



Pearson LCCI Level 2 Certificate in Book-keeping and Accounts (VRQ) (ASE2007X)

SPECIFICATION

Issue 2

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This specification is Issue 2. Key changes are sidelined. We will inform centres of any changes to this issue. The latest issue can be found on our website.

Acknowledgements

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Introduction

LCCI qualifications

LCCI qualifications are widely regarded by employers as preparing students for key functions of modern international business. Employers, universities and professional bodies such as the Association of Chartered Certified Accountants (ACCA) recognise them across the world.

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 wide 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.

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).

Qualification aim

The aims of this qualification are to enable students to develop:

- an understanding of the basic principles underlying the recording of business transactions
- the ability to prepare and interpret accounts for sole traders, partnerships, non-trading organisations and limited companies.

This qualification is suitable for students who are working, or who are preparing to work in, an accounting environment maintaining financial records and preparing accounts. Students attempting this qualification should have the knowledge and skills equivalent to the LCCI IQ Level 1 Book-keeping qualification.

Candidates who achieve Level 2 Book-keeping and Accounts may progress to the LCCI IQ Level 3 Accounting qualification.

Candidates should have a standard of English equivalent to LCCI IQ Level 1 English for Business.

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Specification at a glance

The Pearson LCCI Level 2 Certificate in Book-keeping and Accounts consists of one externally examined paper.

Title: Pearson LCCI Level 2 Certificate in Book-keeping and Accounts	
Externally assessed	100% of the total qualification
Overview of content	
<ol style="list-style-type: none">1. Advanced aspects of the specification for Level 1 Book-keeping2. Partnerships3. Limited liability companies4. Incomplete records5. Manufacturing accounts6. Stock valuation7. Non-trading organisations8. Control accounts9. Suspense accounts10. Calculation and interpretation of ratios11. Preparation, by the use of ratios, of simple financial statements	
Overview of assessment	
<ul style="list-style-type: none">• The time allowance for the examination is three hours.• There will be five questions on the examination paper.• Students are required to answer four questions. No question will be compulsory.• Each question will carry equal marks.• The answers required will be predominantly of a quantitative nature, but students will be expected to demonstrate their understanding of the subjects at an appropriate level.• A positive marking approach is used. Although students will be penalised for initial calculation errors, they will gain marks for consequential 'own figures' as long as the correct use of principles has been demonstrated.	

Knowledge, skills and understanding

Content

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

Subject content	What students need to learn:
1.1 Advanced aspects of the specification for Level 1 Book-keeping	Undertake more advanced examples of any specification topic contained in the specification at Level 1 and not covered elsewhere in this specification. Special reference will be made to the following: <ul style="list-style-type: none"> • recording transactions through double entry • the journal • errors in the accounts • trading and profit and loss accounts • the balance sheet
1.2 Advanced aspects of depreciation (including disposal) methods include: straight-line and reducing/diminishing balance	a) State the significance and purpose of depreciation b) Distinguish between different methods of depreciation; determining the effect of each method on the charge to the profit and loss account and on the presentation of the asset on the balance sheet c) Recognise the relationship between the type of asset and the depreciation method chosen d) Prepare asset accounts maintained at cost e) Determine the difference between a depreciation expense account and an account for the accumulated provision for depreciation f) Prepare entries in the depreciation expense account including transfer to the profit and loss account at the financial year end g) Prepare entries in the accumulated provision for depreciation account, and balance the account at each financial year end h) Prepare an asset disposal account i) Calculate the profit or loss on the disposal of an asset j) Prepare entries for assets sold for cash, or traded in or exchanged for a replacement asset

