

Basis for Conclusions
Prepared by the Staff of the IAESB
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International Education Standard (IES) 5

**Initial Professional
Development – Practical
Experience (Revised)**

IAESB

**International Accounting
Education
Standards Board**



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This document was prepared by the Staff of the International Accounting Education Standards Board (IAESB).

The IAESB develops education standards, guidance, and information papers on pre-qualification education, training of professional accountants, and continuing professional education and development.

The objective of the IAESB is to serve the public interest by setting high-quality education standards for professional accountants and by facilitating the convergence of international and national education standards.

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BASIS FOR CONCLUSIONS

INTERNATIONAL EDUCATION STANDARD 5, INITIAL PROFESSIONAL DEVELOPMENT – PRACTICAL EXPERIENCE (REVISED)

The Basis for Conclusions document for International Education Standard (IES) 5 has been prepared by the Staff of the International Accounting Education Standards Board (IAESB). It relates to, but does not form part of IES 5, *Initial Professional Development – Practical Experience* (Revised).

Background

1. In October 2009 the IAESB approved a project to redraft and revise IES 5. The IAESB agreed that IES 5 should be redrafted with the aim of:
 - Improving clarity;
 - Ensuring consistency with concepts of the *Framework for International Education Standards for Professional Accountants* (2009) document; and
 - Clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the Standards by IFAC member bodies.

In addition, the IAESB agreed to consider the following issues when revising IES 5:

- (i) Revise the requirements of the Standard to ensure that all measures continue to be relevant and appropriate to a competence-based approach to the learning and development of a professional accountant
- (ii) Consider elaborating on various components of practical experience such as participation, observation, and simulation
- (iii) Clarify the Standard's scope to address both development and assessment of competence by practical experience
- (iv) Clarify the Standard's requirements on practical experience to ensure that they continue to meet the core competences required for the various roles of a professional accountant
- (v) Clarify the Standard to eliminate repetition and duplication by transferring content to the existing Practice Statement (IEPS 3) to ensure that the Standard is easily understood by its target audience
- (vi) Determine whether the content of the Standard should be consolidated within other Standards or remain stand alone

The revised IES 5 prescribes the practical experience required of aspiring professional accountants by the end of Initial Professional Development (IPD). More specifically, the revised IES 5 is primarily aimed at IFAC member bodies, but will also be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the development of aspiring professional accountants.

2. As part of its initiative to clarify the suite of 8 IESs, the IAESB agreed a new structure to improve clarity of its standards, which will improve their readability and provide an appropriate level of explanation to ensure that interested stakeholders understand and apply the Standards properly. The new structure includes 4 major sections: Introduction, Objectives, Requirements, and Explanatory Material. These sections place greater emphasis on the obligations and requirements

of an IFAC member body in the learning and development of a professional accountant. In addition, the IAESB has also made amendments to the language of its Standards to improve the understanding of the requirements that IFAC member bodies undertake when implementing the Standards.

3. The IAESB issued the exposure draft of IES 5 ["ED-IES 5"] on July 8, 2011, with the deadline for response of October 8, 2011. The IAESB received 40 comment letters from respondents representing different interests, including IFAC member bodies, regional organizations, public accounting firms, regulators, accounting organizations, academics, and individuals. In addition, the IAESB Consultative Advisory Group (CAG) commented on both the development of the Exposure Draft (ED) of the Revised IES 5 and the analysis of comments from ED respondents at the February 2012 CAG meeting. As a result of these comments, the IAESB has implemented a number of changes to finalize the text of the Revised IES 5. The following summarizes the more significant issues raised by respondents, and how the IAESB addressed them.

Issues Raised During Exposure Period

4. Respondents raised a range of issues related to:
 - Title, Scope; and Objective;
 - Requirements; and
 - Explanatory Material and Terminology.

Changes made to ED-IES 5 since the exposure period, are now discussed in turn below.

