

## Level 3 Certificate in Accounting (IAS)



International  
Qualifications from EDI

### Syllabus

Effective for examinations to be held after January 2008



## **INTRODUCTION**

Education Development International (EDI) is a leading international awarding body that was formed through the merger of the London Chamber of Commerce and Industry Examinations Board (LCCI) and a leading online assessment provider GOAL. EDI now delivers LCCI International Qualifications (LCCI IQ) through a network of over 5000 registered centres in more than 120 countries worldwide. Our range of business-related qualifications are trusted and valued by employers worldwide and recognised by universities and professional bodies.

### **Level 3 Certificate in Accounting (IAS)**

#### **Aims**

The aims of this qualification are to enable candidates to develop:

- an understanding of the basic principles underlying the recording of business transactions
- the ability to prepare and interpret accounts for sole traders, partnerships, non-trading organisations, companies and groups of companies in accordance with basic accounting conventions and current accounting practice
- the ability to apply the principles of decision making

#### **Target Audience and Candidate Progression**

This qualification is suitable for candidates who work or wish to work in an advanced area of accountancy.

All businesses require suitably skilled people who are able to prepare and maintain accurate accountancy records. In addition they must be able to produce regular accountancy statements and explain their meaning to management. There continues to be a demand for people who possess these skills.

Candidates who attempt this qualification must have the knowledge and skills equivalent to the LCCI IQ Level 1 Certificate in Book-keeping and Level 2 Certificate in Book-keeping and Accounts qualifications.

Successful candidates at Level 3 Certificate in Accounting (IAS) can progress to study LCCI IQ Level 4 Financial Accounting (IAS).

#### **Level of English Required**

Candidates should have a standard of English equivalent to LCCI IQ Level 2 English for Business.

## **Structure of the qualification**

The Level 3 Certificate in Accounting is a single unit qualification that consists of the range of topics detailed below:

### **Syllabus Topics**

1. Levels 1 and 2 revisited
2. Valuation of inventories
3. Valuation of fixed assets
4. Partnerships
5. Companies
6. Accounting for groups of companies
7. Cash flow statements
8. Accounting ratios
9. Budgetary control
10. Introduction to decision making
11. Concepts and accounting framework

**Note:** Taxation, in all its forms, is excluded from this syllabus

### **Guided Learning Hours**

EDI recommends that 140 - 160 Guided Learning Hours (GLHs) provide a suitable course duration for an 'average' candidate at this level. This figure includes direct contact hours as well as other time when candidates' work is being supervised by teachers. Ultimately, however, it is the responsibility of training centres to determine the appropriate course duration based on their candidates' ability and level of existing knowledge. EDI experience indicates that the number of GLHs can vary significantly from one training centre to another.

## **ASSESSMENT**

### **Assessment Objectives**

The examination will assess the candidate's ability to:

- demonstrate and understanding of the more advanced aspects of Level 1 Certificate in Book-keeping and Level 2 Certificate in Book-keeping and Accounts. It should be noted, however, that these syllabi use UK accounting terminology rather than International accounting terminology.

- prepare accounts for a partnership in relation to alterations in partners' interests and the conversion of a partnership into a company
- prepare accounting entries for a company to record the issue of share capital and the issue and redemption of debentures
- account for distributable profits and profits prior to incorporation for companies
- prepare cash flow statements in accordance with IAS 7
- prepare a cash budget
- prepare a budgeted income statement and/or balance sheet
- calculate and interpret accounting ratios
- demonstrate an understanding of the principles of decision making
- interpret accounting statements
- demonstrate an understanding of accounting standards and concepts

### **Skills Assessed**

Candidates will need to show that they can:

- add, subtract, divide and multiply, calculate and use percentages
- prepare journal entries and ledger accounts
- present the final accounts of sole traders, partnerships, companies, including groups and non-trading organisations in appropriate format
- analyse and interpret data
- apply basic decision making techniques
- prepare financial data in compliance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)

### **Coverage of Syllabus Topics in Examinations**

At least **two** of the following syllabus topics will appear in each examination:

4. Partnerships
5. Companies
6. Accounting for groups of companies
7. Cash flow statements

8. Accounting ratios
9. Introduction to decision making

### **Examination Format**

- The time allowance for the examination is 3 hours.
- The examination paper will comprise 5 questions.
- Candidates are required to answer 4 questions. No question will be compulsory
- Any question can relate to more than one topic area from the syllabus

### **Answer Formats**

The answers required will be predominantly of a quantitative nature, but some questions will also require candidates to provide short written answers.

