



IAB Level 3 Certificate in Bookkeeping and Accounting 601/9058/9

Qualification Specification

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1 Introduction

The Level 3 Certificate in Bookkeeping and Accounting qualification comprises four mandatory units:

- Principles of accounting – R/508/5865
- Make accounting adjustments – Y/508/5866
- Prepare financial statements from double entry records for sole traders and partnerships – D/508/5867
- Prepare financial statements from incomplete records for sole traders and not for profit organisations – H/508/5868

(See Section 11 ‘Unit specifications’ for further details.)

The Total Qualification Time (TQT) and Guided Learning Hours (GLH) for this qualification are as follows:

TQT	GLH
220	80

TQT is an estimate of the amount of time that a learner might reasonably require to achieve the level of attainment necessary for the award of a qualification. TQT includes GLH, which describes the time spent by a learner being taught or instructed by a tutor or other appropriate provider of education or training. The remaining hours are time spent by the learner in preparation, study or any other form of participation in education or training that takes place as directed by, but not under the immediate guidance or supervision of, a tutor or other appropriate provider of education or training.

2 Statement of level

This is a Level 3 qualification, defined with reference to the Regulated Qualifications Framework (RQF), as follows:

Knowledge descriptor The learner:	Skills descriptor The learner can:
<ul style="list-style-type: none"> • has factual, procedural and theoretical knowledge and understanding of a subject or field of work to complete tasks and address problems that while well-defined, may be complex and non-routine • can interpret and evaluate relevant information and ideas • is aware of the nature of the area of study or work. • is aware of different perspectives or approaches within the area of study or work. 	<ul style="list-style-type: none"> • identify, select and use appropriate cognitive and practical skills, methods and procedures to address problems that while well-defined, may be complex and non-routine • use appropriate investigation to inform actions • review how effective methods and actions have been.

3 Purpose

Learners who complete the qualification successfully will have a comprehensive range of knowledge and skills and will be able to carry out period end bookkeeping routines and also perform tasks of a complex nature that fall within the function of accounting. They will be able to prepare a trial balance, use a suspense account and correct bookkeeping errors. They will also be able to carry out routine period end procedures such as valuing stock and recording a stock valuation in the bookkeeping system, accounting for the acquisition, depreciation and disposal of fixed assets and keeping a fixed asset register, accounting for prepayments and accruals, writing-off bad debts and providing for doubtful debts.

Successful completion of the qualification will give learners the skills required to prepare financial statements for a sole trader (trading and profit and loss account and a balance sheet). They will also be able to prepare an extended trial balance, and prepare financial statements for a sole trader from incomplete records.

On completing the qualification, learners will have the opportunity to acquire the skills required to prepare financial statements for partnerships and not for profit organisations. Partnership accounting includes accounting for the appropriation of profit generated by a partnership between partners, and accounting for a change in the structure of a partnership. Accounting for not for profit organisations equips learners with the skills to prepare a statement of income and expenditure and a balance sheet from basic records.

4 Target groups

The Level 3 Certificate in Bookkeeping and Accounting has been designed to appeal to learners:

- who already have some bookkeeping experience and want to formalise their knowledge and skills by completing an accredited qualification in bookkeeping and accounting
- who already hold a bookkeeping qualification wanting to expand their range of knowledge and skills
- already employed in bookkeeping or allied roles and wanting to expand their range of knowledge and skills so that they can perform more advanced tasks and take on additional responsibility in the workplace
- already self-employed as a bookkeeper/practitioner, or considering self-employment, and wanting to expand their range of knowledge and skills so that they can offer a more extensive range of services to a wider client base.

5 Entry requirements

It is recommended that learners wanting to study bookkeeping and accounting at Level 3 already have a sound knowledge of bookkeeping up to and including trial balance stage. Suitable work experience would

qualify learners to commence their studies at this level, as would the IAB Level 2 Certificate in Bookkeeping qualification or equivalent.

6 Progression

Holders of the Level 3 Certificate in Bookkeeping and Accounting qualification may progress to another qualification at:

- Level 3 carrying with them credits for units achieved to expand their knowledge and skills in the subject area
- a higher level, thereby developing their knowledge and skills in the subject area.

7 Assessment, achievement and grading

7.1 Methods of assessment

The method of assessment for each unit is outlined in the table below.