Title, Scope & Objective

Initial Professional Development

5. Respondents for all of the various categories (IFAC member bodies, public accounting firms, regulators, academic accounting associations, professional organizations, and individuals) of respondents to the ED-IES 5 recognized that practical experience is required in the development of an aspiring professional accountant and many of these respondents also indicated that it was consistent with the *Framework for International Education Standards for Professional Accountants* (2009) document which identifies practical experience as a component of IPD.
6. To improve clarity and to reinforce the importance of practical experience being included during IPD to ensure the attainment of professional competence, the IAESB has made the following amendments:
 - The title of ED-IES 5, *Practical Experience Requirements for Aspiring Professional Accountants* (Revised), was amended to the following, IES 5, *Initial Professional Development – Practical Experience* (Revised). The amendment to the title reflects the IAESB's view that IPD is the learning and development through which individuals first develop competence to perform a role of a professional accountant. The amendment also supports the view that IPD includes general education, professional accounting education, practical experience, and assessment as indicated in the *Framework* (2009) document.
 - Paragraph 1 of the Introduction section of ED-IES 5 was also amended to clarify that IES 5 prescribes the practical experience required of aspiring professional accountants by the end of IPD.
 - Paragraphs 2, 4, and 5 of ED-IES 5 have been amended to provide additional explanation on practical experience by recognizing: (a) the responsibility of an IFAC member body; (b) how

practical experience relates to general education and professional accounting education programs; and (c) the need for practical experience to develop engagement partners (IES 8).

Other Issues

7. The IAESB made the following amendments to the wording of the scope paragraphs and objective statement to improve clarity:
 - Respondents from each of the various categories (e.g., IFAC member bodies, public accounting firms, regulators, academic accounting associations, professional organizations, and individuals) requested further amendments to improve clarity in (a) differentiating mentor and supervisor roles; (b) re-defining supervisor role; and (c) clarifying definitions of mentor and supervisor roles. After a full discussion on this issue the IAESB has decided to replace the terms, mentor and supervisor, with the term practical experience supervisor. The definition of practical experience supervisor requires the individual to be a professional accountant who has responsibility for directing, advising, and assisting the aspiring professional accountant in acquiring sufficient practical experience. In addition, the Explanatory Material section provides clarification of the role of the practical experience supervisor; including mentoring support in some environments (Paragraph A15 of the Revised IES 5). This section also indicates that practical experience supervisors may be assisted in performing the monitoring function by others, some of whom may not be professional accountants (Paragraph A16 of the Revised IES 5).
 - The IAESB has included a new paragraph (Paragraph 8 of the Revised IES 5) in the Introduction section to identify the *Framework* (2009) and the *IAESB Glossary of Terms* as sources for the definitions and explanations of key terms.
 - Respondents from the following categories requested further clarification on Paragraph 10 of ED-IES 5, the Objective statement: IFAC member bodies, public accounting firms, regulators, academic accounting associations, and individuals. The comments of these respondents included suggestions to: (a) improve the definitions of appropriateness and sufficiency; (b) clarify that practical experience is required to become a professional accountant; (c) provide a link between the Objective statement and the professional accountant definition; and (d) provide a reference to assessment and to the other IPD standards. The IAESB has considered these suggestions and made amendments to the Objective statement to clarify the IFAC member bodies' obligation by linking the completion of sufficient practical experience with performing a role of professional accountant, as well as providing a definition and further explanation of sufficiency in the Explanatory Material section (Paragraphs A5 and A6 of the Revised IES 5).

Requirements

Output-based, Input-based, and Combination Approaches

8. In general respondents from the following categories agreed that the three approaches were sufficient for IFAC member bodies to establish their preferred approach to measure practical experience: IFAC member bodies, public accounting firms, academic accounting associations, professional associations, and individuals. There were several respondents who requested further clarity. These comments included: providing clarity on the term sufficient (IRBA) and requiring more specificity in the requirements indicate that a combination approach should usually be followed by member bodies rather than presenting input, output and combination as approaches of equal merit (UK FRC).

9. The IAESB agreed with the request to provide further clarification on sufficiency by explaining sufficient practical experience in the Explanatory Material section. The explanation now includes a new paragraph that provides a definition of sufficient practical experience and identifies factors that might affect the breadth and depth of practical experience (Paragraph A5 of the Revised IES 5). In addition, several reasons are provided for having aspiring professional accountants complete sufficient practical experience to perform a role of a professional accountant (Paragraph A6 of the Revised IES 5). The IAESB has decided not to indicate that the combination approach should usually be followed, preferring to focus the requirement on IFAC member bodies establishing a preferred approach to measure practical experience. The focus on establishing a preferred approach recognizes that IFAC member bodies need to consider a number of factors in choosing an approach, including an understanding of the roles that aspiring professional accountants are expected to undertake upon completion of IPD, regulatory requirements, efficiency, and cost effectiveness (Paragraph A9 of the Revised IES 5). This consideration is also consistent with the view stated in the Framework (2009; Paragraph 31) document, which indicates the importance of validity, reliability and cost-effectiveness when choosing a measurement approach. In spite of these factors, what is overarching in choosing an approach is that the IFAC member body can measure whether an aspiring professional accountant has obtained practical experience which enables the aspiring professional accountant to demonstrate that they have gained the (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes necessary for performing a role of a professional accountant.

