



**Pearson  
LCCI Level 3 Certificate in  
Cost and Management  
Accounting (VRQ)  
(ASE20098)**

**SPECIFICATION**

Issue 2

First teaching from September 2015



# **Pearson LCCI Level 3 Certificate in Cost and Management Accounting (VRQ) (ASE20098)**

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Issue 2

First teaching from September 2015

## **Edexcel, BTEC and LCCI qualifications**

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## **About Pearson**

Pearson is the world's leading learning company, with 40,000 employees in more than 70 countries working to help people of all ages to make measurable progress in their lives through learning. We put the learner at the centre of everything we do, because wherever learning flourishes, so do people. Find out more about how we can help you and your learners at [qualifications.pearson.com](http://qualifications.pearson.com)

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](http://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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*All information in this specification is correct at time of publication.*

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# Introduction

## LCCI qualifications

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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.

This qualification replaces the LCCI Level 3 in Cost Accounting.

## **Purpose of the specification**

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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**

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The Pearson LCCI Level 3 Certificate in Cost and Management Accounting (VRQ) meets the following purpose:

The qualification builds on the Pearson LCCI Level 2 Certificate in Cost Accounting (VRQ) qualification to give students a detailed insight into the Cost and Management Accounting principles and techniques they are likely to encounter in their working lives.

The qualification at level 3 has a practical focus with students applying knowledge to various scenario-based situations. The inclusion of much more detailed Management Accounting techniques allows students to gain a greater breadth and depth of knowledge in this area, opening their progression opportunities to a wider field of specialism.

## Qualification aim

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The Pearson LCCI Level 3 Cost and Management Accounting (VRQ) is for students who work in, or want to work in, accounting environments where they will be required to use management accounting techniques which contribute to effective decision making and control.

This qualification provides the student with the skills, knowledge and understanding of cost and management accounting which reflects the key skills required in business for short and long-term decision making, inventory control, accounting for overheads, working capital management, standard costing and the preparation and control of budgets.

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

This will enhance their employability prospects in the accounting sector and allow progression to the Pearson LCCI Level 4 Certificate in Management Accounting (VRQ) qualification.



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# Specification at a glance

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

<b>Title: Pearson LCCI Level 3 Certificate in Cost and Management Accounting (VRQ)</b>	
<ul style="list-style-type: none"> <li>Externally assessed</li> </ul>	<b>100% of the total qualification</b>
<p>Overview of content</p> <ol style="list-style-type: none"> <li>Inventory management</li> <li>Short-term decision making</li> <li>Accounting for overheads</li> <li>Budgetary planning and control</li> <li>Working capital management</li> <li>Standard costing and variances</li> <li>Costing methods</li> <li>Long-term decision making</li> <li>Management Information Systems</li> <li>Accounting Systems</li> </ol>	
<p>Overview of assessment</p> <ul style="list-style-type: none"> <li>One written externally set and marked paper, contributing 100% of the overall grade of the qualification</li> <li>The examination will be 3 hours</li> <li>The examination will consist of 100 marks</li> <li>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</li> <li>The paper comprises five questions</li> <li>Students should answer all questions</li> <li>Questions comprise short written answer and calculations</li> </ul>	

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# Knowledge, skills and understanding

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## Content

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

### 1. Inventory management

Subject content	What students need to learn:
<b>1.1 Materials and inventory control</b>	a) The benefits of inventory management and control
	b) The calculation of the amount and cost of materials needed to meet the production plan, taking into account process wastage and products rejects
	c) The calculation of the amount and cost of opening and closing inventory levels after taking into account the production plan, with process wastage and products rejects
	d) The costs of holding inventory and of running out of inventory
	e) The calculation of the reorder level, maximum inventory control level, minimum inventory control level, average inventory and average inventory investment
	f) The Economic Order Quantity (EOQ) formula to calculate the EOQ
	g) The inventory ordering and inventory holding costs for discrete order quantities to select the optimal order quantity without using the EOQ formula
	h) The calculation of the order quantity to minimise cost where quantity discounts are available