### **Mark Allocation**

A positive marking approach is used. Although candidates will be penalised for initial calculation errors, they will gain marks for consequential 'own figures' as long as the correct use of principles has been demonstrated.

### **Certification**

Successful candidates will be awarded the Level 3 Certificate in Accounting, based on the achievement of the percentages and grades below:

Pass	50%
Merit	60%
Distinction	75%

### **Recommended Reading List and Support Material**

#### **Reading List**

<b>Title</b>	<b>Author(s)</b>	<b>Publisher</b>	<b>ISBN Code</b>
Passport to Success- Level 3 Accounting	EDI	Hodder Education	978-1-86247-113-9
How to Pass Accounting (Second edition)	Joe Adomako and Bala Balachandran	LCCIEB	1 86247 033 Z

## **Support Material**

Model Answers and past papers are available from the LCCI website, [www.lcci.org.uk](http://www.lcci.org.uk). A Solutions Booklet to support the passport to Success book is also available from the website.

## **How to offer this qualification**

To offer this qualification you must be an LCCI IQ registered examination centre. To gain centre approval please contact Customer Support on 08700 818008 between the hours of 830 and 1700 (GMT) Monday to Friday or by email on [centresupport@ediplc.com](mailto:centresupport@ediplc.com)

Alternatively you may contact your Regional LCCI Office or Co-ordinating Authority.

<b>Syllabus Topic</b>	<b>Items Covered</b>
<p><b>1 Levels 1 and 2 revisited</b></p>	<p>Candidates must be able to:</p> <p>1.1 Undertake more advanced examples of any syllabus topic contained in the syllabi at Levels 1 and 2 and not covered elsewhere in this syllabus. Special reference will be made to the following:</p> <ul style="list-style-type: none"> <li>▪ Accounting for depreciation and bad and doubtful debts</li> <li>▪ Preparation of final accounts for a sole trader</li> <li>▪ Preparation of final accounts from incomplete records</li> <li>▪ Preparation of final accounts for a non-trading organisation</li> <li>▪ Preparation of Manufacturing Accounts</li> <li>▪ Sales and Purchase Ledger Control Accounts and reconciliation with the total of the list of balances in the subsidiary sales and purchase ledgers</li> <li>▪ Correction of errors and use of suspense account</li> </ul>
<p><b>2 Valuation of inventories</b></p>	<p>Candidates must be able to:</p>
<p><b>2.2 Inventory accounts</b></p>	<p>2.1 Undertake more advanced examples of the Level 2 syllabus for this topic area</p> <p>2.2.1 Explain the objectives of inventory accounts</p> <p>2.2.2 Prepare inventory accounts</p> <p>2.2.3 Differentiate between perpetual and periodic inventory valuation</p>
<p><b>2.3 Inventory valuation for final accounts</b></p>	<p>2.3.1 Explain and/or apply the following cost bases: FIFO; average cost; replacement cost; standard cost.</p>

**Exclusion:**  
*The study of long-term contracts is not a requirement of this syllabus*



- 2.4 Ascertaining inventory in the absence of physical inventory taking**
- 2.4.1 Adjust inventory valuation for inventory movement before or after end of accounting period
- 3 Valuation of fixed assets**
- Candidates must be able to:
- 3.1 Undertake more advanced examples of the Levels 1 and 2 syllabi for this topic area
- 3.2 Explain and apply the following additional methods of depreciation: Units of output; machine hour; sum of years' digits; annual revaluation
- 3.3 Calculate the effect of a change in the basis of depreciation of a fixed asset
- 3.4 Calculate the change in the charge for depreciation when there is a change in the life and/or residual value of a fixed asset
- 4 Partnerships**
- Candidates must be able to:
- 4.1 Undertake more advanced examples of the Level 2 syllabus for this topic area
- 4.2 Changes in partnership interests during a financial year**
- 4.2.1 Prepare entries for the division of profits/losses in accordance with a partnership agreement
- 4.2.2 Prepare entries for the division of an income statement into periods before and after the date of change in a partnership agreement, if within an accounting period, using time, turnover and other bases
- 4.2.3 Prepare entries to partners' capital accounts for funds introduced/ Withdrawn