Assessment Title	Method of Assessment
Principles of accounting	Knowledge Test
Make accounting adjustments	Assignment
Prepare financial statements from double entry records for sole traders and partnerships	Examination
Prepare financial statements from incomplete records for sole traders and not for profit organisations	Assignment

The knowledge tests, examination and assignments are delivered online. Pilot assessments are provided for the purposes of practice and revision. Pilot assessments are not timed and can be undertaken as many times as the learner chooses. Once the pilot assessment is passed, the learner can attempt the live assessment. Live assessments are timed. The live examination must be completed under controlled conditions.

7.2 Achievement and grading

To achieve the qualification learners must take and pass the assessments for the three mandatory units of which the qualification is comprised. To pass an assessment, the learner must achieve:

70% or above for a Knowledge Test

70% or above for an Assignment

60% or above for the Examination

There are no grade scales – learners will receive either a pass or a fail result.

8 Certification

On achievement of all the mandatory units the learner will receive an IAB Level 3 Certificate in Bookkeeping and Accounting certificate. The certificate will carry the full name of the learner as registered.

Learners who do not achieve the full qualification may request a Certificate of Unit Completion for any of the individual units they have passed. This certificate will refer only to the title of the unit completed.

9 Reasonable Adjustments and Special Considerations

Please refer to the Centre Area of the IAB website www.iab.org.uk for a copy of this procedure.

10 Enquiries and Appeals

Please refer to the Centre Area of the IAB website www.iab.org.uk for a copy of this procedure.

11 Unit Specifications

The unit specifications indicate the content, in terms of learning outcomes and assessment criteria, of each of the four mandatory units within the Level 3 Certificate in Bookkeeping and Accounting qualification.

All the learning outcomes and assessment criteria must be covered by providers when delivering the qualification. Each live assessment covers a selection of the unit learning outcomes and assessment criteria and full coverage is achieved across the live assessment variations for each unit.

The content of the assessments is subject to ongoing review by the IAB and changes periodically.

Each of the unit specifications is provided below.

Level 3 Certificate in Bookkeeping and Accounting – 601/9058/9

Unit title	Principles of accounting – R/508/5865		
Level	3		
GLH	10	Total Qualification Time	20
Learning Outcomes	Assessment Criteria		
<p>Demonstrate knowledge</p> <p>1 Understand the purpose of accounting concepts and standards, and recognise the qualitative characteristics of financial information</p>	<p>Learners are required to demonstrate that they:</p> <p>1.1 Understand the accounting terms 'true and fair'</p> <p>1.2 Understand how the following accounting concepts are used in accounting:</p> <ul style="list-style-type: none"> • going concern • accruals • prudence • consistency • dual aspect • materiality • objectivity • realisation <p>1.3 Understand the purpose of domestic and international accounting standards</p> <p>1.4 Understand how the following qualitative characteristics make financial information more useful:</p> <ul style="list-style-type: none"> • relevance • reliability (faithful representation) • understandability (ease of understanding) • comparability 		
<p>Demonstrate knowledge</p> <p>2 Understand the process of accounting for a stock valuation</p>	<p>Learners are required to demonstrate that they:</p> <p>2.1 Understand what is meant by the accounting term 'stock'</p> <p>2.2 Recognise the accounting concepts applied when:</p> <ul style="list-style-type: none"> • using opening and closing stock valuations • valuing stock <p>2.3 Recognise what is meant by the term 'cost price'</p> <p>2.4 Recognise methods used for the purpose of valuing stock at cost price</p> <p>2.5 Recognise the terms 'mark-up and 'margin', and know how to adjust selling price to cost price given mark-up or margin and selling price</p> <p>2.6 Recognise the term 'net realisable value' and know how to calculate net realisable value</p> <p>2.7 Understand the rule on which cost and net realisable value are applied and identify the accounting concept on which the rule is based</p>		

