



London Chamber of Commerce & Industry

Member of the IAB Group

Qualification Specification

LCCI Level 3 Certificate in Financial Accounting

LCCI qualifications

LCCI qualifications are awarded by the IAB, the UK's largest awarding body offering academic and vocational qualifications that are globally recognised and benchmarked. For further information, please visit our qualifications website at <https://www.iab.org.uk/iab-qualifications/>

About IAB

LCCI [qualifications](#) have been offered internationally for over 120 years and were started by the London Chamber of Commerce and Industry to meet the need for reliable, high-quality standards across international workforces.

As the way we do business evolves and becomes more fluid on a global scale the demand for internationally recognised standards has never been greater and is a sentiment that is echoed by the [IAB](#) who have been supporting financial professionals globally for 50 years.

Based on these shared values from September 2023, the IAB and LCCI will join to continue to offer and develop high-quality, professional qualifications for the finance sector and a range of other professions.

This specification is Issue 4. We will inform centres of any changes to this issue. The latest issue can be found on our website,

Acknowledgements

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

References to third party material made in this specification are made in good faith. IAB does not endorse, approve or accept responsibility for the content of materials, which may be subject to change, or any opinions expressed therein. (Material may include textbooks, journals, magazines and other publications and websites.)

All information in this specification is correct at the time of publication.

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.

IAB LCCI offers a wide range of qualifications; they are available at Levels 1 to 4 across the following subject areas:

- Business
- Financial and Quantitative
- Marketing

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 IAB 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 IAB LCCI Level 4 Certificate in Financial Accounting (VRQ), which introduces students to advanced topic areas in this field.

Qualification aim

The IAB 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 in producing 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 IAB LCCI Level 4 Certificate in Financial Accounting (VRQ) or other professional accountancy qualifications.

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Specification at a glance

The IAB LCCI Level 3 Certificate in Financial Accounting (VRQ) consists of one online examination.

Title: IAB LCCI Level 3 Certificate in Financial Accounting (VRQ)	
<ul style="list-style-type: none"> Externally assessed 	100% of the total qualification
<p>Overview of content</p> <ol style="list-style-type: none"> The purpose of maintaining financial records Recording financial transactions Balancing accounts and the trial balance Adjustments and the extended trial balance Produce financial statements of a sole trader and partnership Introduction to interpretation of financial statements. 	
<p>Overview of assessment</p> <ul style="list-style-type: none"> One online, externally set and marked examination, contributing to 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 examination comprises five questions Students should answer all questions Questions comprise short written questions, calculations, preparation of accounts, financial statement and completion of tables, analysis and evaluation of results obtained. 	

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) An understanding of the differences between financial accounting and management accounting
	b) An understanding of financial statements and their purpose
	c) The understanding and application of the following accounting concepts: <ul style="list-style-type: none"> • accruals • business entity • consistency • going concern • materiality • prudence • realisation
	d) Identify the qualitative characteristics of financial reporting under the International Accounting Standards Board (IASB) framework: <ul style="list-style-type: none"> • relevance • faithful representation • comparability • verifiability • timeliness • understandability.
1.2 Different types of business organisations	a) The difference between the public and private sectors
	b) The understanding of the characteristics of different types of private sector business organisations: <ul style="list-style-type: none"> • sole trader • partnership

Subject content	What students need to learn:
	<ul style="list-style-type: none">• limited partnership• private limited companies (Ltd)• public limited companies (Plc)
	c) The advantages and disadvantages of different types of private sector business entities

Subject content	What students need to learn:
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: <ul style="list-style-type: none"> • owners • managers • suppliers • customers • employees • trade associations • government • investors • providers of external finance • competitors • local community • trade union
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

2. Recording financial transactions

Subject content	What students need to learn:
2.1 The principles of double- entry accounting	a) Understanding and application of the ledger (general ledger and subsidiary ledger)

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) The understanding and application for recording discounts in respect of sales and purchases
2.3 Recording cash transactions	a) The role and operation of the cash book in the accounting system
2.4 Undertake a bank reconciliation	a) The role 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 (IAS 2 – inventories)
2.7 Make adjustments for accruals and prepayments	a) The principles and operation of accruals and prepayments
2.8 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 and maintenance of an up-to-date non-current asset register
2.9 Account for depreciation costs	a) The principles and operation of depreciation for non-current assets, including journals and ledger postings, using the following methods: <ul style="list-style-type: none"> • straight line • revaluation • reducing (diminishing) balance

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 and limitations of a trial balance
3.2 Correction of errors in transaction recording	a) Errors following the preparation of the trial balance
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) To process adjustments of trial balance figures at the period end to prepare financial statements for business: <ul style="list-style-type: none"> • inventory • accrued and prepaid income and expenditure • depreciation of non-current assets • irrecoverable debts and allowance for doubtful debts • correction of errors
	b) The extension of the ledger balance and adjustment column into the statement of profit or loss, and the statement of financial position columns
	c) Calculate the profit or loss for the period from the statement of profit or loss columns of the extended trial balance

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
	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 from incomplete records, including mark-up 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 calculation and use of the following ratios to produce financial statements: <ul style="list-style-type: none"> • gross profit percentage/margin • profit for the year as a percentage of revenue • current ratio • quick ratio (acid test) • return on capital employed (ROCE) • trade receivables collection period • trade payables payment period • inventory turnover • asset 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 • 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

IAB LCCI Level 3 Certificate in Financial Accounting (VRQ)
First teaching: September 2015 Number of series: 2
<p>Overview of content</p> <ol style="list-style-type: none"> 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
<p>Overview of assessment</p> <ul style="list-style-type: none"> • One online, externally set and marked examination, contributing to 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 examination comprises five questions • Students should answer all questions • Questions comprise short written questions, calculations, preparation of accounts, financial statement and completion of tables, analysis and evaluation of results obtained. • 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.

