



**Pearson
LCCI Level 3 Certificate
in Accounting (VRQ)
(ASE20104)**

SPECIFICATION

Issue 4

First teaching from October 2015

Edexcel, BTEC and LCCI qualifications

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This specification is Issue 4. Key changes are sidlined in the document. We will inform centres of any changes to this issue. The latest issue can be found on our website, qualifications.pearson.com

Acknowledgements

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Introduction

LCCI qualifications

LCCI qualifications are widely regarded by employers to prepare learners for key functions of modern international business. The qualifications are recognised worldwide by employers, universities and professional bodies, such as the Association of Chartered Certified Accountants (ACCA).

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 that are available at levels 1 to 4 across the following subject areas:

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

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

Please refer to the Pearson website for details of other qualifications in this suite.

This qualification replaces the Pearson LCCI Level 3 Certificate in Accounting (VRQ) (ASE3012X) and the Pearson LCCI Level 3 Certificate in Accounting (IAS) (VRQ) (ASE3902).

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 (such as assessment criteria) against which a student's level of attainment will be measured.

Rationale

The Pearson LCCI Level 3 Certificate in Accounting (VRQ) gives students an overview of the fundamental accounting principles and concepts that underlie all financial accounting.

Students are introduced to topic areas they are likely to encounter in their working lives in practical, scenario-based situations. This qualification includes content on these main functions:

- maintaining up-to-date records of all financial transactions in an appropriate format using accounting record books (ledgers)
- preparation of extended trial balances
- preparation and interpretation of financial statements of different businesses (sole traders, partnerships, limited companies and groups of companies).
- preparation of financial records from incomplete records
- budgeting
- applying the principles of decision making.

The qualification has been developed to allow students to progress to the Pearson LCCI Level 4 Certificate in Financial Accounting (VRQ), which extends and introduces new advanced topic areas in this field.

This qualification is appropriate for students who are already in a related role. The qualification is also appropriate for those aspiring to a role in which they are responsible for the detailed recording of financial transactions, maintaining financial records using appropriate methods, and for ensuring that monetary transactions are recorded accurately.

Qualification aim

This qualification aims to enable students to develop:

- an understanding of the basic principles underlying the recording of financial transactions
- the ability to prepare and interpret accounts for sole traders, partnerships, 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 also be able to produce regular accountancy statements and explain their meaning to management.

This qualification is trusted and valued by employers worldwide and is recognised by universities and professional bodies. This will increase students' employability in the sector and allow them to continue their academic development by progressing to the Pearson LCCI Level 4 Certificate in Financial Accounting (VRQ) or other professional accountancy qualifications.

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Specification at a glance

The Pearson LCCI Level 3 Certificate in Accounting (VRQ) consists of one externally-examined paper.

Title: Pearson LCCI Level 3 Certificate in Accounting (VRQ)	
<ul style="list-style-type: none">Externally assessed.	100% of the total qualification
Overview of content: <ul style="list-style-type: none">accounting concepts and frameworkrecording financial transactionspreparation of an extended trial balancepreparation of financial statementspreparation of accounting from incomplete recordsinterpretation of financial statementsbudgetary controlintroduction to decision making.	
Overview of assessment <ul style="list-style-type: none">one written, externally-set and marked paper, contributing 100% of the overall grade of the qualificationthe examination will be 3 hoursthe examination will consist of 100 marksstudents will be graded Pass/Merit/Distinction. A result of Fail will be recorded where students do not achieve the required marks for a Passthe paper comprises five questionsstudents should answer all questionsquestions comprise short written questions, calculations, preparation of accounts, financial statements, analysis and evaluation of results obtained and notes to financial statements.	

Knowledge, skills and understanding

Content

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

1. Accounting concepts and framework

Subject content	What students need to learn:
1.1 The financial accounting function	a) The differences between financial accounting and management accounting.
	b) The principles incorporated in the following accounting standard: <ul style="list-style-type: none">• IAS 1 – presentation of financial statements.
	c) The elements, nature and purpose of financial statements, including: <ul style="list-style-type: none">• statement of profit or loss• statement of changes in equity• statement of financial position• statement of cash flows.
	d) The understanding and application of the following accounting concepts: <ul style="list-style-type: none">• accruals• business entity• consistency• going concern• materiality• prudence• realisation.

