



Australian Government

Department of Education, Employment and Workplace Relations

FNSINC601A Apply economic principles to work in the financial services industry

Revision Number: 1

FNSINC601A Apply economic principles to work in the financial services industry

Modification History

Not applicable.

Unit Descriptor

Unit descriptor	<p>This unit describes the performance outcomes, skills and knowledge required to apply broad principles of financial economics that underpin a range of tasks and functions in the financial services industry. It includes understanding how financial instruments are priced in markets and techniques and processes government and organisations use to manage financial risk demonstrating broad knowledge of economic theories and related decision-making in a national and organisational economic context.</p> <p>No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement.</p>
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Application of the Unit

Application of the unit	<p>This unit requires the application of an understanding of economics and how this impacts on work in the financial services industry. It is an underpinning unit for which other skills required for work in the financial services industry are built. It may be applied in all sectors of the industry.</p>
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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
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Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Identify economic principles and theories related to financial services functions and tasks	1.1. Knowledge of <i>economic principles</i> that apply to the industry is developed and applied 1.2. <i>Microeconomic theory of markets</i> and how this influences financial products and services is understood 1.3. <i>Capital adequacy regulation and requirements</i> as they apply to work functions are accessed and considered
2. Evaluate economic aspects that apply to decision making	2.1. Relevant <i>financial modelling techniques</i> are applied to economic data to inform decision making 2.2. Appropriate <i>asset pricing models</i> and their application are known and used 2.3. Models of determining <i>organisational value</i> in relation to capital structure are applied
3. Review own work	3.1. Own work is evaluated in the context of relevant economic principles 3.2. Ways to improve performance through understanding of how economics applies to own decision making are considered
4. Maintain a personal understanding of economic policies	4.1. Current <i>economic theories</i> and their impact on the industry are researched to ensure relevant knowledge is current 4.2. Contemporary economic principles are integrated into work practices

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

Required skills

- communication skills to:
 - determine and confirm work requirements, using questioning and active listening as required
 - liaise with others, share information, listen and understand
 - use language and concepts appropriate to cultural differences
- well-developed research skills such as:
 - accessing and managing information
 - interpreting documentation
 - coordinating tasks
- highly developed numeracy and IT skills including:
 - identifying and using statistical models
 - accessing and using identifying and using applicable knowledge systems, spreadsheets and databases
 - using internet information
- recording, gathering and consolidating financial information
- problem solving skills to identify any issues that have the potential to impact on work outcomes and to develop options to resolve these issues when they arise
- organisational skills, including the ability to plan and sequence work

Required knowledge

- economic theories and valuation of assets
- financial modelling techniques and tools
- industry/company financial markets, products and services
- relevant legislation and statutory requirements and industry codes of practice
- techniques and tools for evaluation and interpretation of research data
- the economic and political climate relating to the financial industry

Evidence Guide

EVIDENCE GUIDE	
<p>The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.</p>	
Overview of assessment	
Critical aspects for assessment and evidence required to demonstrate competency in this unit	<p>Evidence of the ability to:</p> <ul style="list-style-type: none"> • use knowledge of common economic theories that relate to the financial services industry • apply knowledge of microeconomic principles and how they relate to financial services industry products, services and organisational practices • research economic trends and evaluate impacts • access and interpret corporate regulation • use a range of financial modelling techniques and tools • review own performance in applying knowledge of economic principles in day-to-day work functions
Context of and specific resources for assessment	<p>Assessment must ensure:</p> <ul style="list-style-type: none"> • competency is demonstrated in the context of the financial services work environment and conditions specified in the range statement either in a relevant workplace or a closely simulated work environment • access to and the use of a range of common office equipment, technology, software and consumables.
Method of assessment	<p>A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit:</p> <ul style="list-style-type: none"> • evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency • verbal or written questioning on underpinning knowledge and skills which may include formal examinations • setting and reviewing workplace projects and business simulations/scenarios.
Guidance information for assessment	

Range Statement

RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

<p><i>Economic principles</i> may include:</p>	<ul style="list-style-type: none"> • the difference between macroeconomics and microeconomics • the difference between normative and positive economics • quantity theory of money • free markets • fiscal and monetary policy, balance of payments, surpluses and deficits • market equilibrium • command and mixed economies • inflation, deflation and stagflation • Gross Domestic Product (GDP) • direct and indirect taxes, subsidies • cause and effect.
<p><i>Microeconomic theory of markets</i> may include:</p>	<ul style="list-style-type: none"> • monopoly and competition • scarcity • opportunity cost • market failure • resource allocation • fixed and variable costs • average and marginal costs.
<p><i>Capital adequacy regulation and requirements</i> include:</p>	<ul style="list-style-type: none"> • financial management and disclosure • credit ratings and agencies • capital requirements and capital to assets ratio • unfunded loan commitments, letters of credit, derivatives, hybrid instruments and foreign exchange contracts • arbitrage and hedge funds • value function iteration • Basel accords • role of the Australian Prudential Regulation Authority (APRA) • call reports

RANGE STATEMENT	
	<ul style="list-style-type: none"> margin buying/lending.
<i>Financial modelling techniques</i> include but are not limited to:	<ul style="list-style-type: none"> Net Present Value (NPV) break-even analysis yield curves forecasting cash inflow and outflow discounted cash flow break-even and contribution margin analysis analysis of segmental performance and profit variance forecasting with regression and Markov methods <u>Value at Risk (VaR)</u> normal and Gaussian distribution credit scorecards.
<i>Asset pricing models</i> cover:	<ul style="list-style-type: none"> rate of return systematic and unsystematic risk elasticity of demand interpreting demand curves and diagrams utility maximisation.
<i>Organisational value</i> may include:	<ul style="list-style-type: none"> tangible and intangible assets knowledge assets and intellectual capital Tier 1 and Tier 2 capital leverage ratio stockholder's equity ratio.
<i>Economic theories</i> include but are not limited to:	<ul style="list-style-type: none"> capitalism Keynesian economics post-Keynesian economics value theory supply-side economics monetarism.

Unit Sector(s)

Unit sector	Industry capability
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Competency field

Competency field	
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Co-requisite units

Co-requisite units		