



Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ) (ASE20097)

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 students 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 3 Certificate in Financial Accounting (VRQ) meets the following purpose:

This brand new qualification gives students an overview of the fundamental accounting principles and concepts that underlie all financial accounting.

Students are introduced to topic areas they are likely to encounter in their working lives in practical, scenario based situations.

The qualification has been developed with a view to allow progression on to the Pearson LCCI Level 4 Certificate in Financial Accounting (VRQ), which introduces students to advanced topic areas in this field.

Qualification aim

The Pearson LCCI Level 3 Financial Accounting (VRQ) qualification is for students who work in, or want to work in, accounting environments.

The qualification provides students with the key knowledge and understanding of accounting principles and concepts underlying all financial accounting including the preparation of accounting entries for non-current assets; advanced bookkeeping; the preparation of journals for correction of errors and year-end adjustments; the preparation of the extended trial balance to incorporate these adjustments and the preparation of financial statements for unincorporated businesses (sole traders and partnerships).

Students will gain skills to produce financial records, summarising an organisation's financial transactions over a specific accounting period, and its current financial position in terms of assets, liabilities and capital.

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

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Specification at a glance

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

Title: Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ)	
<ul style="list-style-type: none">Externally assessed	100% of the total qualification
Overview of content <ol style="list-style-type: none">The purpose of maintaining financial recordsRecording financial transactionsBalancing accounts and the trial balanceAdjustments and the extended trial balanceProduce financial statements of a sole trader and partnershipIntroduction to interpretation of financial statements	
Overview of assessment <ul style="list-style-type: none">One written externally set and marked paper, contributing 100% of the overall grade of the qualificationThe examination will be 3 hoursThe examination will consist of 115 marksStudents will be graded Pass/Merit/Distinction. A result of Fail will be recorded where students do not achieve the required marks for a PassThe paper comprises five questionsStudents should answer all questionsQuestions comprise short written answer, calculations and preparation of financial statements	

Knowledge, skills and understanding

Content

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

1. The purpose of maintaining financial records

Subject content	What students need to learn:
1.1 The scope of the financial accounting function	a) The difference between financial and management accounting
	b) The financial statements and their purpose
	c) Recognition of the fundamental concepts and underlying assumptions of: <ul style="list-style-type: none">• going concern• accruals• prudence• consistency
	d) Recognition of the qualitative characteristics of financial reporting under the International Accounting Standards Board (IASB) framework
1.2 Different types of business organisations	a) The difference between the public and private sectors
	b) The characteristics of different types of private sector business organisations <ul style="list-style-type: none">• Sole Trader• Partnership• Limited Partnership• Private limited companies (Ltd)• Public limited companies (Plc)• Franchise• Not for Profit (charity)
	c) The concept of limited liability (legal implications)
	d) The concept of unlimited liability (implications for a sole trader)

Subject content	What students need to learn:
	e) The advantages and disadvantages of different types of private sector business entities f) The range of business objectives characterised by private sector businesses
1.3 How financial statements contribute towards meeting the needs of different stakeholders and users	a) The main stakeholders in business and other users of financial statements
1.4 The importance of ethical behaviour in accounting practices	a) The principles of professional ethics <ul style="list-style-type: none"> • honesty • integrity • objectivity • independence b) The application of professional ethics when undertaking accounting roles and functions c) The concept of the public interest and how it is applied when undertaking accounting roles and functions

2. Recording financial transactions

Subject content	What students need to learn:
2.1 The principles of double-entry accounting	a) The Accounting Equation b) The functions of the ledger (general ledger and subsidiary ledger) c) The books of prime entry/day books d) The documentation used in recording and monitoring business transactions: <ul style="list-style-type: none"> • price quotation • purchase order • delivery note • purchase invoice • sales invoice • goods returns note • credit note • statement • remittance advice

Subject content	What students need to learn:
2.2 Recording sales and purchases	a) Recording sales, sales returns, purchases and purchase returns in the relevant ledger accounts
	b) Recording discounts in respect of sales and purchases
	c) The principles and operation of a sales tax
2.3 Recording cash transactions	a) The role and operation of the cash book in the accounting system
	b) The use and operation of petty cash as a system for effecting minor disbursements
2.4 Undertake a bank reconciliation	a) The principles and operations of bank reconciliation
	b) The preparation of a bank reconciliation statement from a given data set
2.5 Recording receivables and payables	a) The principles and operation of receivables and payables
	b) The principles and operation of irrecoverable receivables and allowance for doubtful debt
2.6 Recording changes in inventory	a) The principles and valuation of inventory in accordance with the relevant international financial reporting standards
2.7 Make adjustments for accruals and prepayments	a) The principles and operation of accruals and prepayments
2.8 Account for depreciation costs	a) The principles and operation of depreciation for non-current assets <ul style="list-style-type: none"> • straight line method • diminishing balance method (reducing)
2.9 The accounting treatment of tangible and non-current assets	a) The classification of revenue and capital in accounting systems
	b) The principles and operation of non-current assets including acquisitions, disposals and depreciation
	c) The importance of maintaining an up-to-date non-current asset register