Subject content	What students need to learn:
	e) Understanding the characteristics of financial reporting under the International Accounting Standards Board (IASB) framework, including: <ul style="list-style-type: none"> • relevance • faithful representation • comparability • verifiability • timeliness • understandability.

Subject content	What students need to learn:
1.2 Types of business organisations	a) The purpose, advantages and disadvantages of different types of businesses, including: <ul style="list-style-type: none"> • sole trader • partnership • limited liability partnership • private limited companies (Ltd) • public limited companies (plc).
1.3 How financial statements contribute towards meeting the needs of different stakeholders and users	a) An understanding of the main stakeholders in business and reasons for their interests (needs) in financial statements. Stakeholders to include: <ul style="list-style-type: none"> • owners • managers • suppliers • customers • employees • government • investors • providers of external finance • competitors • local community • trade associations • trade unions.
1.4 Introduction to ethical behaviour in accounting practices	a) An understanding of the fundamental principles of professional ethics, including: <ul style="list-style-type: none"> • professional behaviour • professional/technical competence and due care • confidentiality • integrity • objectivity. b) An understanding of the impact of professional ethics in accounting roles and functions.

2. Recording financial transactions

Subject content	What students need to learn:
2.1 Account for inventory	a) The objectives of inventory control and accounts, including perpetual and periodic inventory valuation and the methods of inventory valuation which may be used by businesses: <ul style="list-style-type: none"> • first-in, first-out (FIFO) • last-in, first-out (LIFO) • weighted average cost (AVCO) • standard cost. Learners will not be required to prepare the stock ledger using these methods.
	b) The principles incorporated in the following accounting standard: <ul style="list-style-type: none"> • IAS 2 – inventories.
	c) The effect on profit or loss of business due to change in the method of inventory valuation.
	d) The adjustments of inventory movement before or after the end of accounting period in the absence of physical inventory count.
	e) The reconciliation of inventory ledger balance with physical inventory count.
	f) The adjustments at period end in relation to inventory.
2.2 Account for tangible and intangible non-current assets	a) Understand the differences between tangible and intangible non-current assets.
	b) The principles incorporated in the following accounting standard: <ul style="list-style-type: none"> • IAS 16 – property, plant and equipment.
	c) The capital expenditure on purchase of non-current assets, including all costs.
	d) An understanding of the methods of funding the purchase of non-current assets, including: <ul style="list-style-type: none"> • internal sources (owner’s capital, bank, cash) • external sources (borrowed capital, bank loan, commercial mortgage) • hire purchase/leasing • trade-in allowance.

Subject content	What students need to learn:
	e) The accounting treatment, including journals and ledger postings for acquisition and disposal of non-current assets. f) The importance and maintenance of an up-to-date non-current assets register for acquisition and disposal of non-current assets and its contents.
2.3 Account for depreciation	a) The purpose of depreciation. b) The principles and operation of depreciation for non-current assets, including journals and ledger postings, using the following methods: <ul style="list-style-type: none"> • straight line • revaluation • reducing (diminishing) balance. c) The importance and maintenance of an up-to-date non-current assets register for depreciation and accumulated depreciation. d) The effect on profit or loss of business due to change in the basis of depreciation of non-current assets. e) The effect on the depreciation charge due to change in the life and/or residual value of non-current assets.

3. Preparation of an extended trial balance

Subject content	What students need to learn:
3.1 The preparation of the extended trial balance	a) To process adjustments of trial balance figures at the period end to prepare financial statements for business: <ul style="list-style-type: none"> • inventory • accrued and prepaid income and expenditure • depreciation of non-current assets • irrecoverable debts and allowance for doubtful debts • correction of errors. b) The extension of the ledger balance and adjustment column into the statement of profit or loss and the statement of financial position columns. c) Calculate the profit or loss for the period from the statement of profit or loss columns of the extended trial balance

