Prequalification Education, Assessment of Professional Competence and Experience Requirements of Professional Accountants

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Preface

This Guideline sets forth recommendations, indicated in **boldface** print, as to the education and experience needed by prospective professional accountants to become qualified and to exercise their profession effectively and responsibly. The “Discussion” sections represent elaboration and rationale for the recommendations. The recommendations are directed toward establishing:

- the goal of accounting education and experience; its components of knowledge, skills and professional values; and the elements on which education and experience for all professional accountants should be founded;

- the minimum benchmarks of professional education and experience that professional accountants should meet in order to obtain membership in their professional body and to exercise their profession; and

- the criteria for the assessment of professional competence.

In this Guideline the term ‘professional accountants’ refers to those individuals — whether they be in public practice, industry, commerce, the public sector or education — who are members of an International Federation of Accountants (IFAC) member body. It is appreciated that the education and experience needs — as well as the institutional and cultural environment — of persons in these various spheres will differ and that those responsible for the formation of accountants will need to adapt the recommendations to meet their particular requirements.

Qualification/admission to membership is recognition that, at a given point in time, persons are deemed to have met the requirements for recognition in their own environment. In a time of constant change, however, such persons must be advised that continuing competence is a hallmark of the professional accountant and that the maintenance of career-long competence is a requirement of the profession. The issue of continuing professional education is addressed in International Education Guideline 2. IFAC also recognizes that member bodies are at different stages in their development. Some may already have addressed a number or all of the issues considered in the Guideline. Others may find them very challenging. Irrespective of the stage at which member bodies find themselves, IFAC suggests that, in the current time of change, all should now review their arrangements for the formation of their future members.

The area of assessment is one of great change at the current time. Much work is being done on the emerging concept of competence assessment. In addressing the recommendations of the Guideline in this area, member bodies should have regard to this emerging concept and as to how it could be adopted over time within their structures. Here again, it will be up to those responsible for policy formulation to address the Guideline in the light of their own circumstances.

Users of the Guideline will be aware of the growing movement towards international reciprocity and the comparability of standards. Some member bodies may find it helpful to use the Guideline as a benchmark appraising their structures and those of other bodies with which they may be in dialogue.
Introduction

1. Historically, accountancy has been looked upon as a profession that plays an important role in all societies. As the world moves toward market economies, and with investments and operations crossing borders to a greater extent, the professional accountant must have a broad-based global perspective to understand the context in which business and other organizations operate.

2. Rapid change is the predominant characteristic of the environment in which professional accountants work. Businesses and other organizations are engaging in more complex arrangements and transactions. Information technology is advancing at a rapid pace. Trade and commerce have become more international. Privatization has become an increasingly important goal in many countries. Many societies have become more litigious. Concern for the environment has grown. Because of these trends, the need for accountability and the resulting demand on the profession is high in all cultures and continues to increase. It is the profession’s capacity for satisfying this demand that determines its value to society.

3. These trends challenge professional accountants to make greater contributions to society than ever before, but they also present a challenge to maintaining their competence. The viability of accountancy as a profession depends on the ability and willingness of its individual members to accept responsibility for meeting these challenges. It is the responsibility of the professional bodies to equip their members for fulfilling these responsibilities.

4. To meet the challenges brought about by change, the competence of individuals becoming professional accountants must be enhanced. Since the means by which individuals obtain competence is through education and experience, the profession must aspire to increasingly higher standards in both of these areas.

5. The recommendations in this Guideline are intended to advance the profession of accountancy by establishing benchmarks for the education and experience of qualified accountants.

6. The following sections set forth:
   - the goal of accounting education and experience leading to qualification;
   - the knowledge, skills, and professional values necessary to achieve that goal; and
   - the elements that underlie the education and experience of the professional accountant.

The relationship among these sections is shown in Figure 1.
Figure 1  Goal and Structure of Prequalification Education and Experience of Professional Accountants
GOAL OF ACCOUNTING EDUCATION AND EXPERIENCE

7. The goal of accounting education and experience must be to produce competent professional accountants capable of making a positive contribution over their lifetimes to the profession and society in which they work. The maintenance of professional competence in the face of the increasing changes they encounter makes it imperative that accountants develop and maintain an attitude of learning to learn. The education and experience of professional accountants must provide a foundation of knowledge, skills, and professional values that enables them to continue to learn and adapt to change throughout their professional lives.

