



LCCI
International
Qualifications

L3

**Pearson
LCCI Level 3 Certificate in
Accounting (VRQ)
(ASE3012X)**

SPECIFICATION

Issue 2

Pearson LCCI Level 3 Certificate in Accounting (VRQ) (ASE3012X)

Specification

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Edexcel, BTEC and LCCI qualifications

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This specification is Issue 2. Key changes are sidelined. We will inform centres of any changes to this issue. The latest issue can be found on our website.

Acknowledgements

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Introduction

LCCI qualifications

LCCI qualifications are widely regarded by employers as preparing learners for key functions of modern international business. Employers, universities and professional bodies such as the Association of Chartered Certified Accountants (ACCA) recognise them across the world.

This new and engaging range of qualifications has been developed in collaboration with professional bodies, employers and customers. We have conducted in-depth, independent consultation to ensure that the qualifications develop the breadth and depth of knowledge, skills and understanding that students need to be effective employees, and that the qualifications support progression pathways.

LCCI offers a wide range of qualifications; they are available at levels 1 to 4 across the following subject areas:

- English Language
- Marketing and Customer Service
- Business, Administration and IT
- Finance and Quantitative.

This specification is part of the Finance and Quantitative suite of LCCI qualifications.

Purpose of the specification

This specification sets out:

- the objectives of the qualification
- any other qualification(s) that a student must have completed before taking the qualification
- any prior knowledge and skills that the student is required to have before taking the qualification
- any other requirements that a student must have satisfied before they will be assessed or before the qualification will be awarded
- the knowledge, understanding and skills that will be assessed as part of the qualification
- the method of assessment and any associated requirements relating to it
- the criteria against which a student's level of attainment will be measured (such as assessment criteria).

Qualification aim

The aims of this qualification are to enable students 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, limited companies and groups of companies in accordance with basic accounting conventions and current accounting practice
- the ability to apply the principles of decision making.

This qualification is suitable for students who work or who 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. 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.

Students 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 students at LCCI IQ Level 3 Certificate in Accounting can progress to study LCCI IQ Level 4 Financial Accounting.

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

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Specification at a glance

The Pearson LCCI Level 3 Certificate in Accounting consists of one externally examined paper.

Title: Pearson LCCI Level 3 in Accounting

- Externally assessed

**100% of
the total
qualification**

Overview of content

- Levels 1 and 2 revisited
- Valuation of stocks
- Valuation of fixed assets
- Partnerships
- Companies
- Accounting for groups of companies
- Cash flow statements
- Accounting ratios
- Budgetary control
- Introduction to decision making
- Concepts and accounting framework

Note: taxation, in all its forms, is excluded from this syllabus.

Overview of assessment

- The time allowance for the examination is three hours.
- The examination paper will comprise five questions.
- Candidates are required to answer four questions.
- No question will be compulsory.
- The answers required will be predominantly of a quantitative nature, but some questions will also require candidates to provide short, written answers.
- 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.

Knowledge, skills and understanding

Content

The following content must be covered to prepare students for the final assessment of this qualification.

1. Levels 1 and 2 revisited

Subject content	What students need to learn:
1.1 Undertake more advanced examples of specification topics contained in the specification at Levels 1 and 2 and not covered elsewhere in this specification	Special reference will be made to the following: <ul style="list-style-type: none">• accounting for depreciation and bad and doubtful debts• preparation of final accounts for a sole trader• preparation of final accounts from incomplete records• preparation of final accounts for a non-trading organisation• preparation of manufacturing accounts• sales and purchase ledger control accounts and reconciliation with the total of the list of balances in the subsidiary sales and purchase ledgers• correction of errors and use of suspense account

2. Valuation of stocks

Subject content	What students need to learn:
2.1 Valuation of stocks	Undertake more advanced examples of the Level 2 specification for this topic area
2.2 Stock accounts	a) Explain the objectives of stock accounts
	b) Prepare stock accounts
	c) Differentiate between perpetual and periodic stock valuation
2.3 Stock valuation for final accounts	a) Explain and/or apply the following cost bases: FIFO; average cost; replacement cost; standard cost. Exclusion: the study of long-term contracts is not a requirement
2.4 Ascertaining stock in the absence of physical stocktaking	a) Adjust stock valuation for stock movement before or after end of accounting period