Assessment Objective		Weighting %
AO1	Recall Recall accounting facts, terms, definitions, processes and formulae.	12
AO2	Perform Procedures Record business transactions Use accounting techniques Prepare financial statements	74
AO3	Demonstrate Understanding Demonstrate understanding of accounting processes, procedures and techniques	8
AO4	Analyse Compare, classify and deconstruct information Interpret financial data and information Recognise patterns and correlations	4
AO5	Evaluate Build a reasoned decision Make judgments about significance of information Predict consequences	2

Performance descriptors

Grade	Descriptor
Pass	<p>Candidates can recall, use and apply bookkeeping and accounting facts, terms definitions, processes, and formulae.</p> <p>Candidates can demonstrate a basic understanding of accounting processes, procedures and techniques.</p> <p>Candidates can record business transactions using correct accounting techniques.</p> <p>Candidates can prepare financial statements with routine transactions for different organisations.</p> <p>Candidates can select and use accounting information.</p> <p>Candidates can make judgements which are supported with limited evidence.</p>
Distinction	<p>Candidates can demonstrate a detailed knowledge of bookkeeping and accounting facts, terms, definitions, processes and formulae using them consistently and effectively in given scenarios.</p> <p>Candidates can demonstrate a detailed understanding of accounting processes, procedures and techniques.</p> <p>Candidates can record business transactions using correct accounting techniques with precision.</p> <p>Candidates can prepare financial statements with non-routine transactions for different organisations.</p> <p>Candidates can select and use relevant information from redundant information.</p> <p>Candidates can select and use relevant accounting information to analyse accounting problems.</p> <p>Candidates can make judgements that are supported and justified with evidence.</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: available through our awarding team at ao@iab.org.uk or the website <https://www.iab.org.uk/lcci/>

Student entry

Details on how to enter candidates for the examination for this qualification can be found at: available through our awarding team at ao@iab.org.uk or the website <https://www.iab.org.uk/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 IAB 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 IAB 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 available through our awarding team at ao@iab.org.uk or the website <https://www.iab.org.uk/lcci/>

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 IAB 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, available through our awarding team at ao@iab.org.uk or the website <https://www.iab.org.uk/lcci/>

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 IAB awarding team by email ao@iab.org.uk clearly identifying the title or posted to the registered office 110 Bishopsgate, London, EC2N 4AY. Please provide as much information and supporting documentation as possible. Note that the final decision regarding appropriate sanctions lies with IAB.

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 IAB awarding team by email ao@iab.org.uk clearly marked malpractice or posted to the registered office 110 Bishopsgate, London, EC2N 4AY. Please provide as much information and supporting documentation as possible. Note that the final decision regarding appropriate sanctions lies with IAB.

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

Total Qualification Time and Guided Learning Hours

For all regulated qualifications, we specify a total number of hours that learners are expected to undertake 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.

Student recruitment

IAB follows the JCQ policy concerning recruitment to our qualifications in that:

- They must be available to anyone who can reach 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. IAB 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

LCCI qualifications are designed to allow students to pursue different routes as outlined below.

Enter a chosen field of work, pursue a promotion, or change their field of work

The IAB LCCI Level 3 Certificate in Financial Accounting supports progression into employment, for example, into a junior accountant or cost accounting role within a large company's finance department.

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

Progress to further study, such as the next LCCI level or externally with a professional body or education provider

This qualification allows progression to LCCI Level 4 accounting qualifications, such as the IAB LCCI Level 4 Certificate in Financial Accounting (VRQ), as well as qualifications across the LCCI suites. Completing different LCCI qualifications could potentially lead to gaining an LCCI Diploma. Please refer to the 'Exemptions' section of this

specification for information on recognition from external providers, or the latest LCCI Information Manual for more information about Diplomas.

Exemption

We are continuously gaining new and updated exemptions for our LCCI qualifications from professional bodies and organisations. For the latest list of agreements, and to check this specific qualification, please visit the IAB LCCI website:

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. awarding team at ao@iab.org.uk or the website <https://www.iab.org.uk/lcci/>

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: *****

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

Support, training and resources

Training

IAB 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 IAB LCCI Level 3 Certificate in Financial Accounting (VRQ) Sample Assessment Materials document (ISBN 9781446947357) 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

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	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: <https://www.iab.org.uk/iab-qualifications/>

Institute of Accountants and Bookkeepers. Registered in

England No.01119378 Registered Office: 110 Bishopsgate

London EC2N 4AY.