	2.8 Understand how opening and closing stock valuations are used when preparing financial statements
<p>Demonstrate knowledge</p> <p>3 Understand the process of accounting for fixed assets</p>	<p>Learners are required to demonstrate that they:</p> <p>3.1 Understand the terms 'capital' and 'revenue' expenditure and recognise the consequences of incorrectly classifying expenditure</p> <p>3.2 Understand how the concept of materiality is applied when classifying expenditure as capital or revenue</p> <p>3.3 Recognise costs that are generally capitalised when calculating the cost of a fixed asset</p> <p>3.4 Understand what is meant by the accounting term 'depreciation' and know why fixed assets depreciate</p> <p>3.5 Recognise the accounting concepts applied when providing for depreciation</p> <p>3.6 Understand the following terms – 'capitalised cost', 'depreciable amount', 'useful life', 'residual value' and 'net book value'</p> <p>3.7 Understand the use of the straight line and diminishing balance methods of depreciation and the bases on which depreciation is calculated (full year and month-for-month)</p> <p>3.8 Understand the purpose of the fixed asset register</p> <p>3.9 Understand the process for accounting for the disposal of a fixed asset</p> <p>3.10 Know how the following information is used when preparing financial statements:</p> <ul style="list-style-type: none"> • fixed asset costs • accumulated depreciation provisions • annual depreciation charge • profit or loss on disposal
<p>Demonstrate knowledge</p> <p>4 Understand the process of accounting for prepayments and accruals</p>	<p>Learners are required to demonstrate that they:</p> <p>4.1 Recognise the accounting concepts applied when making adjustments for prepayments and accruals</p> <p>4.2 Understand how prepayments and accruals are used in the preparation of financial statements</p>
<p>Demonstrate knowledge</p> <p>5 Understand the process of accounting for bad and doubtful</p>	<p>Learners are required to demonstrate that they:</p> <p>5.1 Recognise the terms 'bad' and 'doubtful debts' and understand the difference between a bad debt and provision for doubtful debts</p>

<p>debts</p>	<p>5.2 Recognise the accounting concepts applied when writing-off bad debts and providing for doubtful debts</p> <p>5.3 Understand the process for accounting for a bad debt write off</p> <p>5.4 Recognise each of following as methods on which a doubtful debts provision is calculated:</p> <ul style="list-style-type: none"> • general provision • specific provision <p>5.5 Understand the process for calculating a provision for doubtful debts, and a provision for doubtful debts adjustment</p> <p>5.6 Know how the following are used in the preparation of financial statements:</p> <ul style="list-style-type: none"> • bad debt write-off • provision for doubtful debts adjustment • provision for doubtful debts
<p>Demonstrate knowledge</p> <p>6 Understand the purpose of a trial balance and a suspense account</p>	<p>Learners are required to demonstrate that they:</p> <p>6.1 Recognise the format of the trial balance and understand its purpose</p> <p>6.2 Recognise types of error the trial balance will not expose</p> <p>6.3 Recognise types of error exposed by the trial balance and know the process for tracing errors within the bookkeeping system</p> <p>6.4 Understand the purpose of the suspense account</p>
<p>Demonstrate knowledge</p> <p>7 Understand the purpose of financial statements</p>	<p>Learners are required to demonstrate that they:</p> <p>7.1 Recognise the format of the trading and profit and loss account and understand its purpose</p> <p>7.2 Recognise the format of the balance sheet and understand its purpose</p>
<p>Demonstrate knowledge</p> <p>8 Understand the purpose of the extended trial balance</p>	<p>Learners are required to demonstrate that they:</p> <p>8.1 Recognise the format of the extended trial balance</p> <p>8.2 Understand the purpose of the extended trial balance</p> <p>8.3 Understand the process for preparing an extended trial balance</p>
<p>Demonstrate knowledge</p> <p>9 Understand the principles of accounting for partnerships</p>	<p>Learners are required to demonstrate that they:</p> <p>9.1 Understand the term 'partnership'</p> <p>9.2 Recognise advantages and disadvantages of partnerships</p> <p>9.3 Recognise the main provisions of the Partnership Act 1890</p> <p>9.4 Understand the purpose of a Partnership Agreement and identify the main contents of such an agreement</p>

