



Pearson LCCI Level 2 Certificate in Cost Accounting (ASE20110)

SPECIFICATION

First teaching from September 2019

Edexcel, BTEC and LCCI qualifications

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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 students for key functions of modern international business. Employers, universities and professional bodies such as the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Accountants of England and Wales (ICAEW) recognise them across the world.

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

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

- Business
- English Language
- Financial and Quantitative
- Marketing.

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

This qualification replaces the Pearson LCCI Level 2 Certificate in Cost Accounting (601/5164/X).

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 satisfy 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 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 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; coding 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 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 qualification.

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Specification at a glance

The Pearson LCCI Level 2 Certificate in Cost Accounting consists of one externally examined paper

Title: Pearson LCCI Level 2 Certificate in Cost Accounting	
<ul style="list-style-type: none"> Externally assessed 	100% of the total qualification
<p>Overview of content</p> <ol style="list-style-type: none"> 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 	
<p>Overview of assessment</p> <ul style="list-style-type: none"> 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 multiple choice questions, short written answer and calculations Ruler, calculator and formula sheet may be used in the examination. 	

Knowledge, skills and understanding

Content

To prepare students for the final assessment of this qualification, the following content must be covered.

1. Introduction to cost accounting

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
1.1 The role of cost accounting in business	a) The meaning and purpose of cost accounting
	b) The features of cost accounting and financial accounting
	c) The classification of costs by element and function
	d) The classification of costs by behaviour into variable, semi-variable, stepped/semi-fixed and fixed categories
	e) The features and calculation of direct and indirect costs
	f) The elements of a prime cost and calculation and use of prime costs
	g) The classification of costs into cost centres and cost units
	h) The features, selection and application of suitable cost centres and cost units
	i) The principles of cost code design
	j) The construction and interpretation of a simple cost code for a given situation
	k) The purpose of the main documents used in purchases and revenue: <ul style="list-style-type: none"> • purchase requisition notes • purchase orders • delivery advice notes • goods received notes • goods returns notes

Subject content	What students need to learn
	<ul style="list-style-type: none"> • purchase invoices • sales invoices • debit notes • credit notes • remittance advice notes • remittance, • statement

2. Accounting for materials, labour and overheads

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
2.1 Material costs	a) The purpose of the main documents used in the process of: <ul style="list-style-type: none"> • ordering materials • receiving materials • storing materials • issuing materials
	b) The calculation and implications of the reorder level, reorder quantity, maximum inventory control level and minimum inventory control level
	c) The calculation and implications of material requirements, making allowance for sales, product inventory changes and material inventory changes
	d) The price issues of inventory using First In First Out (FIFO), Last In First Out (LIFO) and weighted average (AVCO) methods
	e) The preparation and use of records of inventory movement in quantity and value terms
	f) The contrasting effects and implications of alternative pricing methods on inventory values, cost of sales and reported profits
	g) The reasons for discrepancies/differences between the inventory record and physical inventory

Subject content	What students need to learn
2.2 Labour costs	a) The purpose and application of the main documents used in labour utilisation: <ul style="list-style-type: none"> • time sheets • clock cards • job cards
	b) The costs to a business as a result of employing people (unskilled, semi-skilled and skilled) and the costs relating to labour turnover
	c) The features and implications of adopting the following methods of remuneration and their effect on unit costs: <ul style="list-style-type: none"> • basic pay • time rate • piecework rate • overtime • bonus schemes (time-saved and output-based)
	d) The calculation and use of <ul style="list-style-type: none"> • total gross earnings • overtime premium • bonus schemes • idle time
	e) The analysis of total gross earning into direct and indirect costs
	f) The meaning, use and implications of zero-hour contracts
	2.3 Overhead costs
b) The purpose of overhead allocation, apportionment and absorption	
c) Calculation and application of apportionment using an appropriate basis and its implications	
d) The calculation and application of appropriate overhead absorption rates and its implications	

3. Methods of costing

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
3.1 Job and batch costing	a) The preparation and application of a job cost
	b) The preparation and application of a batch cost
	c) The features of job and batch costing
	d) The calculation of a selling price, total cost and profit based on mark-up or margins
	e) The application of cost plus pricing
3.2 Marginal costing	a) The application of marginal costing as a technique
	b) The features of marginal and absorption costing; including calculation of profit and inventory values
	c) Understand the aspects of marginal costing: variable cost, fixed cost, contribution, break-even point and total contribution
	d) The calculation and application of contribution, total contribution and total profit or loss
	e) The calculation and application of a contribution/sales (C/S) ratio for a single product
	f) The calculation of break-even in revenue and sales units for a single product
	g) The calculation and determination of the margin of safety in revenue and sales units
	h) The calculation and use of required sales for a given profit
	i) Construction of a single product conventional break-even chart
	j) The determination of the break-even point from a chart
	k) The assumption and limitations upon which cost-volume profit (CVP) analysis is based