Subject content	What students need to learn:
1.3 Adjusting for accruals and prepayments	a) State the significance of an accrual
	b) Prepare end-of-period adjustments in expense accounts for accruals
	c) State the significance of an expense prepayment
	d) Prepare end-of-period adjustments in expense accounts for prepayments
	e) Make adjustments for end-of-period expense accruals and expense prepayments in the profit and loss account and balance sheet
	f) Make adjustments in the trading account and balance sheet for end-of-period 'outstanding' purchases, i.e. goods received but invoices still awaited
	g) State the significance of income accruals
	h) Make end-of-period adjustments in income accounts for income accrual
	i) State the significance of income prepayment
	j) Make end-of-period adjustments in income accounts for income prepayment
	k) Make adjustments for end-of-period income accruals and income prepayments in the profit and loss account and balance sheet
	l) Prepare the recording of two areas of expense within the one expense account, with distinctive balances, e.g. rent and rates account
	1.4 Bad debts and provision for doubtful debts
b) Prepare entries for the recovery of bad debts previously written off in the year prior to the year in which the bad debt is recovered	
c) State the reason why a provision for doubtful debts is made at the financial year end	
d) State the difference between a specific provision for a specific debt and a general provision for other debts	
e) Prepare the provision for doubtful debts account for a number of years, and adjust the provision at the end of each financial year	
f) Demonstrate the effect that a provision for doubtful debts has on the presentation of debtors on the balance sheet	

2. Partnerships

Subject content	What students need to learn:
2.1 The formation of a partnership and the partnership agreement	a) Describe the significance of a business partnership
	b) State why an agreement may be drawn up and what it can be expected to include
	c) Explain what happens where no partnership agreement exists
	d) Prepare journal and ledger entries for the formation of a new partnership
	e) Demonstrate how sole trader assets and liabilities become partnership assets and liabilities
	f) Calculate capital introduced by a sole trader to a partnership
	g) State the significance and effect of goodwill introduced, in the event of a sole trader joining the partnership
	h) Explain the purpose of the personal accounts of partners, i.e. capital and current accounts
	i) Prepare partners' capital and current accounts in columnar format
2.2 Preparation of partnership final accounts	a) Demonstrate the distinction between the partnership profit and loss account and the appropriation account
	b) Demonstrate how to deal with interest on a loan made by a partner to the partnership
	c) Explain the reason for allowing interest on capital and current account balances and for charging interest on drawings
	d) Calculate interest on capital and current account balances and interest on drawings
	e) Prepare entries for interest in the appropriation account and in partners' current accounts
	f) Prepare a partnership balance sheet in horizontal or vertical format
2.3 Retirement of a partner at the end of a financial year	a) Prepare a revaluation account
	b) Make adjustments for goodwill necessary on the retirement of a partner
	c) Calculate amounts due to a retiring partner by cash, other assets, or by transfer to a loan account

Subject content	What students need to learn:
2.4 Admission of a new partner at the beginning of a financial year	a) Prepare a revaluation account
	b) Make adjustments for goodwill necessary on the admission of a partner
	c) Record cash and other assets and liabilities introduced by the new partner
2.5 Change in the ratio in which profits and losses are shared	a) Make adjustments for goodwill necessary when a change occurs in the ratio in which profits and losses are shared
	b) Write off goodwill where it is not to remain as an asset in the partnership ledger
2.6 Dissolution of partnership	a) Prepare a dissolution or realisation account
	b) Prepare the entries in the partnership ledger for assets and/or liabilities taken over by an individual partner
	c) Prepare the entries for partners' loans upon dissolution
	d) Prepare the entries for the sale of partnership assets for cash
	e) Prepare the entries for the collection of amounts from partnership debtors and the treatment of bad debts and discounts
	f) Prepare the entries for the settlement of partnership creditors and the treatment of discounts
	g) Prepare the entries for the treatment of goodwill on dissolution
	h) Prepare the entries to close partners' personal accounts
	i) Prepare the entries necessary to deal with outstanding debit balances on partners' personal accounts. Apply the rule in Garner v Murray
	j) Prepare the entries to deal with the sale of a partnership as a going concern and the settlement of the purchase consideration whether received in cash or in securities such as shares or debentures
	k) Make the transfer of securities to the partners on an agreed basis

