



NEW ZEALAND  
INSTITUTE OF  
CHARTERED  
ACCOUNTANTS

## SUBMISSION

to the INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD

# Exposure Draft IES 5: Practical Experience Requirements for Aspiring Professional Accountants

Prepared by the New Zealand Institute of Chartered Accountants

October 2011

9 October 2011

Technical Manager  
International Accounting Education Standards Board  
International Federation of Accountants  
277 Wellington Street West, 4<sup>th</sup> Floor  
Toronto, Ontario M5V 3H2  
CANADA

Dear David

***Submission on the Proposed Redrafted IES 5***

The New Zealand Institute of Chartered Accountants (the Institute) welcomes the opportunity to comment on the Exposure Draft (ED) of the proposed redrafted IES 5, *Practical Experience for Aspiring Professional Accountants*.

The Institute supports the aims and objectives of the International Accounting Education Standards Board (IAESB) in producing this ED and considers the objective of the standard as set out in paragraph 8 as appropriate.

The Institute thanks the IAESB for the opportunity to comment on the ED. We trust our comments are of value to the IAESB's deliberations.

Yours sincerely,



Bruce Bennett  
General Manager – CA Program & Admissions

## 1. General comments

The Institute welcomes the opportunity to comment on the ED and supports IFAC in its endeavour to offer further clarification and elaboration to assist interpretation and enhance understanding of the work of the IAESB and the IESs. We support the focus of the proposed redrafted standard, which we consider to be in keeping with the original 2003 version, and clarified in line with the Board's revised Framework.

## 2. Request for Specific Comments

### **1. Do you find that the outcome-based, input-based, and combination approaches offer sufficient alternatives for effectively meeting the standard's requirements for IFAC member bodies to establish their preferred approach to measure practical experience?**

We consider that a purely input-based approach to practical experience is unlikely to enable a member body to meet the objectives of this standard. Time alone is an unreliable and, in our opinion, invalid, approach for measuring the development and application of the professional knowledge, professional skills and professional values, ethics and attitudes required to perform the work of a professional accountant with competence. In our opinion, any input based measure must be combined with an output based measure, such as competence map or record of experience. While an input measure such as time provides an indication of the length of time to develop the required range of competence by reflecting the amount of time it takes to progress to greater responsibility, to observe a range of scenarios, apply the range of technical knowledge developed, and exercise ethical and professional behaviour, this alone is an unreliable approach to ensuring candidates have the required competence.

### **2. In considering the role of the supervisor in directing the aspiring professional accountant's practical experience, the IAESB is proposing to define a supervisor as follows: "is a professional accountant who is responsible for guiding and advising aspiring professional accountants and for assisting in the development of the aspiring professional accountant's competence". Do you agree with this definition? If not, what amendments would you propose to the definition?**

We are unsure of the Board's intentions and objectives by introducing the term "supervisor" in addition to the existing definition of the "mentor". In our opinion, the previously defined term of "mentor" fulfilled this same objective and the introduction of this new term (with the same meaning) is likely to cause confusion amongst member bodies. The original IES 5, included discussion on the mentor's role in planning, directing and monitoring practical experience; where the mentor was not the trainee's supervisor or employer, the standard provided discussion on the role of working together to ensure the period of practical experience was mutually beneficial to the trainee and employer. In our opinion it would be preferable to retain the existing definition of the term mentor and use this in combination with the standard English definition of the word 'supervisor' as necessary; in many instances the aspiring professional accountant will have a 'supervisor' who is not a professional accountant, and this is where the mentor role (who may not be the direct supervisor) is distinguished separately.

### **3. Are the requirements of IES 5 clear for IFAC member bodies?**

We consider the requirements to be clear, subject to our comments in response to questions 1 above. We would encourage the Board to consider introducing the term "applied" in addition to the term "demonstrate" in paragraph 10.

**4. Are the examples and explanation in Explanatory Materials section sufficient in explaining the requirements of the Standard?**

In our opinion, we consider the examples and explanation in the Explanatory Materials section to be appropriate.

**5. Is the objective to be achieved by a member body, stated in the proposed revised IES 5, appropriate?**

We consider the objective to be appropriate. The use of the terms “appropriate” and “sufficient” implies member bodies should introduce both an output and input approach (“sufficient” inferring an input based approach based on quantitative measures). This is in line with our comments on question one above.

**6. Have the criteria identified by the IAESB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in implementation by member bodies?**

Yes.

**7. Are there any terms within the proposed IES 5 which require further clarification? If so, please explain the nature of the deficiencies.**

We consider the terms used in the proposed redrafted standard to be sufficiently explained and widely understood, with the exception of the term “sufficiency”. The definition states this relates to a ‘quantitative’ measure which is directly relevant to an input based approach. This term is used in conjunction with the discussion on output and combination based approaches as well as input based approaches which may cause confusion (see paragraph 18). The Board may consider reverting to the term “acceptable” and let the member body determine what is acceptable depending on the type of approach taken to prescribing practical experience requirements.

**Other comments**

The Institute notes the Board’s proposed effective date to be 12-15 months after approval of the final revised standard. To provide member bodies with sufficient time to make alternations to their programmes, we would urge the Board to adopt an effective date 15-18 months after approval of the final revised standard.