Other Issues

10. The IAESB made the following amendments to the wording of the Requirement paragraphs to improve clarity:
- The requirements on output-based (Paragraph 14 of the Revised IES 5) and input-based (Paragraph 15 of the Revised IES 5) approaches were clarified to emphasize that practical experience needs to be demonstrated by either output-based or input-based measures. In addition, examples of output-based (Paragraph A10 of the Revised IES 5) and input-based (Paragraph A12 of the Revised IES 5) measures are provided in the Explanatory Material section.
 - The requirement on monitoring practical experience is further clarified by requiring that it be recorded in a consistent form and supported by verifiable evidence (Paragraph 18 of the Revised IES 5).
 - The requirements of practical experience supervision have been clarified by including in the definition of a practical supervisor that the individual must be a professional accountant (Paragraph A15 of the Revised IES 5) and that the practical experience supervisor has the responsibility to perform a periodic review of the records of practical experience of aspiring professional accountants
11. Minor editorial improvements were made to paragraphs 11, 13, 16 and 20 of ED-IES 5 to improve the clarity and consistency of the Standard. These editorial improvements do not substantially change the content of these paragraphs.

Explanatory Material and Terminology

12. Respondents of ED-IES 5 requested that the Explanatory Material section should be amended to provide additional explanation of the Requirements. The amendments include: (1) improving the

clarity of the definitions for appropriateness and sufficiency; (2) clarifying that the practical experience is required to become a professional accountant; (3) linking the objective to the professional accountant definition; and (4) linking to IES 6 on assessment and to the other IPD standards.

13. In response the IAESB addressed these requests to improve the clarity of the Explanatory Material section and terminology being used in IES 5, as follows:

- Paragraph A1 of Explanatory Material section of Revised IES 5 is included as a new paragraph to clarify scope Paragraph 1 of Revised-IES 5 by defining an aspiring professional accountant and linking the inclusion of practical experience in IPD to the development of professional competence throughout the professional accountant’s career.
- Paragraph A2 of Explanatory Material section of Revised IES 5 is included as a new paragraph to provide additional explanation on professional accounting education programs. The new paragraph explains the design of professional accounting education programs by identifying components of its content and identifies the need to obtain input from stakeholders other than IFAC member bodies.
- Paragraph A3 of Explanatory Material section of Revised IES 5 is included as a new paragraph to clarify scope Paragraph 3 of Revised IES 5 by defining what professional competence is and explaining its components in terms of technical competence, professional skills, and professional values, ethics, and attitudes.
- Paragraph A5 of Explanatory Material section of Revised IES 5 is included as a new paragraph to provide additional explanation on what is sufficient practical experience. The new paragraph explains the factors that affect the breadth and depth of practical experience.
- Paragraph A10 of Explanatory Material section of Revised IES 5 has been clarified by including a definition of work log to ensure understanding of the type of evidence that can be used for assessment purposes in an output-based approach.
- Paragraph A15 of Explanatory Material section of Revised IES 5 has been clarified by including a definition of practical experience supervisor to ensure an understanding of the responsibilities of this position. This paragraph has also been amended to indicate that the practical experience supervisor may also provide mentoring support to aspiring professional accountant in some environments.
- Paragraph A17 of Explanatory Material section of Revised IES 5 is included as a new paragraph to clarify requirement Paragraph 18 of Revised IES 5 by defining verifiable evidence in terms of its characteristics of being objective, capable of being proven, and stored in written or electronic form.
- Paragraph A18 of Explanatory Material section of Revised IES 5 has been amended to clarify the purpose of the periodic review by the practical experience supervisor. The amendments place greater emphasis on monitoring to ensure that progress of the aspiring professional accountant meets expectations and the resulting benefits of periodic monitoring of practical experience.

14. Minor editorial improvements were made to paragraphs A1 to A14 of ED-IES 5 to improve the clarity and consistency of the Standard. These editorial improvements do not substantially change the content of these paragraphs.

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