3. Limited liability companies

Subject content	What students need to learn:
3.1 Formation of a company meaning, purpose and effect	a) Distinguish between a private company (limited) and a public company (Public Limited Company, i.e. plc)
	b) Explain the difference between preference share capital and ordinary share capital and the nature of the reward that each expects to receive
	c) Explain the difference between authorised share capital and called up share capital
	d) State the difference between share capital and loan capital
	e) Differentiate between the types of loan capital, e.g. debentures, loan stock, bank loan.
	f) Calculate loan interest and recognise that interest is a charge to the profit and loss account
3.2 Preparation of final accounts for a limited company	a) Prepare a profit and loss account in vertical format to show the net profit of a company
	b) Enter the payment of the company directors' fees and/or salaries in the profit and loss account
	c) Prepare the appropriation section of the profit and loss account
	d) Calculate dividends by using the nominal % for preference share capital and a monetary amount per share for ordinary share capital
	e) Differentiate between an interim dividend and a recommended final dividend on ordinary share capital
	f) Calculate the retained profit for the year
	g) Prepare a vertical balance sheet in good format
	h) Differentiate between creditors falling due within one year and creditors falling due in more than one year. Differentiate between creditors falling due within one year and creditors falling due in more than one year
	i) Differentiate between provisions and reserves
	j) Determine what is included under the heading 'Capital and reserves'
	k) State the significance of the main reserve headings, profit and loss, share premium, revaluation
	l) Present the fixed assets on the balance sheet showing their cost, accumulated depreciation and net book value
	m) Present an orderly presentation of current assets
	n) Show the working capital or net current assets

4. Incomplete records

Subject content	What students need to learn:
4.1 Calculation of net profit in the absence of proper records	a) State the significance and use of a statement of affairs
	b) Calculate apparent profit by measuring the increase in capital
	c) Make adjustments for drawings and for new capital introduced in order to arrive at the net profit
4.2 Factors in the production of detailed final accounts from incomplete records	a) Calculate a total sales figure for a period from opening and closing debtors, cash received from customers, bad debts written off, discounts allowed, etc.
	b) Calculate a total purchases figure for a period from opening and closing creditors, cash paid to suppliers, discounts received, etc.
	c) Construct expense accounts
	d) Construct a trading and profit and loss account and a balance sheet from incomplete records, for a sole trader
	e) Construct a trading and profit and loss account (including appropriation) and a balance sheet, from incomplete records, for a partnership

5. Manufacturing accounts

Subject content	What students need to learn:
5.1 Manufacturing accounts	a) Prepare accounts in vertical and T-account format
	b) Define cost accounting terms: direct materials, direct labour, direct expense, prime cost, factory or production overhead and production cost
	c) Make adjustments for the change in work in progress and show its location in the manufacturing account
	d) Transfer completed production at cost
	e) Transfer completed production at cost plus a margin of profit
	f) Make the corresponding entry for manufacturing profit
	g) Make a provision for unrealised manufacturing profit

6. Stock valuation

Subject content	What students need to learn:
6.1 Stock valuation	a) Value stock when a choice has to be made between cost and net realisable value
6.2 Physical stocktaking as a basis for stock valuation	a) Show the effect on stock valuation of goods in customers' hands, e.g. on sale or return and of customers' goods on our premises
	b) Adjust a stock valuation to the financial year end, when the physical stocktaking occurs before or after the actual year end
	c) In 6.2 b), adjustments will mainly be for sales, sales returns, purchases and purchases returns
6.3 Stock losses	a) Calculate the cost of goods stolen from stock
	b) Calculate the loss of stock arising from fire, flood, etc.
	c) Record appropriate entries for an insurance claim arising from loss of, or damage to, stock

7. Non-trading organisations

Subject content	What students need to learn:
7.1 Receipts and payments account	a) Prepare a summary of cash and bank transactions
	b) Distinguish between capital and revenue items in the receipts and payments account
	c) Reconcile closing balance on the receipts and payments account with the balance at bank and cash in hand
7.2 The accumulated fund	a) Define the meaning of the accumulated fund
	b) State the causes for an increase or decrease in the accumulated fund
	c) Calculate the amount of the accumulated fund at the start of a financial year
	d) Make entries for donations as a direct entry to the accumulated fund
7.3 Trading activities within a non-trading organisation, e.g. a restaurant trading account	a) Make adjustments to cash paid and received to obtain purchases and sales
	b) Account for those expenses properly chargeable to the trading activity of the non-trading organisation
	c) Calculate the trading profit