- 4.2.4 Prepare entries for the adjustment of partners' capital and/or current accounts for share of unrecorded assets/liabilities when profit/loss ratios are changed
- 4.2.5 Prepare entries for the inclusion or exclusion from the books of any assets/liabilities in accordance with partners' decisions
- 4.3 Admission or retirement of partners during a financial year**
  - 4.3.1 Prepare the entries to partners' capital accounts for funds introduced/withdrawn
  - 4.3.2 Make adjustment to partners' capital and/or current accounts for share of unrecorded assets/liabilities
  - 4.3.3 Divide an income statement into periods before and after date of admission or retirement of partners, if within an accounting period using time, turnover and other bases of apportionment
- 4.4 Conversion into a company**
  - 4.4.1 Prepare a sale of business account in partnership books
  - 4.4.2 Prepare a dissolution (realisation) account in partnership books
  - 4.4.3 Show the distribution of proceeds between partners
  - 4.4.4 Close the partners' capital accounts in partnership books
  - 4.4.5 Prepare a purchase of business account in company books
  - 4.4.6 Record the issue of shares and debentures etc in company books
  - 4.4.6 Record goodwill in company books
  - 4.4.7 Divide profits before and after incorporation

## 5 Companies

Candidates must be able to:

- 5.1 Undertake more advanced examples of the Level 2 syllabus for this topic area
- 5.2 Issue of shares and issue and redemption of debentures**
  - 5.2.1 Prepare the application and allotment account
  - 5.2.2 Prepare the share capital and debenture accounts
  - 5.2.3 Prepare the share and/or debenture premium accounts
  - 5.2.4 Record the calls on shares and debentures
  - 5.2.5 Record the redemption of debentures
- 5.3 Purchase of own ordinary shares and redemption of preferred shares**
  - 5.3.1 Record the purchase, by a company, of its own ordinary shares out of the proceeds of a new issue made for that purpose
  - 5.3.2 Record the purchase, by a company, of its own ordinary shares out of distributable reserves
  - 5.3.3 Record the purchase, by a company, of its own ordinary shares from a mix of a new issue and distributable reserves
  - 5.3.4 Record the redemption of preferred shares
- 5.4 Rights and bonus (capitalisation) issues of shares**
  - 5.4.1 Explain what is meant by a rights issue of shares and prepare the necessary accounts
  - 5.4.2 Explain what is meant by a bonus issue of shares and prepare the necessary accounts, making appropriate use of available reserves

## 5.5 Distributable profits

- 5.5.1 Assess the influence of liquidity on the decision whether or not to distribute profits

## 5.6 Profits prior to incorporation

- 5.6.1 Calculate the profit earned prior to incorporation
- 5.6.2 Apply the required accounting treatment to the pre-incorporation profits

## 6 Accounting for groups of companies

Candidates must be able to:

- 6.1 Prepare a consolidated income statement and /or balance sheet for a simple group
- 6.2 Calculate goodwill on consolidation or cost of control
- 6.3 Calculate minority interest
- 6.4 Calculate group retained earnings
- 6.5 Treat profits in inventory
- 6.6 Treat inter-company dividends
- 6.7 Treat inter-company balances
- 6.8 Treat items in transit e.g. inventory and cash
- 6.9 Treat fair value of fixed assets
- 6.10 Explain the reasons for the adjustments used in consolidation

### **Exclusion:**

*No questions will be asked involving:*

- Piecemeal acquisitions
- Subsidiaries with preferred shares
- Sub-subsidiaries
- Associates
- Mergers

**7 Cash flow statements**

Candidates must be able to:

