both financial and management accounting	2
	▪ Identify the users of accounting information and their respective information needs	2
	▪ Explain the qualitative characteristics of accounting information	2
Identifying and understanding of the types of financial statements and the purposes of each type	▪ Identify the types of financial statements produced by both financial and management accounting	1
	▪ Describe the purposes of each type of financial statements	2
Understanding of the relationship between business activities and business transactions	▪ Identify principal types of business activities	2
	▪ Explain how each type of business activity is recorded as a business transaction	2
Understanding of the double entry accounting system	▪ Describe and classify business transaction into: <ul style="list-style-type: none"> ○ assets ○ liabilities ○ equity ○ revenues ○ expenses 	3
	▪ Distinguish between capital and revenue expenditure	2
	▪ Explain the profit impact of incorrect classification between capital and revenue items	2
	▪ Apply the accounting equation ($A = E+L$)	3
Understanding of the <u>general features of financial</u>	<ul style="list-style-type: none"> ▪ <u>True and fair view and compliance with HKFRSs</u> ▪ <u>Going concern</u> ▪ <u>Accrual basis of accounting</u> 	2

<u>statements principles of accounting</u>	<ul style="list-style-type: none"> ▪ <u>Materiality and aggregation</u> ▪ <u>Offsetting</u> ▪ <u>Frequency of reporting</u> ▪ <u>Comparative information</u> ▪ <u>Consistency of presentation</u> ▪ <u>Explain the following accounting concepts, principles and conventions:</u> <ul style="list-style-type: none"> ○ <u>going concern</u> ○ <u>accrual</u> ○ <u>consistency</u> ○ <u>materiality</u> ○ <u>prudence</u> ○ <u>business entity</u> ○ <u>accounting period</u> ○ <u>historic cost</u> ○ <u>measurement</u> ○ <u>realization</u> ○ <u>substance over form</u> 	
Understanding of the accounting treatment of non-current assets	<ul style="list-style-type: none"> ▪ Define non-current assets ▪ Explain depreciation and the reasons for providing for it ▪ Calculate depreciation using various methods ▪ Explain the factors to be considered in formulating depreciation policy ▪ Demonstrate the accounting entries for providing depreciation charges in depreciation methods, and for disposing of non-current assets ▪ Explain and record the revaluation of <u>non-current assets</u> 	2 2 3 2 3 3
Understanding of the accounting treatment of current assets	<ul style="list-style-type: none"> ▪ Define current assets ▪ Define inventories ▪ Explain the difference between perpetual and periodic inventory systems ▪ Explain and justify the valuation of inventories at the lower of cost and net realizable value using FIFO, LIFO, and average cost methodologies ▪ Prepare the accounting entries for inventory transactions ▪ Define <u>trade receivables</u> ▪ Explain bad debts and the allowance for <u>doubtful debts impairment loss on trade receivables</u> ▪ Prepare the accounting entries for <u>trade receivables</u> transactions 	2 2 2 2 3 2 2 3
Understanding of the records of original entry	<ul style="list-style-type: none"> ▪ Describe the functions of 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 	2

Applying the accounting equation to business transactions and prepare a trial balance	<ul style="list-style-type: none"> ▪ Prepare the following records of original entry from source records: <ul style="list-style-type: none"> ○ cash book ○ petty cash journal ○ sales and returns journal ○ purchase and returns journal ○ general journal 	3
	<ul style="list-style-type: none"> ▪ Post journals to general and subsidiary ledgers 	3
	<ul style="list-style-type: none"> ▪ Describe the function of control accounts 	2
	<ul style="list-style-type: none"> ▪ Prepare control accounts for trade receivables and trade payables ledgers and control accounts 	3
	<ul style="list-style-type: none"> ▪ Reconcile control accounts and subsidiary ledgers 	3
	<ul style="list-style-type: none"> ▪ Explain the purpose of preparing a bank reconciliation statement 	2
	<ul style="list-style-type: none"> ▪ Prepare a bank reconciliation 	3
	<ul style="list-style-type: none"> ▪ Describe types of accounting errors 	2
	<ul style="list-style-type: none"> ▪ Describe the purpose of a suspense account 	2
	<ul style="list-style-type: none"> ▪ Prepare journal entries to correct errors 	3
<ul style="list-style-type: none"> ▪ Extract a trial balance from ledger accounts 	3	
Applying period end adjustments	<ul style="list-style-type: none"> ▪ Prepare the accounting entries for the following period end adjustments: <ul style="list-style-type: none"> ○ accrued expenses ○ prepaid expenses ○ inventory ○ depreciation ○ bad/doubtful debts ○ income in arrears/in advance 	3
Preparing financial statements from incomplete records	<ul style="list-style-type: none"> ▪ Identify the incomplete information for preparation of financial statements 	3
	<ul style="list-style-type: none"> ▪ Using “substitution” technologies, prepare financial statements from available information 	3
Understanding of accounting for, and presentation of financial statements for various common types of business entity	<ul style="list-style-type: none"> ▪ Define a sole trader and prepare a statement of comprehensive income and a statement of financial position from a trial balance for a sole trader 	3
	<ul style="list-style-type: none"> ▪ Explain the characteristics of clubs and societies and prepare a receipts and payments account, an income and expenditure account, and a statement of financial position for a club or society 	3
	<ul style="list-style-type: none"> ▪ Explain the characteristics of a partnership and prepare a statement of comprehensive income, an appropriation account and a statement of financial position for a partnership incorporating: interest on partners’ capital; partners’ salaries; interest on partners’ drawings; sharing of profits and losses: <ul style="list-style-type: none"> ○ distinguish between and prepare partners capital and current accounts ○ record admission and retirement of partners and prepare the statement of financial position for a new partnership ○ describe the nature of partnership goodwill and explain its accounting treatment 	3

