

Final Pronouncement

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International Education Standard (IES) 5

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

IAESB

International Accounting
Education
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This document was developed and approved by 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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INTERNATIONAL EDUCATION STANDARD 5 (REVISED)
(EFFECTIVE ON JULY 1, 2015)

INITIAL PROFESSIONAL DEVELOPMENT – PRACTICAL EXPERIENCE

CONTENTS

	Paragraph
Introduction	
Scope of this Standard	1–8
Effective Date	9
Objective	10
Requirements	
Practical Experience	11-16
Practical Experience Supervision and Monitoring	17-20
Explanatory Material	
Scope of this Standard	A1–A3
Objective	A4–A6
Practical Experience	A7–A9
Output-Based Approach	A10
Input-Based Approach	A11–A13
Combination Approach	A14
Practical Experience Supervision and Monitoring	A15–A21

Introduction

Scope of this Standard (Ref Para A1–A4)

1. This International Education Standard (IES) prescribes the practical experience required of aspiring professional accountants by the end of Initial Professional Development (IPD).
2. This IES is addressed to IFAC member bodies. IFAC member bodies have responsibility for ensuring that IPD meets the requirements set out in this IES. In addition, this IES will be helpful to educational organizations, employers, regulators, government authorities, and any other stakeholders who support the practical experience of aspiring professional accountants.
3. Practical experience refers to workplace and other activities that are relevant to developing professional competence. Practical experience is a component of IPD. IPD is learning and development through which individuals first develop competence to perform a role of a professional accountant.
4. Practical experience during IPD builds on general education and programs of professional accounting education. The public expects professional accountants to apply their experience and knowledge in carrying out their roles. However, the variety of roles that professional accountants perform means that the required practical experience may vary from one IFAC member body to another, and even within an individual IFAC member body that offers different types of membership. IFAC member bodies are able to adapt their practical experience requirements to meet (a) their own needs, (b) the requirements of the relevant regulatory authorities, as well as (c) public expectations that professional accountants are competent.
5. This IES specifies requirements for practical experience during IPD. IES 8: Professional Development for Engagement Partners Responsible for Audits of Financial Statements specifies requirements for practical experience for engagement partners and aspiring engagement partners.
6. After the completion of IPD, practical experience may be required to bring professional accountants to a level of competence needed for other roles, such as (a) that of a statutory auditor, (b) other forms of specialization, or (c) those roles that are regulated. In addition, all professional accountants undertake lifelong learning to continue to develop and maintain professional competence (see IES 7: Continuing Professional Development).
7. Practical experience supervisors and employers have important roles in planning and monitoring practical experience gained by aspiring professional accountants.
8. Definitions and explanations of key terms used in the IESs and the Framework for International Education Standards for Professional Accountants are set out in the IAESB Glossary of Terms.

Effective date

9. This IES is effective from July 1, 2015.

Objective (Ref Para A5-A6)

10. The objective of an IFAC member body is that aspiring professional accountants complete sufficient practical experience required to perform a role of a professional accountant.

Requirements (Ref Para A7–A21)

Practical Experience (Ref Para A7–A9)

11. IFAC member bodies shall require that aspiring professional accountants complete practical experience by the end of IPD.
12. IFAC member bodies shall require sufficient practical experience to enable aspiring professional accountants 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.
13. IFAC member bodies shall establish their preferred approach to measure practical experience using one of the following three approaches:
 - output-based;
 - input-based; or
 - a combination of output-based and input-based approaches.

Output-Based Approach (Ref Para A10)

14. Those IFAC member bodies implementing an output-based approach shall require aspiring professional accountants to demonstrate, using output measures, that they have obtained practical experience.

Input-Based Approach (Ref Para A11-13)

15. Those IFAC member bodies implementing an input-based approach shall require aspiring professional accountants to demonstrate, using input measures, that they have obtained practical experience.

Combination Approach (Ref Para A14)

16. Those IFAC member bodies implementing a combination of output- and input-based approaches shall comply with the requirements of output- and input-based approaches, as applicable, set out in paragraphs 14 and 15.

Practical Experience Supervision and Monitoring (Ref Para A15-A21)

17. IFAC member bodies shall require that practical experience of aspiring professional accountants be conducted under the direction of a practical experience supervisor.
18. IFAC member bodies shall require that practical experience of aspiring professional accountants is recorded in a consistent form prescribed by an IFAC member body or, where applicable, a regulatory body, and is supported by verifiable evidence.
19. IFAC member bodies shall require that the practical experience supervisor undertake a periodic review of the records of practical experience of aspiring professional accountants.
20. IFAC member bodies shall establish appropriate assessment activities to assess that sufficient practical experience has been completed by aspiring professional accountants.

