



**LCCI**  
International  
Qualifications

**L3**

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

## SPECIFICATION

First teaching from January 2015

Issue 3

## Edexcel, BTEC and LCCI qualifications

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## About Pearson

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This specification is Issue 3. Key changes are listed in summary table on next page. We will inform centres of any changes to this issue. The latest issue can be found on the Pearson 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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# Summary of Pearson LCCI Certificate in Financial Accounting (VRQ) specification Issue 3 changes

Summary of changes made between previous issue and this current issue

Page/section number

Definition of TQT added	16
TQT value added	16
Guided learning definition updated	16

*Earlier issues show previous changes.*

*If you need further information on these changes or what they mean, contact us via our website at: [qualifications.pearson.com/en/support/contact-us.html](http://qualifications.pearson.com/en/support/contact-us.html).*

# Introduction

## LCCI qualifications

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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
- Finance and Quantitative.

This specification is part of the Finance and Quantitative suite of LCCI qualifications. Please refer to the website for details of other qualifications in the suite.

## 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 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 their 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

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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 accounts 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.





# Contents

Specification at a glance	1
Knowledge, skills and understanding	3
Content	3
Assessment	9
Assessment summary	9
Assessment Objectives	10
Performance descriptors	11
Entry and assessment information	12
Student entry	12
Combinations of entry	12
Age	12
Resitting the qualification	12
Awarding and reporting	12
Access arrangements, reasonable adjustments and special consideration	13
Equality Act 2010 and Pearson equality policy	14
Malpractice	15
Language of assessment	15
Other information	16
Total Qualification Time and Guided Learning Hours	16
Student recruitment	16
Prior learning and other requirements	16
Progression	16
Exemptions	17
National Occupational Standards	17
Codes	17
Support, training and resources	18
Appendix 1: Glossary of International Accounting Standards terminology	21



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# Specification at a glance

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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"><li>Externally assessed</li></ul>	100% of the total qualification
<p>Overview of content</p> <ol style="list-style-type: none"><li>The purpose of maintaining financial records</li><li>Recording financial transactions</li><li>Balancing accounts and the trial balance</li><li>Adjustments and the extended trial balance</li><li>Produce final accounts of a sole trader</li><li>Introduction to interpretation of financial statements</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 116 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, calculations and preparation of financial statements</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. 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"><li>• going concern</li><li>• accruals</li><li>• prudence</li><li>• consistency</li></ul>
	d) Recognition of the qualitative characteristics of financial reporting under the International Financial Reporting Standards (IFRS) 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"><li>• Sole Trader</li><li>• Partnership</li><li>• Limited Partnership</li><li>• Private Companies (Limited Company)</li><li>• Public Companies (Plc)</li><li>• Government Organisations/State ownership</li><li>• Franchise</li><li>• Not for Profit (charity)</li></ul>
	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"> <li>• honesty</li> <li>• integrity</li> <li>• objectivity</li> <li>• independence</li> </ul> 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"> <li>• price quotation</li> <li>• purchase order</li> <li>• delivery note</li> <li>• purchase invoice</li> <li>• sales invoice</li> <li>• goods returns note</li> <li>• credit note</li> <li>• statement</li> <li>• remittance advice</li> </ul>

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 debt and allowance for receivables
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"> <li>• straight line method</li> <li>• diminishing balance method (reducing)</li> </ul>
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 book-keeping 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 final accounts of a sole trader

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
	b) The preparation of a statement of financial position from a given data set for a sole trader
	c) The preparation of a statement of profit or loss from a given data set for a sole trader
	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



## 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"><li>• gross profit percentage / margin</li><li>• net profit percentage / margin</li><li>• current ratio</li><li>• quick ratio (acid test)</li><li>• return on capital employed</li><li>• debtors collection period</li><li>• creditors payment period</li><li>• inventory turnover</li></ul>

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"> <li>• double entry accounting</li> <li>• sales and purchases</li> <li>• cash and credit transactions</li> <li>• accounting for receivables, irrecoverable debts and allowance for receivables</li> <li>• reconciliation of control accounts</li> <li>• inventory valuation</li> <li>• accruals and prepayments</li> <li>• accounting for tangible non-current assets including acquisitions, disposals and depreciation.</li> </ul>
	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

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# Assessment

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## Assessment summary

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

First teaching: January 2015

First assessment: April 2015

Number of series: 8

Availability: January, March, April, June, July, September, October, November

#### 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 accounts of a sole trader
- 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 116 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

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## Assessment Objectives

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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	17
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	73
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	4
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	4
AO5	Evaluate Weigh up of evidence in order to build a reasoned decision Draw conclusions Make judgements about significance of information collected	2
Total		100

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## Performance descriptors

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Grade	Descriptor
Pass	<p>Candidates can recall, describe and explain basic accounting facts, terms, definitions, concepts, process and formulae</p> <p>Candidates can prepare financial statements and reports using business formats</p> <p>Candidates can present data in tables and charts</p> <p>Candidates can take knowledge and apply it to a straightforward business context or scenario</p> <p>Candidates can interpret financial data and information in order to predict consequences</p> <p>Candidates can draw conclusions</p>
Distinction	<p>Candidates can recall, describe and explain complex accounting facts, terms, definitions, concepts, process and formulae</p> <p>Candidates can prepare financial statements and reports using business formats with high precision</p> <p>Candidates can present data in tables and charts with high precision</p> <p>Candidates can take knowledge and apply it to a complex business context or scenario</p> <p>Candidates can compare and analyse financial data and information, recognising any patterns and correlations in order to predict consequences</p> <p>Candidates can weigh up evidence to build a reasoned judgment</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.

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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 [www.pearson.com](http://www.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.

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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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Students must be a minimum of 16 years old to be entered onto this qualification.

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### Resitting the qualification

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Candidates can resit the examination for the Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ). Candidates must leave one series between the previous examination and the next planned examination entry.

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### Awarding and reporting

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The Pearson LCCI Level 3 Certificate in Financial 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: [www.jcq.org.uk](http://www.jcq.org.uk).

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## 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, [www.edexcel.com/Policies](http://www.edexcel.com/Policies).



## 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: [www.jcq.org.uk](http://www.jcq.org.uk)

## 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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### Total Qualification Time and Guided Learning Hours

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

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

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

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

This qualification has a TQT value of 200 and a GLH of 150.

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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 Financial Accounting (VRQ).

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## Exemptions

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This qualification does not provide exemption to any other qualification in the suite or to qualifications with any other awarding organisation.

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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: 601/5186/9

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. Centres will need to use the entry codes only when claiming students' qualifications.

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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 Financial Accounting (VRQ) Sample Assessment Materials document (ISBN 9781446912294) 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	22
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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 (IFRP), 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 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	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
Bank and cash	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
Carry over	Net book value

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For more information on Pearson and LCCI qualifications please  
visit our website: [uk.pearson.com/lccinternational](http://uk.pearson.com/lccinternational)

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