3. Balancing accounts and the trial balance

Subject content	What students need to learn:
3.1 The purpose of the trial balance	a) The errors which may be made in a double-entry accounting system
	b) The purpose of a trial balance
	c) The limitations of a trial balance
	d) The preparation of a trial balance
3.2 Correction of errors in transaction recording	a) Errors following the preparation of the trial balance
	b) Errors that may occur in the bookkeeping system
	c) The preparation of journal entries to correct errors
3.3 Operate a control account	a) The principles and operations of control accounts
	b) Balancing control accounts, following the correction of errors
3.4 Operate a suspense account	a) The principles and operation of a suspense account

4. Adjustments and the extended trial balance

Subject content	What students need to learn:
4.1 The purpose of the extended trial balance	a) The preparation of the extended trial balance with adjustments

5. Produce financial statements of a sole trader and partnership

Subject content	What students need to learn:
5.1 Prepare the main financial statements	a) The purpose of the main financial statements and their interrelationship for a sole trader and partnership
	b) The preparation of a statement of financial position from a given data set for a sole trader and partnership
	c) The preparation of a statement of profit or loss from a given data set for a sole trader and partnership
	d) The preparation of a statement of financial position and statement of profit or loss for a sole trader, from incomplete records including markup and margin
	e) The preparation of an appropriation account for a partnership
	f) The preparation of a statement of cash flows for a company from a given data set

6. Introduction to interpretation of financial statements

Subject content	What students need to learn:
6.1 The contribution of financial statements measuring business performance	a) The importance of measuring business performance
	b) The elements of business performance which can be measured by the main financial statement used in business
	c) The main ratios used in the measurement of financial performance and position <ul style="list-style-type: none">• gross profit percentage / margin• net profit percentage / margin• current ratio• quick ratio (acid test)• return on capital employed• trade receivables collection period• trade payables payment period• inventory turnover

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

Skills	Students should:
	a) Record financial transactions and understand their importance
	b) Understand and record transactions undertaken by a business, including: <ul style="list-style-type: none"> • double-entry accounting • sales and purchases • cash and credit transactions • accounting for receivables, irrecoverable debts and allowance for receivables • reconciliation of control accounts • inventory valuation • accruals and prepayments • accounting for tangible non-current assets including acquisitions, disposals and depreciation.
	c) Construct a trial balance including correction of errors and bank reconciliation
	d) Prepare the statement of profit or loss and the statement of financial position for a sole trader
	e) Calculate main ratios for the measurement of financial performance

Assessment

Assessment summary

Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ)

First teaching: September 2015

Number of series: 8

Overview of content

- 1 The purpose of maintaining financial records
- 2 Recording financial transactions
- 3 Balancing accounts and the trial balance
- 4 Adjustments and the extended trial balance
- 5 Produce final statements of a sole trader and partnership
- 6 Introduction to interpretation of financial statements

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 115 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, calculations and preparation of financial statements
- 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 accounting facts, terms, definitions, processes and formulae	15-19
AO2	Perform procedures Record business transactions Use accounting techniques Carry out computations Prepare financial reports and/or statements using business formats Take knowledge acquired and apply it to different contexts and circumstances	71-75
AO3	Communicate understanding Describe and explain accounting concepts Explain accounting standards and conventions to professionals and non-professionals Understand accounting techniques Present/display data in tables or charts	2-6
AO4	Analyse Classify, compare and analyse information Interpret financial data and information Recognise patterns and correlations Predict consequences Apply concepts/make connections Break down issues	2-6
AO5	Evaluate Weigh up of evidence in order to build a reasoned decision Draw conclusions Make judgements about significance of information collected	2-4
Total		100

Performance descriptors

Grade	Descriptor
Pass	<p>Candidates can recall, describe, explain and use basic accounting facts, terms and definitions, applying processes and formulae.</p> <p>Candidates can record business transactions using correct accounting techniques.</p> <p>Candidates can prepare advanced financial statements in different contexts.</p> <p>Candidates can select and use accounting information to analyse accounting problems accurately.</p> <p>Candidates can make reasoned judgments and present conclusions.</p>
Distinction	<p>Candidates can recall, describe, explain and use basic and complex book-keeping and accounting facts, terms and definitions, applying processes and formulae.</p> <p>Candidates can record business transactions using correct accounting techniques with high precision.</p> <p>Candidates can prepare advanced financial statements in different contexts with high precision.</p> <p>Candidates can select and use accounting information to analyse accounting problems with a high degree of accuracy.</p> <p>Candidates can evaluate accounting information effectively and present accurate and logical conclusions.</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 3 Certificate in Financial 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 3 Certificate in Financial Accounting (VRQ) qualification is certificated on a three-grade scale: Pass/Merit/Distinction. Pass and Distinction are awarded, Merit is arithmetically calculated.

Access arrangements, reasonable adjustments and special consideration

Access arrangements

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

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

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

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

Reasonable adjustments

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

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

Whether an adjustment will be considered reasonable will depend on a number of factors, 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 3 Certificate in Financial Accounting (VRQ) requires 150 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 4 Certificate in Financial 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 as there is a level 4 version of this qualification available.

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 3 Certificate in Financial 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: 601/5186/9

The subject code for the Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ) is: ASE20097. The subject code is used by centres to enter students for a qualification.

Support, training and resources

Training

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

Specifications, Sample Assessment Materials and Teacher Support Materials

The Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ) Sample Assessment Materials document (ISBN 9781446926796) 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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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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