Subject content	What students need to learn:
7.4 Income and expenditure account	a) Recognise the nature and purpose of an income and expenditure account
	b) Account for subscriptions received during the financial year
	c) Account for subscriptions in arrears or in advance at the start of the financial year
	d) Account for subscriptions in arrears or in advance at the end of the financial year
	e) Account for lifetime subscriptions
	f) Account for donations which are not treated as capital receipts
	g) Determine appropriate expenses to be debited to the income and expenditure account
	h) Calculate the balance of the income and expenditure account
	i) Identify the balance as either an excess of income over expenditure (surplus) or as an excess of expenditure over income (deficit)
	j) Prepare an income and expenditure account from a receipts and payments account, with adjustments
7.5 Balance sheet	a) Present all the organisation's assets and liabilities on the balance sheet
	b) Present lifetime subscriptions on the balance sheet
	c) Present subscriptions in arrears and in advance at the balance sheet date on the balance sheet

8. Control accounts

Subject content	What students need to learn:
8.1 Control accounts	a) State the purpose of control accounts
	b) State the importance of control accounts with reference to the preparation of a trial balance and a balance sheet
	c) Identify areas where control accounts are particularly appropriate, e.g. debtors, creditors, fixed assets, accumulated provision for depreciation on fixed assets, stocks, etc.
	d) Identify the items most likely to appear in a sales ledger control account
	e) Identify the items most likely to appear in a purchases ledger control account
	f) Prepare the entries for transfers between the purchases ledger and the sales ledger
	g) Prepare control accounts from given balances and summary transactions for a period
	h) Interpret the balances on the sales ledger control account and, in particular, the meaning of credit balances in the sales ledger
	i) Interpret the balances on the purchases ledger control account and, in particular, the meaning of debit balances in the purchases ledger
	j) Present balances on the sales ledger control account and the purchases ledger control account on the balance sheet
	k) Reconcile the balance on the control account with the total of the list of balances in the subsidiary ledger

9. Suspense accounts

Subject content	What students need to learn:
9.1 Suspense accounts	a) Explain different types of error
	b) Determine which errors will prevent the trial balance from balancing and which errors will not
	c) Correct errors in customer and supplier accounts where control accounts are not in use
	d) Determine, where control accounts are in use, the effect of errors made in the sales ledger, as opposed to errors made in the sales ledger control account
	e) Determine, where control accounts are in use, the effect of errors made in the purchases ledger, as opposed to errors made in the purchases ledger control account
	f) Explain that the use of the suspense account is a temporary measure to balance the trial balance
	g) Correct errors through the journal where the suspense account is unaffected
	h) Correct errors through the journal where the suspense account is affected
	i) Prepare the suspense account to arrive at the opening difference in the trial balance where this is not given by the examiner

10. Calculation and interpretation of ratios

Subject content	What students need to learn:
10.1 Accounting ratio formulae	a) State formulae for ratios included in the syllabus
10.2 ROCE (return on capital employed) for a sole trader or partnership	a) Calculate profit as a percentage of capital employed
	b) Calculate ROCE where no funds are borrowed
	c) Calculate ROCE where funds are borrowed
10.3 ROCE for a limited company	a) Calculate return on total shareholders' funds
	b) Calculate return on ordinary shareholders' funds
	c) Calculate return on total capital employed, i.e. including borrowed funds
10.4 Profit to sales	a) Calculate gross profit as a percentage of sales (margin) and gross profit as a percentage of cost (mark up)
	b) Calculate net profit as a percentage of sales
	c) Calculate net profit before interest charges as a percentage of sales
10.5 Sales to capital employed	a) Understand the importance of measuring sales generated for each £ of capital employed (investment)
	b) Calculate turnover of capital employed i.e. sales divided by capital employed
10.6 Current/working capital ratio	a) State the importance of working capital
	b) Identify the current/working capital ratio as being current assets to current liabilities or creditors falling due within one year
	c) Calculate the current/working capital ratio
	d) State the effect that certain transactions will have upon working capital
	e) State the effect that certain transactions will have upon the current/working capital ratio
10.7 Liquidity/acid test ratio	a) State the importance of liquidity to an organisation
	b) Calculate the liquidity/acid test ratio
	c) State the effect that given transactions will have upon liquid funds
	d) State the effect that given transactions will have upon the liquidity/acid test ratio