## 2. Short-term decision making

Subject content	What students need to learn:
<b>2.1 Short-term cost behaviour</b>	a) The use of the high/low method in the identification of cost behaviour with or without price changes
	b) The calculation of costs per period or unit from fixed, variable, semi-variable or stepped patterns
	c) The forecast of costs using the high/low method
	d) The key terms used in decision making, and their definitions: <ul style="list-style-type: none"> <li>• sunk cost</li> <li>• differential/incremental cost</li> <li>• opportunity cost</li> <li>• avoidable cost</li> <li>• relevant cost</li> </ul>
	e) The limiting factors within an organisation
	f) The calculation of the contribution per unit of the limiting factor, and recommend the product mix to maximise profits
	g) The calculation of net profit using the optimum product mix
	h) The effect of time on cost behaviour
<b>2.2 Break even analysis</b>	a) The calculation of the contribution/sales (C/S) ratio for a single product and the weighted C/S ratio for a mix of products
	b) The calculation of the break-even point (revenue and units) in both single-product and multi-product situations
	c) The calculation of the margin of safety and targeted profit
	d) The application and assumptions of cost-volume-profit (CVP) analysis in given situations
	e) The construction of the following charts for a single product or multiple products: <ul style="list-style-type: none"> <li>• conventional break-even</li> <li>• contribution break-even</li> <li>• profit-volume (PV)</li> </ul>
	f) The determination of the break-even point and the margin of safety from a chart

Subject content	What students need to learn:
<b>2.3 Marginal and absorption costing</b>	a) The definition of the terms 'marginal costing' and 'absorption costing'
	b) The preparation of profit statements applying both absorption and marginal costing (including the over/under absorption of overhead in absorption costing)
	c) Reconciliation of the reported profits between absorption and marginal costing and explanation of the difference

### 3. Accounting for overheads

Subject content	What students need to learn:
<b>3.1 Overhead absorption</b>	a) The allocation of production overheads to production and service cost centres
	b) The apportionment of production overheads to production and service cost centres
	c) The re-apportionment of production overheads from service cost centres to production cost centres using repeated distribution method
	d) The reasons for using predetermined absorption rates
	e) The calculation and application of production overhead absorption rates based upon direct material cost, direct labour cost, direct labour hours, machine hours and units of output
	f) The factors influencing the choice of production overhead absorption method
	g) The calculation and use of absorption rates from a traditional production overhead budget
	h) The calculation of a rate to absorb administration, selling and distribution overheads
	i) The calculation and application of any under or over-absorption of production overhead
<b>3.2 Activity based costing</b>	a) The principles of activity based costing (ABC) and the contrast between ABC and traditional approaches
	b) The calculation of cost driver rates and unit production costs based on ABC principles

#### 4. Budgetary planning and control

Subject content	What students need to learn:
<b>4.1 Preparation of budgets</b>	a) The purpose of preparing budgets
	b) The benefits of budgetary planning and control
	c) The meaning and importance of the principal budget factor
	d) The preparation of the following budgets <ul style="list-style-type: none"> <li>• revenue</li> <li>• production</li> <li>• material usage</li> <li>• materials purchases</li> <li>• direct labour</li> </ul>
	e) The differences between fixed and flexible budgets
	f) The preparation of a flexed budget, compared with actual costs/revenues, detailing the variances
	g) The bases for flexing budgets
	h) The factors influencing the choice of budget period

#### 5. Working capital management

Subject content	What students need to learn:
<b>5.1 Managing cash flow</b>	a) The reasons why liquidity and cash flow management are important for the successful operation of any business
	b) The preparation of detailed cash budgets on a monthly or quarterly basis  This refers to forecasted cash budgets and not statements of cash flow hence operating, investment and financial activities will not be required
	c) The implications of, and ways to deal with, a cash surplus/deficit
	d) The preparation of working capital budgets
	e) The calculation and management of the working capital ratio
	f) The calculation and management of the working capital cycle

## 6. Standard costing and variances

Subject content	What students need to learn:
<b>6.1 Calculating variances</b>	a) The meaning of standard cost
	b) The meaning and use of an ideal and an attainable standard
	c) The calculation of the standard cost
	d) The calculation of the total direct material variance and analysis of this to price and usage variances where the price variance is based upon issues
	e) The standard hour as a measure of output for a department or a mix of products
	f) The calculation of the total direct labour variance and analysis of this to rate and efficiency variances
	g) The potential relationship between labour and material variances
	h) The calculation of total fixed production overhead variance and analysis of this to expenditure and volume variance
	i) The reasons for variances
	j) The calculation of ratios of production volume (activity), production efficiency and capacity
	k) Reconciliation of budgeted and actual profit using appropriate variances
	l) Use of given cost variances to calculate standard or actual production costs



