

Basis for Conclusions:
IEPS 3 – Practical Experience Requirements –
Initial Professional Development for
Professional Accountants

*Prepared by the Staff of the International Accounting Education Standards
Board*

**BASIS FOR CONCLUSIONS:
International Education Practice Statement 3 –
Practical Experience Requirements – Initial Professional Development for
Professional Accountants**

The Basis for Conclusions document for International Education Practice Statement (IEPS) 3 has been prepared by the Staff of the IAESB and has not been discussed by the IAESB. It does not form part of IEPS 3.

Background

1. The IAESB considered and approved a project to develop an IEPS that provides guidance to assist member bodies and academics to implement the requirements set out in IES 5, *Practical Experience Requirements*, in December 2003. More specifically, IEPS 3 provides guidance for IFAC member bodies in implementing the requirements of IES 5, *Practical Experience Requirements*. Although IFAC member bodies retain overall responsibility for meeting its requirements, this IEPS also provides guidance for employers, mentors and trainees on their roles and responsibilities regarding a period of practical experience.
2. The IAESB issued an exposure draft of IEPS 3 (“ED IEPS 3”) on January 4, 2007, with a deadline for responses of March 31, 2007. The IAESB received 19 comment letters from a variety of respondents, including IFAC member bodies, public accounting firms, regulators and individuals. As a result of comments from all sources, the IAESB implemented a number of changes to ED IEPS 3 in finalizing the text of the revised IEPS 3. In addition the Consultative Advisory Group (CAG) for Education commented on both the Exposure Draft (ED) of the IEPS and the comment analysis of the ED respondents at their 2006 and 2007 meetings, respectively.

The following summarizes the more significant issues raised by respondents, and how the IAESB addressed them.

Issues Raised During Exposure Period

3. The most significant issues raised by respondents in their submissions to the IAESB related to:
 - *Scope of IEPS*
 - *Introduction of New Terminology*
 - *Period of Practical Experience*
 - *Framework for Practical Experience*
 - *Practical Application Accounting*
 - *Role and Responsibilities of Mentors*
 - *Alternative Mentoring Arrangements*
 - *Evidence Required*
 - *Applicability of Guidance for Accountants Training in Business and/or SMEs/SMPs*

Changes made to IEPS 3 since the exposure period, are now discussed in turn below. Paragraph numbers refer to IEPS 3 as issued, unless otherwise stated.

Scope of IEPS (Paragraph 4)

4. ED IEPS 3 provides guidance for implementing IES 5, but two respondents indicated that the IEPS did not provide guidance for the specialization of auditing or continuing professional development. One respondent indicated that more emphasis should be placed on the IEPS not being prescriptive and more emphasis on it being illustrative in nature.
5. In response, the IAESB agreed with respondents and narrowed the scope IEPS by revising the wording in paragraph 4 to eliminate any reference to this IEPS providing guidance for IESs 7 and 8. In addition wording was added to paragraph 4 to emphasize that the IEPS is not intended to be prescriptive and that other approaches by member bodies in meeting the requirements of IES 5 are acceptable.

Introduction of New Terminology (Paragraphs 10 and 11)

6. ED IEPS 3 introduces the terms Initial Professional Development (IPD) and formal education in the practice statement, but these terms do not appear in IES 5. Two respondents indicated that these terms have the potential of creating confusion and do not add clarity for member bodies seeking to implement and comply with IES 5. It was suggested that the term, formal education, be formally defined in the Definitions section of the IEPS.
7. In response, the IAESB has discussed the use of these concepts with the Consultative Advisory Group (CAG) and the IAESB and although these terms do not appear in IES 5, both groups indicated that these terms do add value to the understanding and application of the practice statement. In the case of the term, Initial Professional Development (IPD), paragraph 10 provides additional information as to what the concept is intended to mean in the context of practical experience for the pre-qualification stage. The introduction of IPD was considered helpful by the IAESB and the CAG because it establishes a link between pre-qualification and Continuing Professional Development (CPD), and emphasizes the idea of a continuing process for development during a professional accountant's career. The term, however, will not appear in the Definitions section (paragraph 11). IAESB members, however, suggested that the concept of IPD be introduced into the revised *Framework for International Education Statements* and defined in the accompanying Glossary. The definition could then be expanded to the entire pre-qualification component of an accounting education program.
8. The term, formal education, was included in the Definitions section of the IEPS as a new term. The term was considered important by the IAESB and the CAG to differentiate workplace learning from non-workplace learning found in an accounting education program.

Period of Practical Experience (Paragraphs 23-31)

9. ED IEPS 3 provides guidance in satisfying the practical experience requirement of a minimum three year period. Two respondents indicated that additional guidance on the interpretation of the minimum three-year requirement was required.
10. In response the IAESB reviewed the section on the period of practical experience and approved wording changes to ensure clarification of this section. More specifically, paragraphs 23, 28 and 31 have been revised to provide clarification in the interpretation of the minimum period of practical experience. Paragraph 23 provides flexibility to member bodies by offering a number of ways which can be used to interpret and satisfy the practical experience requirement. The wording of paragraph 28 has been clarified to show different ways to link practical experience with formal education. Paragraph 31 provides guidance by suggesting that member bodies formalize the trainee's obligations relating to practical experience. Member bodies, however, may specify a maximum period during which trainees gain the required practical experience.