3. Valuation of fixed assets

Subject content	What students need to learn:
3.1 Valuation of fixed assets	a) Undertake more advanced examples of the Levels 1 and 2 specification for this topic area
	b) Explain and apply the following additional methods of depreciation: units of output; machine hour; sum of years' digits; annual revaluation
	c) Calculate the effect of a change in the basis of depreciation of a fixed asset
	d) 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

Subject content	What students need to learn:
4.1 Partnerships	Undertake more advanced examples of the Level 2 specification for this topic area
4.2 Changes in partnership interests during a financial year	a) Prepare entries for the division of profits/losses in accordance with a partnership agreement
	b) Prepare entries for the division of a trading and profit and loss account into periods before and after the date of change in a partnership agreement, if within an accounting period, using time, turnover and other bases
	c) Prepare entries to partners' capital accounts for funds introduced/withdrawn
	d) Prepare entries for the adjustment of partners' capital and/or current accounts for share of unrecorded assets/liabilities when profit/loss ratios are changed
	e) 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	a) Prepare the entries to partners' capital accounts for funds introduced/withdrawn
	b) Make adjustment to partners' capital and/or current accounts for share of unrecorded assets/liabilities
	c) Divide a trading and profit and loss 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

Subject content	What students need to learn:
4.4 Conversion into a company	a) Prepare a sale of business account in partnership books
	b) Prepare a dissolution (realisation) account in partnership books
	c) Show the distribution of proceeds between partners
	d) Close the partners' capital accounts in partnership books
	e) Prepare a purchase of business account in company books
	f) Record the issue of shares and debentures etc. in company books
	g) Record goodwill in company books
	h) Divide profits before and after incorporation

5. Companies

Subject content	What students need to learn:
5.1 Companies	Undertake more advanced examples of the Level 2 specification for this topic area
5.2 Issue of shares and issue and redemption of debentures	a) Prepare the application and allotment account
	b) Prepare the share capital and debenture accounts
	c) Prepare the share and/or debenture premium accounts
	d) Record the calls on shares and debentures
	e) Record the redemption of debentures
5.3 Purchase of own ordinary shares and redemption of preference shares	a) Record the purchase, by a company, of its own ordinary shares out of the proceeds of a new issue made for that purpose
	b) Record the purchase, by a company, of its own ordinary shares out of distributable reserves
	c) Record the purchase, by a company, of its own ordinary shares from a mix of a new issue and distributable reserves
	d) Record the redemption of preference shares
5.4 Rights and bonus (capitalisation) issues of shares	a) Explain what is meant by a rights issue of shares and prepare the necessary accounts
	b) Explain what is meant by a bonus issue of shares and prepare the necessary accounts, making appropriate use of available reserves

Subject content	What students need to learn:
5.5 Distributable profits	a) Assess the influence of liquidity on the decision whether or not to distribute profits
5.6 Profits prior to incorporation	a) Calculate the profit earned prior to incorporation
	b) Apply the required accounting treatment to the pre-incorporation profits

6. Accounting for groups of companies

Subject content	What students need to learn:
6.1 Accounting for groups of companies Exclusion: no questions will be asked involving: piecemeal acquisitions subsidiaries with preference shares sub-subsidiaries associates mergers.	Prepare a consolidated profit and loss account and/or balance sheet for a simple group
	Calculate goodwill on consolidation or cost of control
	Calculate minority interest
	Calculate group retained earnings
	Treat profits in stock
	Treat inter-company dividends
	Treat inter-company balances
	Treat items in transit, e.g. stock and cash
	Treat fair value of fixed assets
	Explain the reasons for the adjustments used in consolidation