Discussion

8. All cultures exist in an environment of significant change. Increasingly, today’s professional accountants, in addition to acquiring accounting skills and knowledge, must have skills to enable them to be entrepreneurs, financial analysts, excellent sales persons, good communicators, capable negotiators and public relations specialists, as well as good managers. A program of accounting education and experience must go beyond the traditional approach to accounting education, which has emphasized “transfer of knowledge,” with learning defined and measured strictly in terms of knowledge of principles, standards, concepts, facts, and procedures at a point in time. Emphasis must be placed on a set of knowledge, skills, and professional values broad enough to enable adaption to change. Individuals who become professional accountants should be characterized by a constant striving to learn and apply what is new.

9. During prequalification, education teaching methods should be used that provide students with the tools for self-directed learning after qualification. To this end, educators may need to be trained and must be encouraged to use a broad range of learner-centered teaching methods that include:

• Use of case studies and other means to simulate actual work situations;
• Working in groups;
• Adapting instructional methods and materials to the ever-changing environment in which the professional accountant works;
• Pursuing a curriculum that encourages students to learn on their own;
• Using technology creatively;
• Encouraging students to be active participants in the learning process;
• Using measurement and evaluation methods that reflect the changing knowledge, skills, and values required of professional accountants;
• Integration of knowledge and skills across topics and disciplines to address multifaceted and complex situations typical of professional demands; and
• Emphasis on problem-solving which encourages identifying relevant information, making logical assessments and communication clear conclusions.

KNOWLEDGE, SKILLS, AND PROFESSIONAL VALUES

10. Achieving the goal of providing a foundation for lifelong learning requires a grounding in the knowledge, skills, and professional values essential to professional competency. Providing students with that grounding must be the focus of a program of accounting education and experience.

Knowledge

11. The knowledge that individuals must gain prior to qualification falls into four categories:

• general knowledge
• organizational and business knowledge
• information technology knowledge
• accounting and accounting related knowledge

Discussion

12. *General knowledge* — Broad-based individuals, who think and communicate effectively and who have the basis for conducting inquiry, carrying out abstract logical thinking, and undertaking critical analysis must have a good foundation of general education. This foundation enables them to place decisions in the larger context of society, to exercise good judgment and professional competence, to interact with diverse groups of people, and to begin the process of professional growth. See paragraph 29 for the suggested content of general education.

13. *Organizational and business knowledge* — Organizational and business knowledge provides the context in which professional accountants work. A broad knowledge of business, government, and non-profit organizations, how they are organized, financed, and managed, and the global environment in which they operate is essential to the functioning professional accountant. See paragraph 32 for the suggested content of the organization and business knowledge core.

14. *Information technology knowledge* — Information technology has transformed the role of the professional accountant. The professional accountant not only must use and evaluate information systems, but also must play an important role in the design and management of such systems. See paragraph 34 for the suggested content of the information technology knowledge core.

15. *Accounting knowledge and accounting related knowledge* — Accounting knowledge provides the strong technical background essential to a successful career as a professional accountant. See paragraph 42 for the suggested content of the accounting and accounting related knowledge core.

Skills

16. Skills enable the professional accountant to make successful use of the knowledge gained through education. They are not usually acquired from specific courses devoted to them but from the total effect of the educational program and professional experience. The skills that the individual must acquire are:

• intellectual skills

• interpersonal skills

• communication skills

Discussion

17. *Intellectual skills* — Intellectual skills enable a professional accountant to solve problems, make decisions, and exercise good judgement in complex organizational situations. Capabilities that collectively comprise an individual’s intellectual skills are:

• the capacity for inquiry, research, abstract logical thinking, inductive and deductive reasoning and critical analysis;

• the ability to identify and solve unstructured problems in unfamiliar settings and to apply problem-solving skills;

• the ability to select and assign priorities within restricted resources and to organize work to meet tight deadlines; and

• the ability to adapt to change.

