



Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ) (ASE20094)

SPECIFICATION

Issue 2

First teaching from September 2015

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Edexcel, BTEC and LCCI qualifications

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This specification is Issue 2. 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

This specification has been produced by Pearson on the basis of consultation with teachers, examiners, consultants and other interested parties. Pearson would like to thank all those who contributed their time and expertise to the specification's development.

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Introduction

LCCI qualifications

LCCI qualifications are widely regarded by employers as preparing learners to carry out the 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 wider 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
- 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 the suite.

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).

Rationale

The Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ) meets the following purpose:

The qualification is intended to give students an introduction into the various aspects of Cost Accounting that they are likely to encounter in their working lives.

The qualification at level 2 includes the application of knowledge to practical scenarios and introduces elements of management accounting, with a view to their progression opportunities onto qualifications in a similar field that incorporate management accounting techniques.

Qualification aim

The Pearson LCCI Level 2 Cost Accounting (VRQ) is for students who work in, or want to work in accounting environments where they will be required to produce cost information.

This qualification provides the key knowledge and understanding of the role of cost accounting in business; costs relating to labour, material and overheads; marginal costing; costing systems and the role of management information systems in organisations. The qualification will also introduce students to the principle of decision making for Management Accounting with a view to preparing them for the Pearson Level 3 Certificate in Cost and Management Accounting (VRQ) qualification.

This qualification is trusted and valued by employers worldwide and recognised by universities and professional bodies.

This level 2 qualification will increase their employability skills in the sector and allow progression to the Pearson LCCI Level 3 Certificate in Cost and Management Accounting (VRQ) qualification.

Contents

Specification at a glance	1
Knowledge, skills and understanding	2
Content	2
Assessment	7
Assessment summary	7
Assessment Objectives	8
Performance descriptors	9
Entry and assessment information	10
Student entry	10
Combinations of entry	10
Age	10
Resitting the qualification	10
Awarding and reporting	10
Access arrangements, reasonable adjustments and special consideration	11
Equality Act 2010 and Pearson equality policy	12
Malpractice	13
Language of assessment	14
Other information	15
Guided Learning Hours	15
Student recruitment	15
Prior learning and other requirements	15
Progression	15
Exemptions	16
National Occupational Standards	16
Codes	16
Support, training and resources	17
Appendix 1: Glossary of International Accounting Standards terminology	21

Specification at a glance

The Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ) consists of one externally examined paper.

Title: Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ)	
<ul style="list-style-type: none">Externally assessed	100% of the total qualification
Overview of content <ol style="list-style-type: none">Introduction to cost accountingAccounting for materials, labour and overheadsMethods of costingIntroduction to budgeting and standard costingWorking capital managementDecision makingIntroduction to Management Information Systems	
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 2 hours 30 minutesThe 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 six questionsStudents should answer all questionsQuestions comprise short written answer and calculations	

Knowledge, skills and understanding

Content

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

1. Introduction to cost accounting

Subject content	What students need to learn:
1.1 The role of cost accounting in business	a) The meaning and purpose of cost accounting
	b) The relationship between financial accounting, cost accounting, and management accounting
	c) The classification of costs by element and function
	d) The difference between direct and indirect costs
	e) The calculation of prime costs
	f) The classification of costs into cost centres and cost units
	g) The selection of suitable cost units
	h) The principles of cost code design
	i) The construction of a simple cost code for a given situation
	j) The classification of costs by behaviour into variable, semi-variable, stepped and fixed categories
	k) The purpose of the main documents used in: <ul style="list-style-type: none">• inventory management<ul style="list-style-type: none">○ ordering, receiving, storing and issuing materials• labour utilisation<ul style="list-style-type: none">○ time sheets, clock cards and job cards• revenue and purchases<ul style="list-style-type: none">○ invoices, credit notes, debit notes, goods received notes, good returns notes, remittance advice notes, purchase requisition notes, purchase orders and delivery advice notes