	<ul style="list-style-type: none"> ○ record dissolution of partnership and prepare realisation account 	
	<ul style="list-style-type: none"> ▪ Explain the characteristics of a limited liability company and: <ul style="list-style-type: none"> ○ explain the nature and purpose of share capital s-reserves and debentures ○ record the issue of shares and debentures ○ record interim and final dividends ○ prepare a statement of comprehensive income and a statement of financial position 	3
	<ul style="list-style-type: none"> ▪ Explain the characteristics of a manufacturing business and: <ul style="list-style-type: none"> ○ prepare a manufacturing account and a statement of comprehensive income showing prime cost; cost of goods produced; transfer price of finished goods ○ prepare a statement of financial position ○ calculate the unrealized profit on finished goods ○ Demonstrate the accounting entries for removing unrealized profit on finished goods ○ explain the purpose of transfer prices for goods transferred from a factory to a warehouse 	3
Analyzing and appraising financial statements	<ul style="list-style-type: none"> ▪ Explain the use of ratio analysis 	2
	<ul style="list-style-type: none"> ▪ Calculate the following ratios: <ul style="list-style-type: none"> ○ gross margin ○ net margin ○ return on owners equity ○ return on capital employed ○ current ratio ○ quick (acid test) ratio ○ inventory turnover ○ trade receivables debtors collection period ○ trade payables creditors repayment period ○ gearing debt to equity ratio ○ interest cover ○ dividend cover ○ dividend yield ○ earnings per share ○ price earnings ratio 	3
	<ul style="list-style-type: none"> ▪ 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 ○ return on investment and risk 	3

Content (Computerized accounts)**

Unit of competency	Activity required to demonstrate competence (Performance indicators)	Level of competence required
Establishing a simple accounting system using available accounting software	<ul style="list-style-type: none"> ▪ Set up information relating to entity 	3
	<ul style="list-style-type: none"> ▪ Create master files 	3
	<ul style="list-style-type: none"> ▪ Create a chart of accounts 	3
	<ul style="list-style-type: none"> ▪ Create and input opening balances 	3
	<ul style="list-style-type: none"> ▪ Create the following files and accounts: <ul style="list-style-type: none"> ○ new general ledger accounts ○ new customer/supplier files ○ new inventory items 	3
Recording and processing data using available accounting software	<ul style="list-style-type: none"> ▪ Record and process the following business transactions: <ul style="list-style-type: none"> ○ sales and returns ○ purchases and returns ○ receipts ○ payments ○ <u>tradeaccounts receivables</u> and <u>tradeaccounts payable</u> ○ inventory inwards and outwards ○ accruals, prepayments, depreciation, allowance for doubtful debts, taxation, error corrections ○ detailed non-current asset information ○ purchase and disposal of non-current assets 	3
Producing relevant accounting reports and financial statements using available accounting software	<ul style="list-style-type: none"> ▪ Produce the following accounting reports and financial statements: <ul style="list-style-type: none"> ○ chart of account ○ sales analysis, sales journal ○ purchases analysis, purchases journal ○ receipts and payments analysis ○ general journal ○ bank reconciliation ○ general ledger ○ trial balance ○ inventory analysis ○ receivables / payables ageing ○ debtors statements ○ history and balance of account ○ customer/supplier transaction details ○ transactions of a particular type for a given period ○ statement of comprehensive income, statement of financial position, statement of cash flows 	3

Understanding of risks inherent in using available accounting software for producing accounting reports and financial statements	▪ Identify potential risks	2
	▪ Describe actions to mitigate risks identified	2

**MYOB Premier Plus v13 will be used for Paper 1 Computerized Accounts section starting from the June 2011 examination session.