## 7. Costing methods

Subject content	What students need to learn:
<b>7.1 Process costing</b>	a) The purpose of process costing
	b) The preparation of process accounts and profit statements where normal or abnormal losses/gains occur along with their associated scrap values or disposal costs
	c) The meaning of joint and by-products
	d) The calculation of the value of by-products
	e) The preparation of normal loss, abnormal loss and abnormal gain accounts
	f) The value of completed production and work-in-progress using equivalent units, and using a First In First Out (FIFO) or weighted average (AVCO) approach
	g) The calculation of joint products apportioning joint costs on the basis of physical units, weight, sales value and net sales value
	h) The interpretation of the results of joint product accounting

## 8. Long-term decision making

Subject content	What students need to learn:
<b>8.1 Investment appraisal</b>	a) The difference between long-term and short-term decision making
	b) The Discounted Cash Flow (DCF), and how discounting overcomes the limitations of traditional techniques
	c) Net Present Value (NPV) and Internal Rate of Return (IRR) discounting methods
	d) The calculation of the NPV of proposed capital investments
	e) The calculation of the IRR of proposed capital investments
	f) The preparation of capital investment appraisals using DCF, NPV and IRR
	g) Comparison of IRR and NPV methods and explain why the two techniques do not necessarily rank projects in the same order
	h) The calculation of discounted payback of a proposed capital investment

## 9. Management Information Systems

Subject content	What students need to learn:
<b>9.1 The role of Management Information Systems (MIS) in cost and management accounting</b>	a) The characteristics of effective management information
	b) The controls in place to ensure confidentiality and security is maintained when dealing with management information

## 10. Accounting Systems

Subject content	What students need to learn:
<b>10.1 Accounting Systems</b>	a) Distinguish between integrated and non-integrated accounting systems
	b) Explain the importance, and demonstrate the use, of control accounts with particular emphasis on raw materials, work-in-progress, finished goods and production overheads
	c) Post entries in a ledger, for an integrated system using absorption or marginal costing and historic or standard costing
	d) Post entries as in (c) but for a non-integrated system
	e) Explain and demonstrate the need for reconciliation in a non-integrated system
	f) Prepare a profit reconciliation statement in a non-integrated system

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

Skills	Students should:
	a) Calculate and comment on inventory costs and controls
	b) Complete inventory record cards
	c) Understand the key terms used in short term decision making, and their definitions
	d) Apply calculations including the high low method and limiting factors
	e) Understand the terms involved in break-even analysis
	f) Make calculations and apply cost-volume-profit analysis
	g) Calculate and use market and cost based transfer prices
	h) Construct break-even charts
	i) Understand the terms used in marginal and absorption costing
	j) Prepare profit statements applying both absorption and marginal costing
	k) Understand the terms used in overhead absorption
	l) Apply various techniques in overhead absorption
	m) Understand the terms and the purpose of preparing budgets
	n) Prepare both fixed and flexible budgets
	o) Understand the terms used in cash flow management
	p) Prepare working capital and detailed cash budgets
	q) Understand the term and the calculations used in standard costing
	r) Calculate labour, material and overhead variances
	s) Understand relationships between labour and material variances
	t) Understand the terms and the purpose of process costing
	u) Undertake the necessary calculations for process costing
	v) Understand the terms used in investment appraisal
	w) Calculate and apply investment appraisal techniques
	x) Understand the role of MIS in information confidentiality and security

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# Assessment

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## Assessment summary

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### Pearson LCCI Level 3 Certificate in Cost and Management Accounting (VRQ)

First teaching: September 2015

Number of series: 8

#### Overview of content

- 1 Inventory management
- 2 Short-term decision making
- 3 Accounting for overheads
- 4 Budgetary planning and control
- 5 Working capital management
- 6 Standard costing and variances
- 7 Costing methods
- 8 Long-term decision making
- 9 Management Information Systems
- 10 Accounting Systems