18. *Interpersonal skills* — Interpersonal skills enable professional accountants to work with others for the common good of the organization. The components of interpersonal skills are:

• the ability to work with others in a consultative process, particularly in groups, to organize and delegate tasks, to motivate and develop people, to withstand and resolve conflict, and, at appropriate times, to lead them;

• the ability to interact with culturally and intellectually diverse people;
• the ability to negotiate acceptable solutions and agreements in professional situations; and
• the ability to work effectively in a cross-cultural setting.

19. Communication skills — Communication skills enable the professional accountant to receive and transmit information, form reasoned judgments, and make decisions effectively. The components of communications skills are:
• the ability to present, discuss, and defend views effectively through formal and informal, written and spoken, language;
• the ability to listen and read effectively, including a sensitivity to cultural and language differences; and
• the ability to locate, obtain, organize, report, and use information from human, print, and electronic sources.

Professional Values

20. The program of education and experience must provide potential professional accountants with a framework of professional values for exercising good judgment and for acting in an ethical manner that is in the best interest of society and the profession.

Discussion

21. Professional values comprise the attitudes that identify professional accountants as members of a profession. They are essential to making a continuing contribution to the development of the profession and the society in which it operates. The attributes which collectively comprise the values and attitudes of professional accountants are:
• a commitment to act with integrity and objectivity and to be independent under applicable professional standards;
• a knowledge of the standards of professional ethics of the member body to which an individual aspires;
• a concern for the public interest and sensitivity to social responsibilities; and
• a commitment to lifelong learning.

ELEMENTS OF ACCOUNTING EDUCATION AND EXPERIENCE

22. To achieve the goal of accounting education and experience and its components of knowledge, skills, and professional values various elements must be considered. These include:
• entry requirements
• general education
• professional education
• assessment
• experience requirements

Discussion

23. Although the elements are discussed in the paragraphs below in the order listed above, it is understood that they are not necessarily sequential. For example, professional education may be gained concurrently with general education while pursuing a university degree or it may be obtained in advanced study after completing another program of study at the collegiate level. Experience may be obtained after a program of study, or concurrently with a program of study.

24. The aim of the benchmarks presented below is to identify the subject areas which should be covered rather than to suggest actual courses that would be taken, because the subjects identified are covered
under different descriptions in different parts of the world. It is also recognized that some bodies require a greater range of subjects; others might place greater emphasis on some subjects in order to meet the purposes for which their students are being trained. The required level of understanding may vary in different professional bodies and over different time periods. An important determinant of the curriculum should be the set of knowledge, skills, and values relevant to a particular country or professional body while continuing to recognize the broader global perspective required of today’s professional accountant.

25. Where the educational process is conducted on a part-time basis concurrently with the acquisition of practical work experience, the responsible member body or government organization should be satisfied that the extent of the part-time study is equivalent to the required full-time study.

Entry Requirements

26. An individual must bring to a program of education and experience in accounting at least a minimum level of prior education to provide the foundation necessary to acquire the knowledge, skills, and professional values needed to become a professional accountant. The minimum entry requirement for an individual seeking to begin a program of study leading to membership as a professional accountant in an accountancy body should be at least equivalent to that which would entitle one to admission into a recognized university degree program or its equivalent.

Discussion

27. The intent of this requirement is to ensure that students aspiring to become professional accountants have an educational background which enables them to have a reasonable possibility of achieving success in their studies, qualifying examinations, and professional experience. For this requirement, the member bodies, if so desired, may require the entrants to take pre-entry proficiency tests.

28. Fundamentally, the quality of a profession cannot be maintained and improved if the capability of the individuals that enter it does not meet high standards. All professional bodies should attempt to attract outstanding individuals to the study of accounting.

General Education

29. Although general education requirements vary greatly from program to program and from country to country, a portion of the education must focus on the development of general knowledge, intellectual skills, interpersonal skills, and communication skills through a broad range of subjects that provide students with a grounding in arts, sciences and humanities.

