



International Accounting  
Education  
Standards Board

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**Committee:** IAESB Consultative Advisory Group  
**Meeting Location:** Brussels, Belgium  
**Meeting Date:** February 6-7, 2014  
**SUBJECT:** **IES Revision Project – Issues Paper on IAESB Glossary (02/14)**

### INTRODUCTION

1. The aim of this paper is to:
  - i. Update the CAG on the Drafting Working Group's ("the DWG") review of the IAESB's Glossary of Terms ("the Glossary").
  - ii. Provide a revised draft Glossary and highlight key issues arising from the DWG's review of the Glossary.
  - iii. Obtain the CAG's advice and feedback on the revised draft and issues presented.
2. This agenda item contains the following materials:

Agenda Item 2-1	IES Revision Project - Issues Paper on IAESB Glossary (02/14)
Agenda Item 2-2	Revision of Glossary - Clean Copy
Agenda Item 2-3	Revision of Glossary - Marked-up Copy

### BACKGROUND

3. The Glossary is published alongside *The Framework for International Education Standards for Professional Accountants* ("the Framework"), in the *Handbook of International Education Pronouncements*. The Handbook was last updated in 2010, at which time the Glossary was also updated to include terms from the recently published Framework.
4. Since 2010, the IAESB has undertaken its International Education Standards Revision Project to revise and redraft the suite of eight International Education Standards (IESs) in accordance with its clarity drafting conventions (an Appendix to the Framework). The IAESB agreed that all eight standards should be revised or redrafted with the aim of:
  - i. improving clarity;
  - ii. ensuring consistency with concepts of the Framework; and
  - iii. clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the IESs by IFAC member bodies.
5. The IAESB anticipated that the Revision project would have a consequential impact on the content of the Glossary, reflected in the introduction to the Glossary:

*"This glossary comprises a collection of defined terms, many of which have been specifically defined within existing IAESB pronouncements. Some of the existing terms may be modified, and other terms added to the glossary, as they are reviewed during the current revision of the International Education Standards or other future publications. It is expected that a revised version of the IAESB Glossary of Terms will be published once the revision of the IESs is completed."*

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6. In 2012 the DWG reviewed the impact of the Revisions Project on the Glossary and presented an Issues Paper to the October 2012 IAESB meeting. This paper set out a range of issues for the Board's consideration in updating the Glossary. The Board provided direction to the DWG on the changes to be made to the Glossary.

### Recent Task Force Activity

7. The DWG has implemented the changes agreed by the Board in October 2012, and produced a marked up version of the revised Glossary (Agenda Item 2-3). In producing this draft revision, the DWG identified a number of issues for further discussion which are set out below.
8. A separate Task Force is working on the definition of a "professional accountant", and at the October IAESB meeting the Board will discuss and agree a revised definition of this term. Given the importance of this term, the DWG advises that it be subject to a separate public exposure process, although it could be aligned with that for the Glossary (see also paragraph 27 below).

### DISCUSSION

9. The DWG has made the following revisions to the glossary, as approved by the Board in October 2012 (see Appendix 1 for details):
  - a. Deletion of terms no longer used in IAESB pronouncements
  - b. Deletion of terms where the definition represents common parlance or the common dictionary meaning.
  - c. Addition of terms from revised published IESs or exposure drafts.
  - d. Addition of the following terms:
    - i. 'Learning outcomes'
    - ii. 'Mentoring'
  - e. Deletion of explanatory information from Glossary items.
10. The DWG has judged that it is not necessary to include a small number of additions approved by the Board in October 2012, for the following reasons:
  - a. 'Aspiring engagement partner' – no longer used in draft of Revised IES 8
  - b. 'Auditor's report' – not used in IESs other than in another IES 8 definition taken from IAASB Glossary
  - c. 'Professional development' – rarely used in IESs as a separate term (both IPD and CPD are defined terms)
  - d. 'Professional development programs' – not used in IAESB pronouncements
11. The DWG was also asked to review the use of a number of current terms in the Glossary and make recommendations as to how they should be treated in the revised Glossary:

Term	DWG recommendation
Audit professional	Delete – no longer used is the draft of Revised IES 8
Best practice	Delete – one reference in the Framework to content of IEPs, and only one reference in IEPs 2. “Good practice” is defined separately
Capabilities	See specific discussion topic below
Competence	See specific discussion topic below
Continuing professional development (CPD)	Updated wording to align with published IES 7; no conflict with current draft of revised IES 8
General education	No change currently proposed, but will need to align with outcomes of Framework revision project
Professional knowledge	No change proposed – initially thought to be superseded by ‘technical competence’, but the definition of technical competence includes professional knowledge as a key concept.