	<p>9.5 Recognise the purpose of the following accounts</p> <ul style="list-style-type: none"> • partners' fixed capital accounts • partners' current accounts • partnership trading and profit and loss account • partnership profit or loss appropriation account • partnership balance sheet <p>9.6 Recognise that the following result in a change in the structure of a partnership:</p> <ul style="list-style-type: none"> • new partner joining a partnership • a partner withdrawing from a partnership <p>9.7 Recognise the accounting term 'goodwill' and understand the process for creating and deleting goodwill</p>
<p>Demonstrate knowledge</p> <p>10 Understand the process of accounting from incomplete records</p>	<p>Learners are required to demonstrate that they:</p> <p>10.1 Understand how the system of bookkeeping known as single entry operates</p> <p>10.2 Recognise the limitations of keeping single entry records</p> <p>10.3 Understand the process of calculating capital or accumulated funds from incomplete data</p> <p>10.4 Understand the process for constructing accounts to account for receipts and payments from incomplete records</p>
<p>Demonstrate knowledge</p> <p>11 Understand the principles of accounting for not for profit organisations</p>	<p>Learners are required to demonstrate that they:</p> <p>11.1 Understand the term 'not for profit' and can identify the form in which a not for profit organisation is likely to operate</p> <p>11.2 Recognise terms used specifically in accounting for not for profit organisations</p> <p>11.3 Understand the purpose of a receipts and payments account and the limitations of such an account</p> <p>11.4 Understand the purpose of the income and expenditure account</p>

Unit title	Make accounting adjustments – Y/508/5866		
Level	3		
GLH	25	Total Qualification Time	75
Learning Outcomes	Assessment Criteria		
Demonstrate skills 1 Account for a stock valuation	Learners are required to demonstrate that they can: 1.1 Value stock at cost price 1.2 Value stock at net realisable value 1.3 Adjust retail selling price to cost price given mark-up or margin 1.4 Value stock given cost price and net realisable value 1.5 Adjust a stock valuation 1.6 Prepare a journal entry to account for closing stock 1.7 Prepare the journal entry to transfer opening and closing stock to the trading account 1.8 Keep a stock account, record opening and closing stock and balance off the account at the end of an accounting period 1.9 Use opening and closing stock valuations in the preparation of financial statements		
Demonstrate skills 2 Account for fixed assets	Learners are required to demonstrate that they can: 2.1 Maintain a fixed asset register 2.2 Calculate depreciation using the straight line and diminishing balance methods applying the full year and month-for month bases 2.3 Prepare a journal entry to account for a fixed asset bought on credit 2.4 Prepare a journal entry to support a depreciation charge 2.5 Maintain fixed asset cost accounts, provision for depreciation accounts and a depreciation expense account in the ledger 2.6 Calculate the profit or loss on disposal of a fixed asset 2.7 Prepare journal entries to support the transfer of a fixed assets cost and accumulated depreciation to a disposals account following its disposal 2.8 Prepare a fixed asset disposals account in the ledger and record the cost, accumulated depreciation, income on disposal and profit or loss on disposal of fixed assets 2.9 Prepare the journal entry to support the transfer of profit or loss on disposal of fixed assets to the profit or loss account 2.10 Use information in the bookkeeping system relating to the cost, annual depreciation charge, accumulated provision for depreciation and profit or loss on disposal when preparing financial statements		

<p>Demonstrate skills</p> <p>3 Account for prepayments and accruals</p>	<p>Learners are required to demonstrate that they can:</p> <p>3.1 Make calculations to account for amounts received in advance, receivable in arrears, paid in advance and payable in arrears</p> <p>3.2 Prepare journal entries to account for prepayment and accruals adjustments and process the adjustments through appropriate accounts in the ledger</p> <p>3.3 Prepare journal entries to transfer non-trading income earned, and expenses incurred in an accounting period to the profit and loss account, process the transfer transactions through the ledger accounts and close off the accounts</p> <p>3.4 Use prepayment and accruals balances in the preparation of a balance sheet</p>
<p>Demonstrate skills</p> <p>4 Account for bad and doubtful debts</p>	<p>Learners are required to demonstrate that they can:</p> <p>4.1 Prepare the journal entry to account for the write-off of a bad debt and make a claim for VAT bad debt relief, record the journal entry in the main and subsidiary ledgers</p> <p>4.2 Calculate a provision for doubtful debts using the general provision or specific provision bases</p> <p>4.3 Calculate a provision for doubtful debts increase or decrease adjustment and record the adjustment in a provision for doubtful debts account</p> <p>4.4 Record a provision for doubtful debts adjustment (increase or decrease) in the profit and loss account</p> <p>4.5 Balance off the provision for doubtful debts account and use the closing balance in the preparation of a balance sheet</p>

Unit title	Prepare financial statements from double entry records for sole traders and partnerships – D/508/5867		
Level	3		
GLH	25	Total Qualification Time	75
Learning Outcomes	Assessment Criteria		
<p>Demonstrate skills</p> <p>1 Prepare a trial balance and correct errors</p>	<p>Learners are required to demonstrate that they can:</p> <p>1.1 Prepare a trial balance from a list of balances taken from a double entry bookkeeping system</p> <p>1.2 Introduce a suspense account balance to account for an imbalance in the double entry records and record the imbalance on the trial balance and in the suspense account</p>		