Discussion

30. A broad-based general education is critical to lifelong learning and provides the foundation on which to build professional and accounting studies. Its purpose is to provide students with:

- an understanding of the flow of ideas and events in history, the different cultures in today’s world, and an international perspective;
- basic knowledge of human behavior;
- a sense of the breadth of ideas, issues and contrasting economic, political, and social forces in the world;
- experience in inquiry and evaluation of quantitative data;
- the ability to conduct inquiry, carry out abstract logical thinking, and understand critical thinking;
- an appreciation of art, literature, and science;
- an awareness of personal and social values and of the process of inquiry and judgment; and
- experience in making value judgments.
Professional Education

31. The professional education component must consist of at least two years of full-time study (or the equivalent) and must build on and develop further the intellectual, interpersonal, and communication skills provided in general education. Professional education consists of the:
   • organizational and business knowledge core
   • information technology knowledge core
   • accounting and accounting related knowledge core

32. *Organizational and business knowledge core* — The organizational and business knowledge core must include coverage of the following subjects:
   • economics
   • quantitative methods and statistics for business
   • organizational behavior
   • operations management
   • marketing
   • international business

Discussion

33. Organizational and business education provides prospective professional accountants with knowledge of the environments in which the employers or clients work. It further develops and provides the context for the application of the intellectual, interpersonal, and communication skills acquired during the overall prequalification process. It provides:
   • a knowledge of the activities of business, government, and non-profit organizations, and of the environments in which they operate, including the major economic, legal, political, social, international, and cultural forces and their influences and values;
   • a knowledge of macro- and micro-economics;
   • the application of quantitative methods and statistics to business problems;
   • an understanding of interpersonal and group dynamics in organizations, including the methods for creating and managing change in organizations;
   • an understanding of personnel issues, operations management, organizational strategy and governance and marketing;
   • a basic knowledge of international trade and finance and the ways in which international business is conducted; and
   • an ability to integrate the above components in accomplishing strategic objectives.

34. *Information technology knowledge core* — The requirements of the information technology knowledge core for professional accountants are addressed in the International Education Guideline *Information Technology in the Accounting Curriculum — IEG 11*.

Discussion

35. The information technology knowledge core provides students with the knowledge and skills they need to use and evaluate information technology and systems and to provide input into the design and management of those systems. It provides the prospective accountant with a knowledge of hardware and software products, information system operations and management processes, and the skills required to apply these products and processes to the task of information production and information system development, management and control.
36. At the prequalification stage, all professional accountants must obtain the general IT knowledge and skills outlined in the section on General Information Technology Education Requirements, as represented by the following basic content categories:

- information technology contents for business systems;
- internal control in computer-based systems;
- management of information technology adoption, implementation, and use;
- development standards and practices for business systems; and
- evaluation of computer-based business systems.

37. In addition, all professional accountants must obtain the knowledge and skills outlined in the section on The Professional Accountant as a User of Information Technology. This includes the background knowledge and familiarity with information systems concepts and terminology that would enable them to make reasonable decisions in connection with simple systems such as:

- defining their needs and identifying alternatives;
- deciding whether to purchase a particular set of hardware or software, and whether to acquire a pre-packaged system or develop the system using end-user tools such as spreadsheet packages or database packages, or outsourcing the development to another branch of the organization or an outside consultant;
- knowledge of how to test and assess the acceptability of a particular system being acquired or developed for their use and how to operate and manage such a system and keep it up to date; and
- knowledge of basic processes used to keep system resources organized, and of control processes and practices for safeguarding their systems and data against theft, unauthorized use, software piracy, virus attacks and system failure.

38. Accountants must also have prior to qualification the ability to use a wordprocessing package, a spreadsheet package, a database package and at least one entry level accounting package.

39. Where feasible, the professional accountant should have experience with at least two different types of systems architecture, for example, a single user standalone micro computer in a business context and a multi-user local area network system. In addition, the aspiring professional accountant should be able to use electronic mail and to access and retrieve information from an on-line data base.

40. Furthermore, all professional accountants are expected to concentrate on at least one of the roles identified in IEG 11 and to acquire the knowledge and skills identified for that role depending on the requirements of the professional body. These roles are: manager of information systems, designer of business systems and evaluator of information systems. Detailed information on the knowledge and skill requirements related to information technology may be found in IEG 11.