Explanatory Material

Scope of this Standard (Ref Para 1-8)

- A1. An aspiring professional accountant is an individual who has commenced a professional accounting education program as part of IPD. The inclusion of practical experience in IPD lays the base for the ongoing development of professional competence throughout the professional accountant's career.
- A2. Professional accounting education programs are designed to support aspiring professional accountants develop the appropriate professional competence by the end of IPD. They may consist of formal education delivered through degrees and courses offered by universities, other education providers, IFAC member bodies, and employers, as well as workplace training. The design of professional accounting education programs during IPD may therefore involve substantive input from stakeholders other than IFAC member bodies.
- A3. There are many different ways to describe and categorize professional competence. Within the IESs, professional competence is the ability to perform a role to a defined standard. Professional competence consists of technical competence, professional skills, and professional values, ethics, and attitudes.
- A4. Practical experience provides a professional environment in which aspiring professional accountants develop competence by:
- (a) becoming aware of the environment in which services are provided;
 - (b) enhancing their understanding of organizations, how business works, and professional work relationships;
 - (c) being able to relate accounting work to other business functions and activities;
 - (d) developing the appropriate professional values, ethics and attitudes in practical, real-life situations (see also IES 4: Initial Professional Development - Professional Values, Ethics, and Attitudes); and
 - (e) having an opportunity to develop at progressive levels of responsibility while under appropriate levels of supervision.

Objective (Ref Para 10)

- A5. Sufficient practical experience has a blend of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts. The breadth of practical experience is affected by factors such as: nature of role; level of proficiency; national or local laws; requirements of regulatory authorities; and the public's expectation for professional competence. The depth of practical experience is affected by factors such as the variety and complexity of tasks as well as the level of supervisory and monitoring support.
- A6. Having aspiring professional accountants complete sufficient practical experience to perform a role of a professional accountant serves several purposes. First, the public interest is protected and the credibility of the profession is enhanced when only those who meet the profession's competence requirements, are permitted to be professional accountants. Second, member bodies and regulatory authorities have a responsibility to ensure that professional accountants have the competence expected of them by the public, employers, and clients. Third, professional

accountants have a continuing duty to maintain professional competence to ensure that clients, employers, and relevant stakeholders receive competent professional service¹.

Practical Experience (Ref Para 12-13)

- A7. IPD builds on general education and includes professional accounting education, practical experience, and assessment. The exact combination of these components may vary depending on a range of factors including, for example, the complexity and variety of tasks, special knowledge required, level of autonomy, and the level of judgment required by the role the aspiring professional accountant is expected to undertake at the end of IPD. The combination of practical experience and education might also vary according to (a) rules established by individual IFAC member bodies, (b) national and local laws, (c) the requirements of regulatory authorities, and (d) public expectations.
- A8. In determining what constitutes an appropriate balance between professional accounting education and practical experience, IFAC member bodies may consider the following:
- (f) Some professional accounting education programs that place a strong emphasis on practical application, such as traineeships, internships, cooperative education work periods, and secondments, may contribute to the practical experience requirement.
 - (g) Study for academic or professional qualifications is useful for acquiring and demonstrating professional accountancy knowledge. However, by itself, study does not necessarily demonstrate achievement of the professional competence to perform a role of a professional accountant. Experience gained at work equips aspiring professional accountants with many of the skills needed to become competent professional accountants.
 - (h) Practical experience may be obtained after completion of a professional accounting education program or concurrently with such a program.
- A9. In setting the approach and requirements for practical experience, IFAC member bodies may consider a number of factors, including:
- (a) the public interest, including knowledge of the local environment, public expectations, and any relevant regulatory requirements;
 - (b) the needs of the aspiring professional accountants, including an understanding of the roles that they are expected to undertake upon completion of IPD;
 - (c) the needs of the employer, including efficiency and cost-effectiveness, and whether that employer is in industry, government, or public practice; and
 - (d) the needs of the IFAC member body, including regulatory requirements, efficiency, and cost-effectiveness.

Output-Based Approach (Ref Para 14)

- A10. The evidence that could be used for assessment purposes in an output-based approach could include
- (a) measurement of learning outcomes achieved in accordance with a competency map;

¹ *Professional Code of Conduct, IESBA Handbook of the Code of Ethics for Professional Accountants, – 2012 Edition.*

- (b) reviews of a research project or reflective essay; and
- (c) work logs compared against an appropriate competency map (a work log is a record maintained by an individual of the nature of the assignments and tasks completed, and of the time incurred in completing those assignments and tasks).