4. Preparation of financial statements

Subject content	What students need to learn:
4.1 Partnerships	a) The purpose of a partnership agreement.
	b) The purpose and preparation of: <ul style="list-style-type: none"> • current accounts • capital accounts. Including drawings for the partners in columnar format for ledgers, and as a part of the statement of financial position.
	c) The statement of profit or loss appropriation account, including changes in partnership interests during the year, including: <ul style="list-style-type: none"> • interest on drawings • interest on capitals • partners' salaries • share of profits or losses.
	d) The merger of sole traders to form a partnership.
	e) The merger of partnerships, or conversion of a partnership into a limited company or partnership taken over by a limited company, including: <ul style="list-style-type: none"> • purchase consideration • accounting treatment – journal and ledger postings in relation to realisation account • distribution of proceeds between partners • closure of ledger accounts relating to partners' current and capital accounts in partnership books on dissolution of partnership.
	f) Preparation of statements from given data set for single entities and partnership <ul style="list-style-type: none"> • statement of profit or loss • statement of financial position
4.2 Limited Liability Companies	a) The differences between: <ul style="list-style-type: none"> • redeemable and irredeemable shares • rights issues and bonus issues
	b) The preparation of financial statements (for external use) with adjustments, including: <ul style="list-style-type: none"> • statement of profit or loss • statement of changes in equity • statement of financial position • statement of cash flows (IAS 7 format).

Subject content	What students need to learn:
4.3 Accounting for groups of companies	a) The principles incorporated in the following accounting standards: <ul style="list-style-type: none"> • IFRS 3 – accounting for business combinations • IAS 27 – consolidated financial statements.
	b) The understanding of the following terms: <ul style="list-style-type: none"> • parent • subsidiary • non-controlling interest • goodwill • fair values • pre- and post-acquisition profits.
	c) The calculation of goodwill arising on consolidation.
	d) The calculation and treatment of pre- and post-acquisition profits, including non-controlling interest.
	e) Preparation of a consolidated statement of profit or loss with one subsidiary (acquisition taking place at the beginning of the financial year) (IFRS 10).
	f) Preparation of a consolidated statement of financial position with one subsidiary (acquisition taking place at the beginning of the financial year) (IFRS 10).

5. Preparation of accounting from incomplete records

Subject content	What students need to learn:
5.1 Preparation of accounting records from incomplete records	a) The use of accounting ratios to calculate revenue, cost of purchases, inventory, gross profit and profit for the year due to loss of records as a result of theft, fire or natural disaster, including: <ul style="list-style-type: none"> • gross profit as a percentage of revenue (margin) • gross profit as a percentage of cost of sales (markup) • profit for the year as a percentage of revenue • opening and closing statement of affairs to calculate capital or profit for the year.
	b) The statement of profit or loss and statement of financial position from incomplete records for different types of businesses, including sole traders.

6. Interpretation of financial statements

Subject content	What students need to learn:
6.1 The calculation and interpretation of accounting ratios	a) The importance of measuring business performance and the elements of business performance that can be measured by the main financial statement used in business.
	b) The calculation and use of the following ratios to produce financial statements: <ul style="list-style-type: none"> • gross profit percentage/margin • profit for the year as a percentage of revenue • current ratio • quick ratio (acid test) • return on capital employed (ROCE) • trade receivables collection period • trade payables payment period • inventory turnover • asset turnover.
	c) The analysis of results obtained from different ratios to make recommendations and decisions.

7. Budgetary control

Subject content	What students need to learn:
7.1 Budgets	a) The benefits and limitations of budgetary control
	b) The preparation and interpretation of the following budgets for a given period: <ul style="list-style-type: none"> • cash budget • inventory budget • trade receivables budget • trade payables budget.
	c) The preparation and interpretation of the following budgeted statements: <ul style="list-style-type: none"> • statement of profit or loss • statement of financial position.

8. Introduction to decision making

Subject content	What students need to learn:
8.1 Short-term decision making	a) Benefits and limitations of marginal and absorption costing
	b) The use of marginal costing for calculating: <ul style="list-style-type: none"> • breakeven point, both in sales units and sales value • profit or loss for a given number of units sold • number of units required in order to generate targeted profit • the interpretation of the results obtained by using marginal costing techniques and making recommendations.
8.2 Long-term decision making	a) The characteristics, advantages and disadvantages of the following methods of investment appraisal: <ul style="list-style-type: none"> • payback period • accounting rate of return • net present value.
	b) The calculation and interpretation of the results obtained for different projects to make recommendations and decisions by using the following methods: <ul style="list-style-type: none"> • payback period • accounting rate of return • net present value.