41. The information technology knowledge core may be obtained in a variety of ways. These include separate courses or by integrating the subject into the organizational and business knowledge core and/or into the accounting and accounting related knowledge core.

42. **Accounting and accounting related knowledge core** — This core must include coverage of at least the following subjects:

- financial accounting and reporting
- management accounting
- taxation
- business and commercial law
- auditing
- finance and financial management
- professional ethics
Discussion

43. The accounting and accounting related knowledge core further develops and integrates the knowledge, skills and professional values from general education and other core areas into the subject areas to which all accountants should be exposed. It provides students with the theoretical and technical accounting knowledge and professional ethics and values sufficient to pursue careers as professional accountants. Ideally, it should include:

- history of the accounting profession and accounting thought;
- content, concepts, structure, and meaning of reporting for organizational operations, both for internal and external use, including the information needs of financial decision makers and a critical assessment of the role of accounting information in satisfying those needs;
- national and international accounting and auditing standards;
- financial management including managing resources, planning and budgeting, cost management, quality control and benchmarking;
- environmental factors, and the regulation of accounting;
- ethical and professional responsibilities of an accountant;
- the concepts, methods and processes of control that provide for the accuracy and integrity of financial data and safeguarding of business assets;
- taxation and its impact on financial and managerial decisions;
- a knowledge of the business legal environment including securities and companies law, appropriate for the role of the profession in the particular country;
- the nature of auditing and other attest services and the conceptual and procedural bases for performing them in manual and electronic environments; and
- a knowledge of finance, including financial statement analysis, financial instruments, and capital markets, both domestic and international.

Assessment of Professional Competence

44. An appropriate process of assessment of professional competence must exist or be established. A required component of the assessment process for individuals seeking to become qualified is a final examination, administered by, or with substantive input from, the professional body or regulatory authority. The examination must be comprehensive, require a significant portion of responses to be in writing, and be administered near the end of the educational and, where appropriate, experience requirement.

Discussion

45. The assessment process, which may take a variety of forms, should be appropriate to the knowledge, skills and professional values being evaluated. This assessment process must include as a component an examination of professional competence, for several reasons. First, professional organizations, particularly those that are self-regulatory, have a responsibility to ensure that their members have the competence expected from them by society. Second, individuals who assume responsibility for certain aspects of the well-being of others need to demonstrate their ability to discharge them in a competent manner. Third, the well-being of society and the credibility of the profession are enhanced by ensuring that only those who meet the competency standards are able to hold themselves out as professionals.

46. It is acknowledged that the nature of an examination of professional competence is the responsibility of the member bodies and that there is no single preferred method for testing professional competence. Due to the diversity of competencies being evaluated, a variety of assessment methods is encouraged. These methods should be appropriate to the competencies being evaluated. The method(s) adopted will also depend on factors specific to each member body, including geographical location, educational and other resources available, the number of candidates
being tested and their backgrounds, experience and training. The examination of professional competence should contain a significant weighting assigned to answers in writing to provide an independent basis for assessment of the individual’s knowledge and skills. The examination may include elements of oral and group assessments. Appropriate assessment techniques are critical to the credibility of the final examination.

47. Examinations of professional competence may consist of a series of components or parts over the individual’s education and experience period. The timing of the final or ultimate component or part of the examination of professional competence should be at or near the end of the individual’s education and experience programs. It should also be comprehensive enough to cover the entire body of knowledge necessary to become qualified.

48. Assessment of professional competence should measure more than just theoretical knowledge. For example, candidates should be able to demonstrate that they:
   - have a sound technical knowledge of the specific subjects of the curriculum;
   - have an ability to apply technical knowledge in an analytical and practical manner;
   - are able to extract from various subjects the knowledge required to solve multiple topic problems;
   - can identify information relevant to a particular problem by distinguishing the relevant from the irrelevant in a given body of data;
   - are able, in multi-problem situations, to identify the problems and rank them in the order in which they need to be addressed;
   - appreciate that there can be alternative solutions and understand the role of judgment in dealing with these;
   - have an ability to integrate diverse areas of knowledge and skills;
   - can communicate effectively to the user by formulating realistic recommendations in a concise and logical fashion; and
   - have knowledge of the ethical requirements of the profession.