Input-Based Approach (Ref Para 15)

- A11. Input-based approaches are often used as a proxy for measuring development of competence due to their ease of measurement and verification. Input-based approaches have limitations; for example, they do not always directly measure the learning outcomes or competence developed. Traditionally, input-based approaches are based on time, for example, hours spent on relevant activities, or total duration (days, months, or years) of practical experience.
- A12. Evidence that could be used for measurement in an input-based approach includes attendance records, time sheets, workplace diaries, and a work log or journal. IFAC member bodies setting a requirement using an input-based approach may consider the structure and relevance of education programs completed by aspiring professional accountants. Professional accounting education programs that deliver outcomes similar to the outcomes derived from measured work-based experience (such as internships) may contribute to the total requirement for practical experience. Equally, where a substantial professional accounting education program has been completed, such as a Master's degree in accounting, an IFAC member body may elect to reduce the practical experience component. For example, an IFAC member body choosing the input-based approach might consider three years of practical experience (as preferred and implemented by several IFAC member bodies), or two years with a Master's degree in accounting or other relevant subject, or a minimum of five years total of combined accounting education and sufficient practical experience.
- A13. Regardless of the balance of the component parts, there is typically an expectation by the public that a professional accountant has completed a professional accounting education program and has obtained sufficient practical experience.

Combination Approach (Ref Para 16)

- A14. Approaches that combine elements of both output- and input-based approaches might be constructed by the IFAC member body. Input units might be considered as contributing to the professional competences being measured. Achievement of particular competences might either be used to verify input, or in some cases replace a portion of the input requirement.

Practical Experience Supervision and Monitoring (Ref Para 17-20)

- A15. A practical experience supervisor is a professional accountant who is responsible for directing, advising, and assisting aspiring professional accountants in acquiring sufficient practical experience. Practical experience supervisors can represent an important link between aspiring professional accountants and IFAC member bodies. They may be responsible for planning the practical experience period, and provide guidance to aspiring professional accountants. In some environments practical experience supervisors may also provide mentoring support to aspiring professional accountants. IFAC member bodies may provide training for practical experience supervisors, and put in place both assistance and quality control programs.
- A16. Practical experience supervisors may be assisted in performing the monitoring function by others, some of whom may not be professional accountants.

- A17. Verifiable evidence is evidence that is objective, capable of being proven, and stored in written or electronic form.
- A18. The purpose of the periodic review by the practical experience supervisor of the record of practical experience, supported by verifiable evidence, is to check that requirements set by the IFAC member body or regulatory authority are being met. In addition, this periodic review can also be used to monitor an individual's progress. If the aspiring professional accountant's progress does not match expectations, the practical experience supervisor has an opportunity to review the situation to discover the reasons why and what can be done to improve progress. This periodic monitoring will (a) provide an opportunity for the practical experience supervisor, the employer, and the aspiring professional accountant to review the practical experience obtained to date, and (b) contribute to future development of the aspiring professional accountant.
- A19. In assessing the sufficiency of the practical experience acquired by aspiring professional accountants, IFAC member bodies may consider the following activities:
- (a) Establishing a system, which may take a sampling approach, to monitor and report the practical experience obtained;
 - (b) Providing detailed written guidance for employers, practical experience supervisors, and aspiring professional accountants regarding the program of practical experience and their respective roles and responsibilities;
 - (c) Establishing a mechanism for approving the suitability of employers to provide the appropriate practical experience for aspiring professional accountants;
 - (d) Assessing and approving the practical experience environment before commencement of experience. For example, the nature and scope of practical experience and the training arrangements of employers can be reviewed to ensure that aspiring professional accountants would receive appropriate direction, supervision, mentoring, counseling, and evaluation;
 - (e) Establishing a system of periodic reporting by employers to cover changes, if any, in the planned nature, scope, and content of practical experience undertaken by aspiring professional accountants;
 - (f) Assessing, prior to completion of IPD, the practical experience gained, based on written submissions (possibly supported by oral submissions) made by aspiring professional accountants and practical experience supervisors (see also IES 6, Initial Professional Development - Assessment of Professional Competence);
 - (g) Encouraging employers to provide feedback to aspiring professional accountants and to practical experience supervisors, and to communicate when competences have been achieved;
 - (h) Monitoring previously approved employers and practical experience supervisors. IFAC member bodies may advise on areas for improvement or might recommend withdrawal of approval if conditions have so changed that relevant experience criteria are not being met; and
 - (i) Undertaking a periodic and timely study of the competences required by professional accountants to help to ensure that sufficient practical experience is acquired and supported by verifiable evidence, e.g., a work log.

- A20. IES 6: *Initial Professional Development – Assessment of Professional Competence* provides the principles that apply to the design of assessment activities used to assess the sufficiency of practical experience.
- A21. Various activities can be used to assess the sufficiency of practical experience of aspiring professional accountants. Appropriate assessment activities may include workplace assessments as presented in IES 2: Initial Professional Development – Technical Competence, IES 3: Initial Professional Development – Professional Skills and IES 4: Initial Professional Development – Professional Values, Ethics, and Attitudes in their respective areas of focus within IPD.

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