7. Cash flow statements

Subject content	What students need to learn:
7.1 Cash flow statements	Explain and use the formats contained in FRS 1 (revised)
	Prepare cash flow statements in accordance with FRS 1 (revised)

8. Accounting ratios

Subject content	What students need to learn:
8.1 Accounting ratios	Undertake more advanced examples of the Level 2 specification for this topic area
8.2 Calculate the following additional ratios: 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	a) Gearing
	b) Sales to fixed assets
	c) Sales to capital employed
	d) Net profit to total assets employed
	e) Earnings per share
	f) Price/earnings
	g) Dividend yield
	h) Dividend cover for ordinary shares
	i) Earnings yield
	j) Interest cover
8.3 Further considerations	a) Interpret and comment on the ratios
	b) Prepare final accounts using ratios

9. Budgetary control

Subject content	What students need to learn:
9.1 Cash budgets	a) Calculate budgeted cash inflows and cash outflows for each period
	b) 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	a) Prepare a budgeted trading and profit and loss account and/or balance sheet from given information. The use of accounting ratios may be required
9.3 Interpretation	a) Comment on the results obtained from the preparation of cash budgets and budgeted trading and profit and loss accounts and balance sheets

10. Introduction to decision making

Subject content	What students need to learn:
10.1 Breakeven Exclusion: questions will not be set involving the preparation of a breakeven graph or chart	a) Explain what is meant by the breakeven point
	b) Calculate the breakeven point in both sales units and sales value
	c) Calculate the profit or loss for a given number of units sold
	d) Calculate the number of units required to be sold in order to generate a given amount of profit
	e) Comment on the results obtained
10.2 Simple payback Exclusion: questions will not be set involving discounted payback	a) Explain what is meant by the payback method of investment appraisal
	b) Calculate the payback period using either constant or uneven cash flows
	c) Comment on the results obtained and make recommendations
	d) State the advantages and disadvantages of using payback as a method of investment appraisal
10.3 Net present value method of discounted cash flow Exclusion: questions will not be set involving any other aspects of discounted cash flow, e.g. annuities, perpetuities or IRR	a) Explain the meaning of the time value of money
	b) Explain what is meant by net present value (either positive or negative)
	c) Calculate net present value. Extracts from discount tables will be provided
	d) Comment on the results obtained and make recommendations
	e) State the advantages and disadvantages of using net present value as a method of investment appraisal
10.4 Accounting rate of return	a) Explain what is meant by the accounting rate of return
	b) Calculate the accounting rate of return using the formula: $\frac{\text{average profits after depreciation but before interest} \times 100}{\text{initial capital costs}} \quad 1$
	c) Comment on the results obtained and make recommendations
	d) State the advantages and disadvantages of using the accounting rate of return as a method of investment appraisal

11. Concepts and accounting framework

Subject content	What students need to learn:
<p>11.1 Concepts and accounting framework</p> <p>Note: If any standard is either revised or replaced, the revised or replaced standard will become examinable 18 months after it is issued.</p> <p>Any question can relate to more than one topic area from the specification.</p>	<p>a) Explain the following:</p> <ul style="list-style-type: none"> • 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 <p>b) Explain and apply the principles incorporated in the following accounting standards:</p> <ul style="list-style-type: none"> • SSAP 9 – stocks (long-term contracts will not be examined) • FRS 1 (revised) – cash flow statements • FRS 2 – accounting for subsidiary undertakings • FRS 15 – tangible fixed assets

The following skills should be developed throughout the course of study.

Skills	Students should:
	a) add, subtract, divide and multiply, calculate and use percentages
	b) prepare journal entries and ledger accounts
	c) present the final accounts of sole traders, partnerships, limited companies, including groups and non-trading organisations in appropriate format
	d) analyse and interpret data
	e) apply basic decision-making techniques
	f) prepare financial data in compliance with Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS)

Assessment

Assessment summary

Pearson LCCI Level 3 Certificate in Accounting

The examination is available on demand.