2. Accounting for materials, labour and overheads

Subject content	What students need to learn:
2.1 Material costs	a) The calculation of material requirements, making allowance for sales, product inventory changes and material inventory changes
	b) The purpose of the various documents used in the process of ordering, receiving, storing and issuing materials
	c) The reasons for discrepancies between the inventory record and physical inventory
	d) The calculation of the reorder level, maximum inventory control level and minimum inventory control level
	e) The preparation of records of inventory movement in quantity and value terms
	f) The price issues of inventory using First In First Out (FIFO), Last In First Out (LIFO) and weighted average (AVCO) methods
	g) The contrasting effects of alternative pricing methods on cost of sales, inventory values and reported profits
2.2 Labour costs	a) Identification of the costs to a business as a result of employing people (unskilled, semi-skilled and skilled) and the costs relating to labour turnover
	b) The differences and implications between adopting different methods of remuneration: <ul style="list-style-type: none"> • basic pay • overtime • bonus schemes
	c) The application of various remuneration methods and demonstration of the effect of each on unit costs: <ul style="list-style-type: none"> • basic pay/time rate, piecework rate, bonus systems, idle time and overtime
	d) The calculation of total gross earnings and analysis, by cost centre, into direct/indirect costs including the treatment of overtime premium, bonus schemes and idle time
2.3 Overhead costs	a) The identification of sources of overhead cost
	b) The purpose of overhead allocation, apportionment and absorption
	c) The differences between direct and indirect expenses
	d) The calculation and use of overhead absorption rates

3. Methods of costing

Subject content	What students need to learn:
3.1 Job and batch costing	a) The differences between job and batch costing
	b) The preparation of a job cost
	c) The preparation of a batch cost
	d) The calculation of a selling price and determination of a profit
	e) The application of cost plus pricing
3.2 Marginal costing	a) Marginal costing as a technique
	b) The terminology of marginal costing: variable cost, fixed cost, contribution, break-even point and total contribution
	c) The difference between marginal and absorption costing
	d) The calculation of contribution and total contribution
	e) The calculation of a contribution/sales (C/S) ratio for a single product
	f) The limitations upon which cost-volume-profit (CVP) analysis is based
	g) The calculation of break-even revenue and sales units for a single product
	h) The calculation of the margin of safety
	i) The calculation of required sales for a given profit

4. Introduction to budgeting and standard costing

Subject content	What students need to learn:
4.1 Budgetary planning and control	a) The link between a forecast and a budget
	b) The benefits expected to accrue from the use of budgets
	c) The allocation of costs to budget areas
4.2 Standard costing and variances	a) The meaning of standard cost and variance
	b) The calculation of the total direct material variance and analysis this to price and usage variances
	c) The calculation of the total direct labour variance and analysis of this to rate and efficiency variances
	d) The reasons for material and labour variances

5. Working capital management

Subject content	What students need to learn:
5.1 Managing cash flow	a) The definition of working capital and why its management is important in the day-to-day operation of any business
	b) The preparation of a simple cash flow budget on a monthly basis
	c) The ways to deal with a cash surplus/deficit

6. Decision making

Subject content	What students need to learn:
6.1 Investment appraisal	a) The meaning of an investment appraisal and its purpose
	b) The preparation of capital investment appraisals using the traditional techniques of Payback and Accounting Rate of Return
	c) Non-financial factors relating to investment appraisal

7. Introduction to Management Information Systems

Subject content	What students need to learn:
7.1 The role of Management Information Systems (MIS) in cost accounting	a) The information needs of a business organisation
	b) The internal and external sources of data available to business
	c) The difference between data and information
	d) The advantages of using accounting software packages in cost and management accounting
	e) The importance of confidentiality and security when dealing with management information

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

Skills	Students should:
	a) Understand the role of cost accounting in business and how costs are classified
	b) Account for material, labour and overhead costs
	c) Understand and prepare job and batch costs
	d) Understand and apply marginal costing techniques
	e) Plan budgets
	f) Manage cash flow through preparation of a cash flow budget
	g) Prepare capital investment appraisals using traditional techniques
	h) Understand the role of MIS in cost accounting
	i) Make recommendations and suggest appropriate actions in a range of scenarios

Assessment

Assessment summary

Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ)

First teaching: September 2015

Number of series: 8

Overview of content

1. Introduction to cost accounting
2. Accounting for materials, labour and overheads
3. Methods of costing
4. Introduction to budgeting and standard costing
5. Working capital management
6. Decision making
7. Introduction to Management Information Systems