- 7.1 Explain and use the formats contained in IAS 7
- 7.2 Prepare cash flow statements in
- 7.3 accordance with IAS 7

**8 Accounting ratios**

Candidates must be able to:

- 8.1 Undertake more advanced examples of the Level 2 syllabus for this topic area

**8.2 Calculate the following additional ratios:**

- 8.2.1 Gearing
- 8.2.2 Revenue to non-current assets
- 8.2.3 Revenue to capital employed
- 8.2.4 Net profit to total assets employed
- 8.2.5 Earnings per share
- 8.2.6 Price/earnings
- 8.2.7 Dividend yield
- 8.2.8 Dividend cover for ordinary shares
- 8.2.9 Earnings yield
- 8.2.10 Interest cover

*Where an examination question requires the use of a specific version of a ratio formula (e.g. gearing) this will be clearly stated in the question.*

**8.3 Further considerations**

- 8.3.1 Interpret and comment upon the ratios
- 8.3.2 Prepare final accounts using ratios

## 9 Budgetary control

Candidates must be able to:

### 9.1 Cash budgets

9.1.1 Calculate budgeted cash inflows and cash outflows for each period

9.1.2 Prepare cash budgets using a columnar layout in accordance with the periods required e.g. weekly, monthly, quarterly (three monthly) etc.

### 9.2 Budgeted statements

9.2.1 Prepare a budgeted income statement and/or balance sheet from given information. The use of accounting ratios may be required

### 9.3 Interpretation

9.3.1 Comment upon the results obtained from the preparation of cash budgets and budgeted income statements and balance sheets

## 10 Introduction to decision making

Candidates must be able to:

### 10.1 Breakeven

10.1.1 Explain what is meant by the breakeven point

10.1.2 Calculate the breakeven point in both sales units and sales value

10.1.3 Calculate the profit or loss for a given number of units sold

10.1.4 Calculate the number of units required to be sold in order to generate a given amount of profit

10.1.5 Comment upon the results obtained

#### **Exclusion:**

*Questions will not be set involving the production of a breakeven graph or chart*

### 10.2 Simple payback

10.2.1 Explain what is meant by the payback method of investment appraisal

10.2.6 Calculate the payback period using either constant or uneven cash flows

- 10.2.7 Comment upon the results obtained and make recommendations
- 10.2.8 State the advantages and disadvantages of using payback as a method of investment appraisal

**Exclusion:**

*Questions will not be set involving discounted payback*

**10.3 Net present value method of discounted cash flow**

- 10.3.1 Explain the meaning of the time value of money
- 10.3.2 Explain what is meant by net present value (either positive or negative)
- 10.3.3 Calculate net present value. Extracts from discount tables will be provided
- 10.3.4 Comment upon the results obtained and make recommendations
- 10.3.5 State the advantages and disadvantages of using net present value as a method of investment appraisal

**Exclusion:**

*Questions will not be set involving any other aspects of discounted cash flow e.g. annuities, perpetuities or IRR*

**10.4 Accounting rate of return**

- 10.4.1 Explain what is meant by the accounting rate of return
- 10.4.2 Calculate the accounting rate of return using the formula:

$$\frac{\text{average profits after depreciation but before interest} \times 100}{\text{initial capital costs}} \quad 1$$

- 10.4.3 Comment upon the results obtained and make recommendations
- 10.4.4 State the advantages and disadvantages of using the accounting rate of return as a method of investment appraisal

**11 Concepts and accounting framework**

Candidates must be able to:

11.1 Explain the following:

- Going concern concept
- Accruals or matching concept
- Prudence concept
- Consistency concept
- Entity concept
- Separate valuation principle
- Materiality concept
- Historical cost convention
- Objectivity concept
- Duality concept
- Substance over form

11.2 Explain and apply the principles incorporated in the following accounting standards;

- IAS 2 - Inventories (long term contracts will not be examined)
- IAS 7 - Cash flow statements
- IFRS 3 - Accounting for business combinations
- IAS 27 – Consolidated financial statements
- IAS 16 – Property, plant and equipment

**Note:**

*If any standard is either revised or replaced, the revised or replaced standard will become examinable 18 months after it is issued*



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and performance