Subject content	What students need to learn:
10.8 Rate of stock turnover	a) State the importance of stock turnover
	b) Calculate average stocks
	c) Calculate annual rate of stock turnover, expressed as either number of times per year or as number of days
	d) Calculate average time that goods are carried in stock
10.9 Debtors' collection period	a) Calculate debtors' collection period
10.10 Creditors' settlement period	a) Calculate creditors' settlement period
10.11 Interpret ratios	a) Analyse and interpret the results of the above ratios

11. Preparation, by the use of ratios, of simple financial statements

Subject content	What students need to learn:
11.1 Preparation, by the use of ratios, of simple financial statements	a) Prepare, by the use of ratios, simple planned financial statements, i.e. trading, profit and loss account and balance sheet

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

Skills	Students should:
	a) add, subtract, divide, multiply, calculate and use percentages and ratios
	b) prepare journal entries and ledger accounts
	c) present the final accounts for sole traders, partnerships, limited companies and non-trading organisations in appropriate format
	d) analyse and interpret data

Assessment

Assessment summary

Pearson LCCI Level 2 Certificate in Book-keeping and Accounts

The examination is available on demand.

Overview of content

1. Advanced aspects of the specification for Level 1 Book-keeping
2. Partnerships
3. Limited liability companies
4. Incomplete records
5. Manufacturing accounts
6. Stock valuation
7. Non-trading organisations
8. Control accounts
9. Suspense accounts
10. Calculation and interpretation of ratios
11. Preparation, by the use of ratios, of simple 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 three 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.
- There will be five questions on the examination paper.
- Students are required to answer four questions. No question will be compulsory.
- Each question will carry equal marks
- The answers required will be predominantly of a quantitative nature, but students will be expected to demonstrate their understanding of the subjects at an appropriate level.
- A positive marking approach is used. Although students will be penalised for initial calculation errors, they will gain marks for consequential 'own figures' as long as the correct use of principles has been demonstrated.

Entry and assessment information

Student entry

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

The closing date for entries is approximately six weeks before the start of each examination series. Centres should refer to the published examination timetable for examination dates.

Combinations of entry

There are no forbidden combinations of entry for this qualification.

Age

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

Resitting the qualification

Students can resit the examination for Level 2 Certificate in Book-keeping and Accounts. Students can be entered for the next examination for this qualification.

Awarding and reporting

The Level 2 Certificate in Book-keeping and Accounts 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

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 disabled student 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 the 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: www.jcq.org.uk.

Equality Act 2010 and Pearson equality policy

Equality and fairness are central to our work. Our equality policy requires all students to have equal opportunity to access our qualifications and assessments, and our qualifications to be awarded in a way that is fair to every student.

We are committed to making sure that:

- students with a protected characteristic (as defined by the Equality Act 2010) are not, when they are undertaking one of our qualifications, disadvantaged in comparison to students who do not share that characteristic
- all students achieve the recognition they deserve for undertaking a qualification and that this achievement can be compared fairly to the achievement of their peers.

You can find details 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.

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: www.jcq.org.uk

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 (GLH)

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

The Pearson LCCI Level 2 Certificate in Book-keeping and Accounts requires 140–160 GLH.

Centres should ensure that students have additional time for self-study and preparation for the final examination, which 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

This qualification will allow progression to other Pearson LCCI Level 3 accounting qualifications.

Exemptions

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

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: 601/6425/6.

The subject code for Pearson LCCI Level 2 Certificate in Book-keeping and Accounts is: ASE2007X. The subject code is used by centres to enter students for a qualification. Centres will need to use the entry codes only when claiming students' qualifications.

Support, training and resources

Training

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

Specifications, sample assessment materials and teacher support materials

To find a list of all the support documents available please visit our website.

Appendices

Appendix 1: Glossary of International Accounting Standards (IAS) terminology	25
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Appendix 1: Glossary of International Accounting Standards (IAS) terminology

The following is a glossary of the comparison between the International Accounting Standards 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 LCCI qualifications please visit our website
uk.pearson.com/LCCIinternational

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