**Action requested:**

- 1. With the exception of the issues highlighted for consideration below, what advice does the CAG have on the DWG’s recommendations and proposed revisions to the Glossary?**
- 2. Are there any other changes to the Glossary that should be considered?**

### Deletion of the explanatory information

12. As agreed by the Board in October 2012, the explanatory information for various terms in the Glossary has been deleted. The rationale was to ensure a consistent approach across the Glossary. This change results in removal of a significant amount of material from the Glossary.

DWG Recommendation

13. The DWG view is that definitions of Glossary terms should stand alone and not require additional explanation. Additional material that may be of interest or help to readers of IAESB pronouncements should be included in Explanatory Materials within those pronouncements, incorporated into the Framework, or provided elsewhere in guidance materials. If a definition does not stand alone without the additional explanation, that definition should be revised.

**Action requested:**

**Has the CAG identified:**

- 3. Deleted explanatory material that should be considered for inclusion in another IAESB pronouncement?**
- 4. Glossary terms which may need to be revised as a result of the deletion of the explanatory information?**

### Inclusion of items from IAASB Glossary of Terms

14. In the list of items that the Board approved for addition to the Glossary are a number of terms used in IES 4 and IES 8 which have been taken from the IAASB Glossary, namely: Auditor’s expert, engagement team, financial statements, firm, professional judgment, professional

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skepticism. Within IES 4 and IES 8, these terms have been clearly identified as being taken from the IAASB Glossary.

15. The DWG notes that in October 2012, the Board confirmed that it wished to include these terms in the IAESB Glossary for ease of reference, recognizing that they also appear in the IAASB's Glossary. After further reflection, the DWG believes this approach would create unhelpful duplication across the IAESB and IAASB Glossaries; would make updating of definitions more complicated than it should be; and would make redundant the current explanatory content in IES 4 and IES 8 related to those terms.

### DWG Recommendation

16. The DWG recommends that those terms defined in the IAASB Glossary should not be included in the IAESB Glossary; rather, they should appropriately cross-referenced in the IESs where they are used.

### **Action requested:**

- 5. What advice does the CAG have on the DWG recommendation to exclude these terms from the Glossary?**

### **Multiple definitions of 'sufficiency'**

17. The revised glossary contains two definitions of the term sufficiency – one specific to assessment and IES 6, and the other specific to practical experience and IES 5:

Term	Definition in the Glossary
Sufficiency (of assessment)	In relation to assessment, whether an assessment activity has a balance of depth and breadth, knowledge and application and, combines material from different areas applied to a range of situations and contexts.
Sufficiency (of practical experience)	<p>Whether practical experience has a balance of depth and breadth, knowledge and application and, where appropriate, integration of material from different areas applied to a range of situations and contexts.</p> <p>The breadth of practical experience is affected by factors such as: nature of role; level of proficiency, prior level of formal education; national or local laws; requirements of regulatory authorities; and the public's expectation for professional competence.</p> <p>The depth of practical experience is affected by factors such as: the variety and complexity of tasks; level of supervisory and mentoring support.</p>

18. The first paragraph of these two definitions is almost identical, and the second two paragraphs of the practical experience definition could be considered to be explanatory information. IES 5 paragraph A5 provides a full definition of "sufficiency of practical experience".

### DWG Recommendation

19. The DWG recommends that, to avoid duplication and confusion in the Glossary, a single definition of 'sufficiency' be drafted that can be applied to both assessment and practical experience. This new definition would be based on the first paragraph of the two existing definitions.

**Action requested:**

- 6. What advice does the CAG have on the DWG recommendation to include a single definition of sufficiency in the Glossary, and the proposed basis for its content?**

### ‘Capabilities’ and ‘competence’

20. The revised glossary contains definitions of the terms ‘capabilities’ and ‘competence’:

Capabilities	The professional knowledge; professional skills; and professional values, ethics, and attitudes required to demonstrate competence.
Competence	Ability to perform a work role to a defined standard with reference to working environments.