Overview of content

1. Levels 1 and 2 revisited
2. Valuation of stocks
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 specification.

Overview of assessment

- One written externally set and marked paper, contributing 100% of the overall grade of the qualification.
- The examination will be three hours.
- The examination will consist of 100 marks.
- Students will be graded Pass/Merit/Distinction. A result of Fail will be recorded where students do not achieve the required marks for a Pass.
- The examination paper will comprise five questions.
- Candidates are required to answer four questions.
- No question will be compulsory.
- The answers required will be predominantly of a quantitative nature, but some questions will also require candidates to provide short, written answers.
- 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.

Entry and assessment information

Student entry

Details on how to enter candidates for the examination for this qualification can be found at www.pearson.com

The closing date for entries is approximately six weeks before the start of each examination series. Centres should refer to the published examination timetable for examination dates.

Combinations of entry

There are no forbidden combinations of entry for this qualification.

Age

Students must be a minimum of 16 years old to be entered onto this qualification.

Resitting the qualification

Candidates can resit the examination for Pearson LCCI Level 3 Certificate in Accounting. Candidates can be entered for the next examination for this qualification.

Awarding and reporting

The Pearson LCCI Level 3 Certificate in Accounting qualification is graded and certificated on a three-grade scale: Pass/Merit/Distinction. Pass and distinction are awarded, merit is arithmetically calculated.

Access arrangements, reasonable adjustments and special consideration

Access arrangements

Access arrangements are agreed before an assessment. They allow students with special educational needs, disabilities or temporary injuries to:

- access the assessment
- show what they know and can do without changing the demands of the assessment.

The intention behind an access arrangement is to meet the particular needs of an individual disabled student without affecting the integrity of the assessment. Access arrangements are the principal way in which awarding bodies comply with the duty under the Equality Act 2010 to make 'reasonable adjustments'.

Access arrangements should always be processed at the start of the course. Students will then know what is available and have the access arrangement(s) in place for assessment.

Reasonable adjustments

The Equality Act 2010 requires an awarding organisation to make reasonable adjustments where a person with a disability would be at a substantial disadvantage in undertaking an assessment. The awarding organisation is required to take reasonable steps to overcome that disadvantage.

A reasonable adjustment for a particular person may be unique to that individual and therefore might not be in the list of available access arrangements.

Whether an adjustment will be considered reasonable will depend on a number of factors, which will include:

- the needs of the student with the disability
- the effectiveness of the adjustment
- the cost of the adjustment; and
- the likely impact of the adjustment on the student with the disability and other students.

An adjustment will not be approved if it involves unreasonable costs to the awarding organisation, timeframes or affects the security or integrity of the assessment. This is because the adjustment is not 'reasonable'.

Special consideration

Special consideration is a post-examination adjustment to a student's mark or grade to reflect temporary injury, illness or other indisposition at the time of the examination/assessment, which has had, or is reasonably likely to have had, a material effect on a candidate's ability to take an assessment or demonstrate their level of attainment in an assessment.

Further information

Please see the website or email internationalenquiries@pearson.com for further information about how to apply for access arrangements and special consideration.

For further information about access arrangements, reasonable adjustments and special consideration please refer to the JCQ website: www.jcq.org.uk.

Equality Act 2010 and Pearson equality policy

Equality and fairness are central to our work. Our equality policy requires all students to have equal opportunity to access our qualifications and assessments, and our qualifications to be awarded in a way that is fair to every student.

We are committed to making sure that:

- students with a protected characteristic (as defined by the Equality Act 2010) are not, when they are undertaking one of our qualifications, disadvantaged in comparison to students who do not share that characteristic
- all students achieve the recognition they deserve for undertaking a qualification and that this achievement can be compared fairly to the achievement of their peers.

You can find details on how to make adjustments for students with protected characteristics in the policy document *Access Arrangements, Reasonable Adjustments and Special Considerations*, which is on our website, www.edexcel.com/Policies.