#### 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 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.

<b>Students must:</b>		<b>% of qualification</b>
<b>AO1</b>	<b>Memorise</b> Recall the facts of cost accounting in business Recall costing terms and definitions Recall costing methods and procedures	6-10
<b>AO2</b>	<b>Perform</b> Record business cost transactions Use costing and management techniques Carry out computations Prepare financial and costing statements	66-70
<b>AO3</b>	<b>Communicate understanding</b> Describe and explain different costing and management techniques Present and display cost and management data	8-12
<b>AO4</b>	<b>Analyse</b> Compare and analyse costing and management information Interpret cost and management data and information Recognise patterns and correlations Predict consequences	6-10
<b>AO5</b>	<b>Evaluate</b> Weigh up evidence in order to build a reasoned decision Draw conclusions	4-8
<b>Total</b>		100

## Performance descriptors

Grade	Descriptor
<b>Pass</b>	<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 carry out complex computations and prepare costing and financial statements</p> <p>Candidates can prepare financial and costing statements</p> <p>Candidates can interpret costing and management data and information in order to predict consequences</p> <p>Candidates can draw basic conclusions</p>
<b>Distinction</b>	<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 and management data in appropriate formats with high precision</p> <p>Candidates can carry out complex computations and prepare costing and financial statements with precision</p> <p>Candidates can compare and analyse costing and management information, recognising any patterns and correlations in order to predict consequences</p> <p>Candidates can weigh up evidence to build a reasoned judgment and make recommendations to management</p>

Performance descriptors may be revised following the first award.

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## Entry and assessment information

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Please see the *LCCI International Qualification Operations Guide for centres* and the *LCCI Examination Regulations*, available from our website: [qualifications.pearson.com/lcci](http://qualifications.pearson.com/lcci)

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## Student entry

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Details on how to enter candidates for the examination for this qualification can be found at: [qualifications.pearson.com/lcci](http://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.

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## Combinations of entry

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There are no forbidden combinations of entry for this qualification.

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## Age

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This qualification is intended for learners aged 16 and above.

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## Resitting the qualification

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Candidates can resit the examination for the Pearson LCCI Level 3 Certificate in Cost and Management 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.

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## Awarding and reporting

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The Pearson LCCI Level 3 Certificate in Cost and Management 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

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### 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](mailto: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**

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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

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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/](http://www.jcq.org.uk/exams-office/malpractice/)). The form can be emailed to [pqsmalpractice@pearson.com](mailto: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/](http://www.jcq.org.uk/exams-office/malpractice/)). The form, supporting documentation and as much information as possible can be emailed to [pqsmalpractice@pearson.com](mailto: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/](http://www.jcq.org.uk/exams-office/malpractice/)

## **Language of assessment**

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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.

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## Other information

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## Guided Learning Hours

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

The Pearson LCCI Level 3 Certificate in Cost and Management 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.

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## Student recruitment

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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.

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## Prior learning and other requirements

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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.

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## Progression

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The qualification will allow progression onto the Pearson LCCI Level 4 Certificate in Management Accounting (VRQ). This qualification will also support progression into employment, for example, into a junior accountant or cost account role within a large company's finance department.

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

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## Exemptions

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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>

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## National Occupational Standards

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The Pearson LCCI Level 3 Certificate in Cost and Management Accounting (VRQ) has links to the following National Occupational Standards (NOS):

- Finance and Accounting

Please see our website for further details.

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## Codes

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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: 601/5169/9

The subject code for the Pearson LCCI Level 3 Certificate in Cost and Management Accounting (VRQ) is: ASE20098. The subject code is used by centres to enter students for a qualification.

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# Support, training and resources

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## **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 Cost and Management Accounting (VRQ) Sample Assessment Materials document (ISBN 9781446926789) 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

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## 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.

<b>IAS terminology</b>	<b>Previously used UK GAAP terminology</b>
Financial statements	Final accounts
<b>Statement of profit or loss and other comprehensive income</b>	<b>Trading and profit and loss account</b>
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
<b>Statement of changes in equity (limited companies)</b>	<b>Appropriation account</b>
<b>Statement of financial position</b>	<b>Balance sheet</b>

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



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