21. Initially the DWG considered that both terms should be deleted as they had been superseded through the Revision project. On further investigation, a number of issues emerged:

*Capabilities:*

- Referred to in a number of other existing definitions (e.g. ‘learning’ and ‘development’ - see below).
- Specifically used in current draft of IES 8, primarily due to the use of the phrase ‘capabilities and competence’ which is consistently used in the IAASB pronouncements that IES 8 refers to (ISA 220 and ISQC 1) and also the SMOs.

*Competence:*

- Current definition of IPD used in all IPD standards refers just to competence (but could/should be amended to ‘professional competence’)
- Same issues with regards to IES 8 and reference to ‘capabilities and competence’ from ISA 220, ISQC 1 etc.
- Deletion of the term competence could be seen to conflict with the introduction of the term ‘Competence area’ in the revised Glossary.
- Significant usage of the term ‘competence’ in the extant version of the Framework.

DWG Recommendation

22. The DWG notes that these issues go beyond simple maintenance of the Glossary. They are closely linked to the revision of the Framework, which needs to address the usage of these terms in relation to the concepts of ‘professional competence’ and ‘technical competence’ now used throughout the revised IESs. The DWG therefore proposes to make no changes to these terms until the Framework Task Force has considered these wider issues.

**Action requested:**

- 7. What advice does the CAG have on the DWG recommendation to retain the current definitions of these terms until the related issues have been addressed by the work of the Framework Task Force?**

### ‘Mentoring’

23. In October 2012, the Board agreed that the term ‘mentor’ needed to be removed from the Glossary, to avoid conflict with the IES 5 term ‘practical experience supervisor’. The Board further

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agreed that it was important to recognize the activity of “mentoring” in the development of a professional accountant, and to include that term in the Glossary.

24. The DWG has reviewed the existing IAESB literature and not found an explanation or definition of the term ‘mentoring’ that could be used for the Glossary. The DWG has therefore researched other sources of definition of the term.

### DWG Recommendation

25. The DWG recommends that ‘mentoring’, as it relates to the IESs, be defined as:

*“Supporting and encouraging professional accountants and aspiring professional accountants to manage their own learning to enable them to maximize their potential, develop their skills and improve their performance.”*

### **Action requested:**

- 8. What advice does the CAG have on the DWG recommendation for a definition of ‘mentoring’?**

### **Exposure of the revised Glossary**

26. The changes to the Glossary will require a public exposure period. The DWG recommend that the Glossary be exposed alongside the proposed revisions to the Framework, and intend to liaise with the Framework Task Force with the aim of exposing the Framework and the Glossary for public consultation in a single process.
27. The DWG will also liaise with the Definition of a Professional Accountant Task Force with the aim of aligning the exposure of that new definition with the exposure of the revised Glossary.

### **Action requested:**

- 9. What advice does the CAG have on the DWG recommendations for exposure of revised Glossary**

### **PROPOSED WAY FORWARD**

28. The advice and editorial comments resulting from the CAG’s deliberations will be included in the IAESB discussion of the IAESB Glossary document at its April 2014 meeting.

### APPENDIX 1

#### October 2012 IAESB meeting – London

The IAESB received a draft of the proposed IAESB Revised Glossary (October 2012) and an Issues paper, which provided Board members with a summary of proposed changes to the IAESB Glossary made as a result of the IES Revision project. The following summarizes the Board's discussion.

#### IAESB Discussion of Issues and Drafting Work Group Proposals

##### *Deletion of Glossary Terms*

##### *(a) Terms no longer used*

The IAESB agreed the Drafting Work Group's proposal to delete the following terms from the extant Glossary because they are no longer used in the Revised IESs or pronouncements:

- candidate;
- distributed learning;
- higher education;
- post-qualification;
- pre-qualification;
- relevant experience;
- technical accounting staff; and
- trainee.

##### *(b) Terms that are defined but the definition represents common parlance or common dictionary meaning*

The IAESB agreed the Drafting Work Group's proposal to delete the following terms from the extant Glossary because they represent common parlance or common dictionary meaning:

- cost effectiveness;
- information technology; and
- student.

The IAESB decided to keep the definition of 'role' because of its implications to the *Framework for International Education Standards for Professional Accountants* (2009) document.