Framework for Practical Experience (Table 1)

11. ED IEPS 3 presents a framework for practical experience (Table 1). Sixteen of seventeen respondents who commented on the framework indicated that it was useful but that it needed further clarification to show a progression of professional skills among the three levels, to demonstrate alignment to Bloom's taxonomy and to provide greater flexibility in its application by member bodies. One respondent suggested that in developing the framework for practical experience, there was an attempt to illustrate the competencies that should be achieved to meet practical experience standards and this was outside of the scope of this document and that these paragraphs do not serve as useful guidance.
12. In response, the IAESB reviewed and made changes to Table 1 and accompanying text. More specifically, the descriptors of the levels of Table 1 have been aligned with Bloom's taxonomy to show a gradation of performance among the three levels. It was recognized that the priority and importance of certain topics will vary depending of the development of an individual's career. Many of the comments received in relation to the framework suggested the need for more specific, detailed guidance as to the precise content of a period of practical experience. Given the diversity of roles undertaken by trainee accountants, this would not be practicable to describe the content of practical experience in an illustrative framework and if done would be seen as being too prescriptive. Member bodies continue to have the flexibility to determine (a) the specific competences required of trainees, as appropriate for their environment, and (b) the defined standard for competence in one or more work roles.

Practical Application Accounting (Paragraph 37)

13. ED IEPS 3 does not discuss practical application accounting. One respondent felt that additional guidance in this area would be helpful.

14. In response, the task force has reviewed paragraphs 32-38 on demonstrating professional competence to ensure that guidance is provided on the concept of practical application accounting used in paragraph 11 of IES 5. More specifically, paragraph 37 provides a list of activities that may supplement practical experience, but the wording indicates that these activities are not intended to be a substitute for practical experience.

Role and Responsibilities of Mentors (Paragraphs 43-45)

15. ED IEPS 3 provides information on the role and responsibilities of mentors in paragraphs 43 to 45. A number of respondents suggested further clarification to the mentor's role and responsibilities.
16. In response, the IAESB reviewed the section on role and responsibilities of mentors and provided additional clarification as to what is expected of a mentor. More specifically, paragraph 43 indicates that experienced professional accountants when fulfilling the role of a mentor, they should regularly pass on their experience, guiding a trainee, and assisting the trainee in merging formal learning with practical experience.

Alternative Mentoring Arrangement (Paragraph 50)

17. ED IEPS 3 describes some of the considerations for a member body in providing alternative mentoring arrangements. One respondent did not support the concept of alternative mentoring arrangement. The respondent indicated that mentoring could only be accomplished well if the mentor is in the employer organization. Alternative mentoring arrangements were considered an accommodation and without strong compensating measures would not be an application of the standard as it was intended.
18. The application of mentoring arrangements was discussed with both the CAG and the IAESB. Both the CAG and IAESB indicated that such arrangements are an example of good practice in respect of many non-audit environments, and should, therefore, remain. CAG members indicated that the information on alternative mentoring arrangements was innovative and showed the need for flexibility when implementing mentoring programs in small- and medium-sized enterprises, especially in developing economies.

Evidence Required (Paragraphs 51-53)

19. ED IEPS 3 provides information in paragraphs 51 to 53 on recording practical experience. One respondent indicated that working experience of the accountant should include objective evidence that these basic accounting principles have been applied.

20. In response to this comment the IAESB referred to paragraphs 51-53 of IEPS which describe the types of records that are recommended for trainees to keep, the need for mentors to review and verify a trainee's practical experience records and the need for member bodies to review the trainee's practical experience records. The IAESB indicated that this information fully addressed the ED comment on collecting sufficient and objective evidence for practical experience.

Applicability of Guidance for Accountants Training in Business and/or SMEs/SMPs

21. ED IEPS 3 provides guidance on how to work effectively with employers so as to ensure that trainees complete a period of practical experience which satisfies member bodies' requirements. Nine of fourteen respondents replied that the proposed IEPS was applicable to member bodies across a range of environments, and could be applied to accountants training in business and/or SME/SMP environments.
22. Five respondents felt that the proposed IEPS was not, however, applicable to member bodies across a range of environments, and contained recommendations for good practice that were (a) too focused on an audit environment; (b) too complex and burdensome for SMEs and SMPs in particular; and or (c) too costly for many member bodies to implement. These concerns were raised with specific reference to the guidance proposed in relation to mentoring, monitoring and control processes and working with employers in a "Registered Employer" context.
23. The IEPS is intended to assist IFAC member bodies in implementing IES 5, but that it is for IFAC member bodies to set detailed practical experience requirements. The guidance provided in the IEPS is stated not to be prescriptive (Paragraph 4). Member bodies may identify and implement other approaches in meeting the requirements of IES 5. To ensure the applicability of the guidance provided to non-audit environments (e.g., accountants training in business and in the public sector), the introductory paragraphs in Section 2 have been revised so as to apply to all workplace environments. CAG members agreed with the changes made to ensure applicability to accountants training in business and/or SMEs/SMPs. In addition CAG members indicated that mentoring programs should be implemented by organizations regardless of size. The CAG recognized the issue of cost of implementation, but indicated that the guidance provides alternatives which are practical. Member bodies need to consider their own development stage and adopt elements of the guidance in the near term, but setting the long-term goal of implementing the guidance to demonstrate good practice. Both the CAG and the IAESB agreed that establishing a "Registered Employer" or similar scheme is an example of good practice, and is applicable to auditing, accountants training in business and public sector environments. CAG members indicated that establishing Registered Employers schemes do provide an environment in which trainees gain relevant practical experience