Overview of assessment

- One written externally set and marked paper, contributing 100% of the overall grade of the qualification
- The examination will be 2 hours 30 minutes
- 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 six questions
- Students should answer all questions
- Questions comprise short written answer and calculations
- Calculators may be used in the exam
- Bilingual dictionaries are permitted for use in the exam

Assessment Objectives

Assessment objectives have been developed for this qualification to ensure that examinations are appropriately targeted. They describe the abilities that students should be able to demonstrate. Each question targets one or more assessment objectives. They are applied to the examination in the proportions below.

Students must:		% of qualification
AO1	Memorise Recall the facts of cost accounting in business Recall costing terms and definitions Recall costing methods and procedures	8-12
AO2	Perform Record business cost transactions Use costing techniques Carry out computations Prepare financial and costing statements	65-69
AO3	Communicate understanding Describe and explain different costing techniques Present and display costing data	9-13
AO4	Analyse Compare and analyse costing information Interpret cost data and information Recognise patterns and correlations Predict consequences	6-10
AO5	Evaluate Weigh up evidence in order to build a reasoned decision Draw conclusions	2-6
Total		100

Performance descriptors

Grade	Descriptor
Pass	<p>Candidates can recall, describe, explain and use basic facts of cost accounting, costing terms and definitions, costing methods, procedures and techniques.</p> <p>Candidates can present and display costing data in appropriate formats</p> <p>Candidates can carry out basic computations and prepare costing and financial statements</p> <p>Candidates can interpret basic cost data and information in order to predict consequences</p> <p>Candidates can draw basic conclusions</p>
Distinction	<p>Candidates can recall, describe, explain and use basic and complex facts of cost accounting, costing terms and definitions, costing methods, procedures and techniques.</p> <p>Candidates can present and display costing data in appropriate formats with high precision</p> <p>Candidates can carry out computations and prepare costing and financial statements with precision</p> <p>Candidates can compare and analyse costing information, recognising any patterns and correlations in order to predict consequences</p> <p>Candidates can weigh up evidence to build a reasoned judgement</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 *LCCI Examination Regulations*, available from our website: qualifications.pearson.com/lcci

Student entry

Details on how to enter candidates for the examination for this qualification can be found at: 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 learners aged 16 and above.

Resitting the qualification

Candidates can resit the examination for the Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ).

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

Awarding and reporting

The Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ) 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 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, 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 his or her level of attainment in an assessment.

Further information

Please see our 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: <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 the policy document *Access Arrangements, Reasonable Adjustments and Special Considerations*, which is on our website, <http://qualifications.pearson.com/en/support/support-topics/exams/special-requirements.html>

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: <http://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 M1 Form (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 M2 (a) Form (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 document *JCQ General and Vocational Qualifications Suspected Malpractice in Examinations and Assessments*, available at www.jcq.org.uk/exams-office/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

Guided Learning Hours

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

The Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ) requires 140 GLH.

Centres should ensure that students have additional time for self-study and preparation for the final examination, this 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 3 Certificate in Cost and Management Accounting (VRQ).

This qualification supports progression into employment, for example to an accounts and finance assistant role in a large company's finance department.

Using appropriate internal processes, centres must ensure they choose the most appropriate qualification level for their learners' needs.

Exemptions

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

<http://qualifications.pearson.com/content/dam/pdf/LCCI/2014/Recognition-from-PBs-for-LCCI-qualifications-July-2015.pdf>

National Occupational Standards

The Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ) has links to the following National Occupational Standards (NOS):

- Finance and Accounting

Please see our website for further details.

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: 601/5164/X

The subject code for the Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ) is: ASE20094. 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 2 Certificate in Cost Accounting (VRQ) Sample Assessment Materials document (ISBN 9781446926758) can be downloaded from our website.

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

Appendix

Appendix 1: Glossary of International Accounting Standards terminology	21
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21

Appendix 1: Glossary of International Accounting Standards terminology

The following is a glossary of the comparison between the International Accounting Standards (IAS) 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 (IFRS), 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 profit or loss and other 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 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	Stock take
Carrying value	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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