##### *(c) Terms previously defined by IAESB in a special way but no longer used in that way in IESs and Framework*

The IAESB agreed the Drafting Work Group's proposal to delete the following terms from the extant Glossary because they are no longer used in the same way as they have been used in the extant IESs or the *Framework* document (2009):

- mentor; and
- specialization.

### **Addition of Terms to the Glossary**

(d) *Terms identified from revised published IESs (1, 6 and 7) or exposure drafts (2, 3, 4, 5 and 8).*

The IAESB agreed the Drafting Work Group's proposal to add the following terms to the Glossary:

- aspiring engagement partner;
- aspiring professional accountant;
- assessment activity;
- auditor's expert;
- auditor's report;
- content validity (of assessment);
- combination approach;
- competence area;
- cooperative education;
- engagement team;
- equity (of assessment);
- face validity (of assessment);
- financial statements;
- firm; input-based approach;
- intellectual skills;
- interpersonal and communication skills;
- learning & development;
- organizational skills;
- output-based approach;
- partner authorization criteria;
- personal skills;
- practical experience supervisor;
- predictive validity (of assessment);
- professional accounting education program;
- professional competence;
- professional judgment;
- professional skepticism;
- reflective activity;
- relevant ethical requirements;
- reliability (of assessment);
- sufficiency (of practical experience);
- technical competence;
- transparency (of assessment);
- sufficiency (of assessment);
- verifiable evidence; and
- work log.

IAESB members indicated that the definition of an 'aspiring professional accountant' did not align with how the term was being used in the revised IES 1. The IAESB instructed the Drafting Work Group to review IES 1 and clarify the usage of the term "aspiring professional accountant".

### (e) *Terms not defined from new IESs*

The IAESB agreed the Drafting Work Group's proposal to add the following terms to the Glossary:

- learning outcomes,
- professional development,
- professional development programs, and
- mentoring.

These terms were viewed by the IAESB to have specific meanings for the Board's publications while the other proposed terms should be left to IFAC Committees or Standard-setting Boards to define. It was agreed to include the terms of other IFAC Committees and Standard-setting Boards in the IAESB Glossary for ease of reference.

### **Conflicts with Definitions**

#### (f) Framework

The IAESB agreed that the Drafting Work Group should review the *Framework for International Education Standards for Professional Accountants* (2009) document to ensure consistency with glossary changes resulting from the IES Revision project. More specifically the IAESB instructed the Drafting Work Group to consider rewording, updating, or deleting the following terms:

- audit professional;
- best practices;
- capabilities;
- competences;
- continuing professional development (CPD);
- general education; and
- professional knowledge.

#### (g) Inter-IES conflicts

The IAESB agreed that the work group of task force chairs and secretaries review any inconsistencies in usage of the following terms across revised and exposed IESs:

- Assessment activities;
- IPD; and
- Sufficiency of practical experience.

### **Explanation Paragraphs**

The IAESB agreed with the Drafting Work Group's proposal to remove the explanation paragraphs from the proposed glossary. These explanation paragraphs are sourced from the explanatory material of the standards and were viewed by the IAESB members as creating unnecessary replication.

### ***Withdrawal of Extant Glossary***

The IAESB agreed with the Drafting Work Group's proposal to withdraw the extant glossary once the revision project is completed and to publish a new IAESB Glossary to accompany the suite of revised IESs.

### ***Guideline for IAESB Glossary***

IAESB members suggested that a guideline be established to document the guiding principles used in developing the new version of the IAESB Glossary. This guideline should be included within the *Guide for Developing IAESB Publications* document. The following were some of the suggestions that could be used as guiding principles when considering whether to include a definition into the Glossary:

- As a default position do not add un-necessary definitions;
- Do not include a definition if a commonly used dictionary definition works;
- Include definitions from other IFAC Committees and Standard-setting Boards for ease of use;
- Include definitions only if they have a particular meaning for the IAESB; and
- Consider the perspective of the first-time reader when including a definition.

The IAESB instructed the Drafting Work Group to develop this guideline for future reference.

### **Proposed Way Ahead**

The IAESB requested that the Drafting Work Group prepare a revised version of the IAESB Glossary as a result of the meeting's discussion with the aim of approving an exposure draft to obtain public comments at the October 2013 IAESB meeting.