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

Skills	Students should:
	a) Demonstrate accuracy, orderliness and appropriate presentation of accounting information.
	b) Demonstrate an understanding of the principles of professional ethics.
	c) Demonstrate a knowledge of accounting concepts and principles.
	d) Make adjustments using journals and ledger accounts.
	e) Prepare and extend a trial balance for adjustments and to calculate profit or loss for the period.
	f) Prepare financial statements with adjustments and from incomplete records for sole trader, partnership and group, including: <ul style="list-style-type: none"> • statement of profit or loss • statement of profit or loss appropriation • statement of financial position • statement of change in equity • statement of cash flows.
	g) Calculate and analyse ratios to make recommendations and decisions.
	h) Prepare cash, inventories, trade receivables, trade payables and budgeted financial statements
	i) Use marginal costing for decision making
	j) Calculate, analyse the results and make recommendations and decisions by using payback period, accounting rate of return and net present value for investment appraisal.

Assessment

Assessment summary

Pearson LCCI Level 3 Certificate in Accounting (VRQ)

First teaching: October 2015

First assessment: June 2016

Overview of content

- accounting concepts and framework
- recording financial transactions
- preparation of an extended trial balance
- preparation of financial statements
- preparation of accounting from incomplete records
- interpretation of financial statements
- budgetary control
- introduction to decision making.

Overview of assessment

- one written, externally-set and marked paper, contributing 100% of the overall grade of the qualification
- the examination will be 3 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 paper comprises five questions
- students should answer all questions
- questions comprise short written questions, calculations, preparation of accounts, financial statements, analysis and evaluation of results obtained and notes to financial statements.

Assessment Objectives

Assessment Objective		Weighting %
A01	Recall Recall accounting facts, terms, definitions, processes and formulae.	12
A02	Perform Procedures Record business transactions Use accounting techniques Prepare financial statements	74
A03	Demonstrate Understanding Demonstrate understanding of accounting processes, procedures and techniques	8
A04	Analyse Compare, classify and deconstruct information Interpret financial data and information Recognise patterns and correlations	4
A05	Evaluate Build a reasoned decision Make judgements about significance of information Predict consequences	2

Performance descriptors

Grade	Descriptor
Pass	<p>Candidates can recall, use and apply bookkeeping and accounting facts, terms definitions, processes and formulae.</p> <p>Candidates can demonstrate basic understanding of accounting processes, procedures and techniques.</p> <p>Candidates can record business transactions using correct accounting techniques.</p> <p>Candidates can prepare financial statements with routine transactions for different organisations.</p> <p>Candidates can prepare management reports with routine transactions for different organisations.</p> <p>Candidates can select and use accounting information.</p> <p>Candidates can make judgements which are supported with limited evidence</p>
Distinction	<p>Candidates can demonstrate a detailed knowledge of bookkeeping and accounting facts, terms, definitions, processes and formulae using them consistently and effectively in given scenarios.</p> <p>Candidates can demonstrate a detailed understanding of accounting processes, procedures and techniques.</p> <p>Candidates can record business transactions using correct accounting techniques with precision.</p> <p>Candidates can prepare financial statements with non-routine transactions for different organisations.</p> <p>Candidates can prepare management reports with non-routine transactions for different organisations.</p> <p>Candidates can select and use relevant information from redundant information.</p> <p>Candidates can select and use relevant accounting information to analyse accounting problems.</p> <p>Candidates can make judgements that are supported and justified with evidence.</p>

Performance descriptors may be revised following the first award.

Entry and assessment information

Please see the *LCCI International Qualification Operations Guide for Centres* and the *Pearson LCCI Examination Regulations*, available on our website: qualifications.pearson.com/lcci

Student entry

Details on how to enter candidates for the examination for this qualification can be found on our website: qualifications.pearson.com/lcci

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

This qualification is intended for students aged 16 and above.

Resitting the qualification

Candidates can resit the examination for the qualification.

It is strongly advised that candidates do not register for a resit until they have received the results from their previous examination.

Awarding and reporting

The qualification is 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 student with a disability 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, including:

- 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 our website or email internationalenquiries@pearson.com for further information on how to apply for access arrangements and special consideration.