	<p>1.3 Prepare journal entries to correct bookkeeping errors, record the entries in the bookkeeping system and eliminate the balance on the suspense account</p> <p>1.4 Redraft the trial balance following the correction of errors</p>
<p>Demonstrate skills</p> <p>2 Prepare financial statements for a sole trader</p>	<p>Learners are required to demonstrate that they can:</p> <p>2.1 Use a trial balance extracted from the double entry bookkeeping system of a sole trader, apply period end adjustments and prepare the following financial statements:</p> <ul style="list-style-type: none"> • a trading and profit and loss account • a balance sheet
<p>Demonstrate skills</p> <p>3 Prepare an extended trial balance</p>	<p>Learners are required to demonstrate that they can:</p> <p>3.1 Enter balances extracted from the double entry system of a sole trader in the trial balance columns of an extended trial balance and total the debit and credit columns</p> <p>3.2 Enter accounting adjustments in the adjustments columns of the extended trial balance and total the debit and credit columns</p> <p>3.3 Extend balances from the trial balance column(s) to the profit and loss columns or balance sheet columns of the extended trial balance</p> <p>3.4 Balance the profit and loss columns of the extended trial balance by calculating and adding the net profit or loss, and extend the profit or loss to the appropriate balance sheet column</p> <p>3.5 Balance the balance sheet columns of the extended trial balance</p>
<p>Demonstrate skills</p> <p>4 Prepare financial statements for a Partnership</p>	<p>Learners are required to demonstrate that they can:</p> <p>4.1 From a trial balance extracted from the double entry bookkeeping system of a partnership, apply accounting adjustments and prepare a trading and profit and loss account</p> <p>4.2 Prepare a profit and loss appropriation account for a partnership and account for the appropriation of profit or loss in accordance with the Partnership Act 1890 or a Partnership Agreement.</p> <p>Appropriation to include:</p> <ul style="list-style-type: none"> • interest charged on drawings • interest given on capital invested • partners' salaries • share of profit or loss <p>4.3 Prepare partner current accounts following the appropriation of profit or loss</p>

	<p>4.4 Prepare a balance sheet for a partnership clearly showing the claim of each partner on the net assets of the business</p> <p>4.5 Account for the creation and deletion of goodwill following a change in the structure of a partnership</p> <p>4.6 Prepare partner capital accounts following a change in the structure of a partnership</p> <p>4.7 Prepare a profit and loss appropriation account following a change in the structure of a partnership</p> <p>4.8 Prepare current accounts for partners following a change in the structure of a partnership and the appropriation of profit or loss</p>
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Unit title	Prepare financial statements from incomplete records for sole traders and not for profit organisations – H/508/5868		
Level	3		
GLH	20	Total Qualification Time	50
Learning Outcomes	Assessment Criteria		
<p>Demonstrate skills</p> <p>1 Calculate capital or accumulated funds from incomplete data</p>	<p>Learners are required to demonstrate that they can:</p> <p>1.1 Given the assets and liabilities of a business, or a not for profit organisation, calculate the capital contribution of the owner of the business, or the accumulated fund of members of the not for profit organisation</p>		
<p>Demonstrate skills</p> <p>2 Construct accounts and a trial balance from incomplete records</p>	<p>Learners are required to demonstrate that they can:</p> <p>2.1 Given incomplete data construct accounts to account for receipts and payments for a business or not for profit organisation</p> <p>2.2 Prepare a trial balance for a business from incomplete records (sole trader)</p>		
<p>Demonstrate skills</p> <p>3 Prepare financial statements from incomplete records</p>	<p>Learners are required to demonstrate that they can:</p> <p>3.1 Prepare a trading and profit and loss account for a sole trader, or an income and expenditure account for a not for profit organisation from incomplete records</p> <p>3.2 Prepare a balance sheet for a sole trader, or not for profit organisation from incomplete records</p>		

12 Links to National Occupational Standards (NOS)

The mandatory units within the Level 3 Certificate in Bookkeeping and Accounting (RQF) qualification link with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FA-1 Process Income
- FA-2 Process Expenditure
- FA-3 Account for Income and Expenditure.