Malpractice

For up-to-date information on malpractice please refer to the latest Joint Council for Qualifications (JCQ) *Suspected Malpractice in Examinations and Assessments* document, available on the JCQ website: www.jcq.org.uk

Language of assessment

Assessment of this specification will be in English only. Assessment materials will be published in English only and all work submitted for examination must be in English only.

Other information

Guided Learning Hours (GLH)

Guided Learning Hours: the number of teacher-led contact hours required to support student achievement for a qualification.

The Pearson LCCI Level 3 Certificate in Accounting requires 140–160 GLH.

Centres should ensure that students have additional time for self-study and preparation for the final examination, which is in addition to the GLH stated above.

Student recruitment

Pearson follows the JCQ policy concerning recruitment to our qualifications in that:

- they must be available to anyone who is capable of reaching the required standard
- they must be free from barriers that restrict access and progression
- equal opportunities exist for all students.

Prior learning and other requirements

There are no formal entry requirements for this qualification.

Students may be studying in a local language but the assessment will be in English. Pearson recommends students have B1 level of English on the Common European Framework of Reference (CEFR). This will support access to the assessment materials and be able to communicate responses effectively.

Progression

The qualification will allow progression onto the Pearson LCCI Level 4 Certificate in Financial Accounting (VRQ).

Exemptions

This qualification does not provide exemption to any other qualification in the suite or to qualifications with any other awarding organisation.

Codes

This qualification is approved by Ofqual and meets the Ofqual General Conditions for inclusion on the Register of Regulated Qualifications. The Qualification Number (QN) is: 601/6426/8.

The subject code for the Pearson LCCI Level 3 Certificate in Accounting is: ASE3012X. The subject code is used by centres to enter students for a qualification. Centres will need to use the entry codes only when claiming students' qualifications.

Support, training and resources

Training

Pearson offers support and training to teachers on standard of delivery and preparing students to meet the assessment requirements.

Specifications, sample assessment materials and teacher support materials

To find a list of all the support documents available please visit our website

Appendices

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Appendix 1: Glossary of International Accounting Standards (IAS) terminology

The following is a glossary of the comparison between the International Accounting Standards terminology and the UK GAAP (Generally Accepted Accounting Practice in the UK) terminology. IAS terminology is used in the content of the LCCI financial and quantitative suite of qualifications but not all terms are present in all levels of the qualifications.

Centres should be aware that these terms are also referred to as International Finance Reporting Standards (IFRP), in certain contexts within the industry, however the definitions and meaning remain the same.

IAS terminology	Previously used UK GAAP terminology
Financial statements	Final accounts
Statement of comprehensive income	Trading and profit and loss account
Revenue	Sales
Raw materials/Ordinary goods purchased	Purchases
Cost of sales	Cost of goods sold
Inventory	Stock
Work in progress	Work in progress
Gross profit	Gross profit
Other operating expenses	Sundry expenses
Allowance for doubtful debt	Provision for doubtful debt
Other operating income	Sundry income
Investment revenues/finance income	Interest receivable
Finance costs	Interest payable
Profit for the year	Net profit
Retained earnings	Profit/loss balance
Statement of changes in equity (limited companies)	Appropriation account
Statement of financial position	Balance sheet

Non-current assets	Fixed assets
Property	Land and buildings
Plant and equipment	Plant and equipment
Investment property	Investments
Intangible assets	Goodwill etc.
Current assets	Current assets
Inventory	Stock
Trade receivables	Debtors
Other receivables	Prepayments
Bank and cash	Bank and cash
Current liabilities	Current liabilities/Creditors: amounts due within 12 months
Trade payables	Creditors
Other payables	Accruals
Bank overdraft and loans	Loans repayable within 12 months
Non-current liabilities	Long term liabilities/Creditors: amounts falling due after 12 months
Bank (and other) loans	Loans repayable after 12 months
Capital or Equity	Capital
Share capital	Share capital
Statement of cash flows	Cash flow statement
Other terms	
Inventory count	Stock take
Carry over	Net book value

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For more information on LCCI qualifications please visit our website
uk.pearson.com/LCCIinternational

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