4. Introduction to budgeting and standard costing

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
4.1 Budgetary planning and control	a) The features of a forecast and a budget
	b) Understand the use of budgets
	c) The reasons for and the advantages and disadvantages of using budgets
	d) The allocation of costs to budget areas
4.2 Standard costing and variances	a) Understand standard cost, budgeted cost, adverse variance and favourable variance
	b) The calculation of the total direct material variance and analysis of this into a material price and a material usage variances
	c) The calculation of the total direct labour variance and analysis of this into a labour rate and a labour efficiency variance
	d) Understand material variance and labour variances
	e) The calculation of the total fixed production overhead variance
	f) The reasons for and actions required as a result of labour and material calculated variances

5. Working capital management

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
5.1 Managing cash flow	a) Understand working capital
	b) The preparation and interpretation of a basic working capital statement
	c) The preparation and interpretation of a basic cash flow budget on a monthly basis
	d) Understand ways to deal with cash surplus or a cash deficit

6. Decision making

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
6.1 Investment appraisal	a) The meaning and purpose of an investment appraisal
	b) The preparation and interpretation of capital investment appraisals using <ul style="list-style-type: none"> • non-discounted Payback • Accounting Rate of Return
	c) Understand non-financial factors relating to investment appraisal
	d) Understand ways to deal with cash surplus or a cash deficit

7. Introduction to Management Information Systems

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
7.1 The role of Management Information Systems (MIS) in cost accounting	a) Understand the information needs of a business organisation
	b) Understand the internal and external sources of data available to business
	c) The features of data and information
	d) Understand accounting software packages in cost and management accounting
	e) Understand 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

Delivery guidance

In delivering this qualification, teachers are encouraged to use a variety of examples and scenarios drawn from the business environment.

Business scenarios and short case studies can be useful when used in small-group work as they give students the opportunity to work with their peers to identify key issues and how they can be addressed. This is particularly useful in developing the skills required when analysing different approaches to specific business contexts. Examinations for this qualification will use the dollar (\$) as standard currency.

Assessment

Assessment summary

Pearson LCCI Level 2 Certificate in Cost Accounting
First teaching: September 2019 First assessment: April 2021 Number of series: 2
Overview of content <ol style="list-style-type: none">1. Introduction to cost accounting2. Accounting for materials, labour and overheads3. Methods of costing4. Introduction to budgeting and standard costing5. Working capital management6. Decision making7. Introduction 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 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 multiple choice questions, short written answer and calculations• Calculators may be used in the exam• Bilingual dictionaries are permitted for use in the exam

Assessment Objectives

Students must:		% of qualification
AO1	Memorise Recall the facts of cost accounting in business Recall costing terms and definitions Recall costing methods and procedures	12
AO2	Perform Record business cost transactions Carry out computations Prepare financial and costing statements	74
AO3	Communicate understanding Describe and explain different costing techniques Present and display costing data	8
AO4	Analyse Compare and analyse costing information Interpret cost data and information Recognise patterns and correlations Predict consequences	4
AO5	Evaluate Weigh up evidence in order to build a reasoned decision Draw conclusions	2
Total		100

Performance descriptors

Grade	Descriptor
Pass	<p>Candidates can recall, demonstrate understanding 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>
Distinction	<p>Candidates can recall, demonstrate understanding and use 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 draw basic conclusions</p>

Entry and assessment information

Student entry

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

Resitting the qualification

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

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 qualification is graded and certificated on a three-grade scale: Pass/Merit/Distinction.

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, has untenable 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 or 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 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 of 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 qualifications.pearson.com

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 can be 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 M2(a)* (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 *General and Vocational Qualifications Suspected Malpractice in Examinations and Assessments Policies and Procedures*, 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

Total Qualification Time (TQT) and Guided Learning Hours (GLH)

For all regulated qualifications, we specify a total number of hours that students 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 students, 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 200 and a GLH of 140.

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.

Pearson's *Recognition of prior learning policy and process* document can be found at qualifications.pearson.com/policies

Progression

The qualification will allow progression onto the Pearson LCCI Level 3 Certificate in Cost and Management Accounting.

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.

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: 603/5078/7.

The subject code for Pearson LCCI Level 2 Certificate in Cost Accounting is: ASE20110. 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

The Pearson LCCI Level 2 Certificate in Cost Accounting Sample Assessment Materials document (ISBN 9781446961094) can be downloaded from qualifications.pearson.com/lcci

To find a list of all the support documents available please visit qualifications.pearson.com/lcci

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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