For further information about access arrangements, reasonable adjustments and special consideration please go to the Joint Council for Qualifications (JCQ) website:

<http://www.jcq.org.uk/examination-system/access-arrangements-and-special-consideration>

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 our policy documents *Access Arrangements, Reasonable Adjustments and Special Considerations*, on our website:

qualifications.pearson.com/en/support/support-topics/exams/special-requirements.html

Malpractice

For up-to-date information on malpractice, please refer to the latest JCQ *Suspected Malpractice in Examinations and Assessments* document, available on the JCQ website: www.jcq.org.uk/exams-office/malpractice

Candidate malpractice

Candidate malpractice refers to any act by a candidate that compromises or seeks to compromise the process of assessment, or which undermines the integrity of the qualifications or the validity of results/certificates.

Candidate malpractice in examinations must be reported to Pearson using a JCQ Form M1 (available at www.jcq.org.uk/exams-office/malpractice). The form can be emailed to pqsmalpractice@pearson.com or posted to Investigations Team, Pearson, 190 High Holborn, London, WC1V 7BH. Please provide as much information and supporting documentation as possible. Note that the final decision regarding appropriate sanctions lies with Pearson.

Failure to report malpractice constitutes staff or centre malpractice.

Staff/centre malpractice

Staff and centre malpractice includes both deliberate malpractice and maladministration of our qualifications. As with candidate malpractice, staff and centre malpractice is any act that compromises or seeks to compromise the process of assessment or which undermines the integrity of the qualifications or the validity of results/certificates.

All cases of suspected staff malpractice and maladministration must be reported immediately, before any investigation is undertaken by the centre, to Pearson on a JCQ Form M2a (available at www.jcq.org.uk/exams-office/malpractice). The form, supporting documentation and as much information as possible can be emailed to pqsmalpractice@pearson.com or posted to Investigations Team, Pearson, 190 High Holborn, London, WC1V 7BH. Note that the final decision regarding appropriate sanctions lies with Pearson.

Failure to report malpractice itself constitutes malpractice. More detailed guidance on malpractice can be found in the latest version of the JCQ document *Suspected Malpractice in Examinations and Assessments*, available at www.jcq.org.uk/examsoffice/malpractice

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

Total Qualification Time and Guided Learning Hours

For all regulated qualifications, we specify a total number of hours that learners are expected to undertake in order to complete and show achievement for the qualification – this is the Total Qualification Time (TQT). The TQT value indicates the size of a qualification.

Within the TQT, we identify the number of Guided Learning Hours (GLH) that a centre delivering the qualification needs to provide. Guided learning means activities that directly or immediately involve tutors and assessors in teaching, supervising, and invigilating learners, for example lectures, tutorials, online instruction and supervised study.

As well as guided learning, there may be other required learning that is directed by tutors or assessors. This includes, for example, private study, preparation for assessment and undertaking assessment when not under supervision, such as preparatory reading, revision and independent research.

TQT and guided learning hours are assigned after consultation with users of the qualifications.

This qualification has a TQT value of 197 and a GLH of 150.

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 ensure that students are able to communicate their responses effectively.

Progression

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

As there is a Level 2 and a Level 4 version of this qualification available, centres must ensure that they choose the most appropriate qualification level for their students' needs, using appropriate internal processes.

Exemptions

We are seeking exemptions for our qualifications from a number of professional bodies. For the latest list of exemptions, please visit the Pearson website, and choose your relevant qualification.

<https://qualifications.pearson.com/content/dam/pdf/LCCI/2014/Recognition-from-PBs-for-LCCI-qualifications-March-2016.pdf>

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: 601/7932/6

The subject code for Pearson LCCI Level 3 Certificate in Accounting (VRQ) is: ASE20104. The subject code is used by centres to enter students for a qualification.

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

The Pearson LCCI Level 3 Certificate in Accounting (VRQ) sample assessment materials document (ISBN 9781446929513) can be downloaded from our website.

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

Appendix

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

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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 (IAS) terminology and the UK Generally Accepted Accounting Practice (GAAP) 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 (IFRS) in certain contexts in the industry, however the definitions and meaning remain the same.


IAS terminology	Previously used UK GAAP terminology
Financial statements	Final accounts
Statement of profit or loss	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 before tax or after tax	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
Cash and cash equivalents	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	Stocktake
Carrying over	Net book value

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For more information on LCCI qualifications
please visit our website: qualifications.pearson.com/lcci

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