Experience Requirements

49. An appropriate period of relevant experience in performing the work of professional accountants must be a component of a prequalification program. The period of experience may vary due to differences in the environment in which professional accountants offer their services. However, this period should be long enough to permit prospective accountants to demonstrate they have gained the knowledge, skills, and professional values sufficient for performing with professional competence and for continuing to grow throughout their careers. This objective cannot normally be met in a period of less than three1 years.

Discussion

50. The term “relevant experience,” as used in this Guideline, refers to participation in work activities in an environment appropriate to the application of professional knowledge, skills, and values. Relevant experience provides a professional environment in which the accountant:
   - enhances his or her understanding of the organization and functioning of business;
   - is able to relate accounting work to other business functions and activities;
   - becomes aware of the environment in which services will be provided;
   - develops the appropriate professional ethics and values in practical, real-life situations;

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1 The three year minimum requirement in IEG 9 supercedes the requirement of two years as stated in paragraph 23 of the Statement of Policy of Council — Recognition of Professional Accountancy Qualifications (issued June 1995).
• has an opportunity to work at progressive levels of responsibility; and
• obtains the specialized accountancy training needed to ensure professional competence.

51. Prospective professional accountants should gain their relevant experience in accounting positions deemed appropriate by the professional body to which they are applying.

52. Experience leading to qualification should be conducted under the direction and supervision of experienced members of the professional body as identified by the body or regulatory agency.

53. Given the variety of circumstances which exist among professional accountancy bodies, the requirements for relevant experience may vary from one to another. However, the professional body or regulatory agency should ensure that the experience gained is acceptable. Among the steps it might take are the following:
• Establish a monitoring system that provides for the monitoring and reporting of the experience actually obtained by the student;
• Provide detailed written guidance in the form of manuals for employers and students;
• Establish a mechanism for approving employers as suitable for providing the appropriate experience for the students (This may be in the form of a committee that reviews the reputation and nature of practice of any applicant employer to ensure that the employment situation is satisfactory.);
• Assess and approve the work experience environment before the commencement of employment (To this end, the nature and scope of relevant experience and the organizational structure of the employer should be considered to ensure that the student receives proper direction, supervision, counseling and evaluation.);
• Assess the experience gained on the basis of a written and/or oral submission made by the student, appropriately supported by employers, etc., at the point of application for membership;
• Review employers previously approved. The review may advise an employer on areas that need improvement or may recommend that approval be withdrawn if conditions have changed to the extent that relevant experience criteria are not being met; and
• Establish a system of periodic reporting to cover changes, if any, in the nature, scope, and content of the practical experience provided to the prospective professional accountant in cases where it may be impractical to visit all approved employers.

54. For a program of relevant experience to be effective, close collaboration is necessary between the professional body or regulatory authority, the prospective professional accountant and the employer providing the experience, whether it be in industry, commerce, government or public practice.

55. The program of relevant experience should be designed and implemented to be mutually beneficial to the prospective professional accountant and the employer. It should meet the relevant experience requirements set by the professional body and be cost-effective for the employer.

56. A record of the actual experience provided for each prospective professional accountant should be maintained either by the employer or by the prospective accountant and reviewed by the professional body. The record should be compared regularly with the overall experience program established for the prospective professional accountant to ensure that the requirements established by the professional body or regulatory agency are being met, and that the prospective professional accountant is being adequately counseled when progress within the program does not match the anticipated development rate. It will also provide an opportunity for the prospective professional accountant to comment on the work experience and contribute to its further development.

Conclusion

57. This Guideline has set forth the elements of education and experience needed in a preaccreditation program of a professional accountancy organization. It has recommended the goal of accounting education and experience, together with its components of knowledge, skills, and professional values and the elements on which education and experience for all professional accountants must be
founded. It should be recognized, however, that each professional body will need to determine not only how best to accomplish this, but what emphasis to place on the various components. Furthermore, since the profession is never static, care must be taken to continuously monitor the environment in which it operates to ensure that the educational process remains relevant.